PRESS CONFERENCES

BOOK 22:

OCT. 1 - DEC. 28, 1942
Advertising
SEE Financing, Government - 11/19/42. .......... " 189-95

Advertising Council
SEE Financing, Government - 11/12/42. .......... " 147-59
SEE Financing, Government - 11/19/42. .......... " 189-95

Advisory Council of National Sales Managers
SEE Financing, Government - 11/12/42. .......... " 147-59

Africa
SEE Money, Invasion - 11/16/42. .......... " 175-87
SEE Money, Invasion - 12/14/42. .......... " 251-58

Airplane Companies
SEE Financing, Government (War Savings Bonds and Stamps) - 10/5/42. .......... " 7-13

American Bankers' Association
SEE Financing, Government - 11/12/42. .......... " 147-59

Australia
SEE Silver - 12/14/42. .......... " 245-51

Banks
SEE Financing, Government (War Savings Bonds and Stamps) - 10/5/42. .......... " 7-13

Bonds, Corporate
SEE Tax, Income - 12/28/42. .......... " 281-94

Bonds, US
SEE Tax, Income - 12/28/42. .......... " 281-94

British Empire
SEE Morgenthau, Henry, Jr. - 11/2/42. .......... " 62-63
SEE Tax, Income - 11/2/42. .......... " 63-66
SEE Foreign Funds Control - 11/2/42. .......... " 73-77
SEE Silver - 12/14/42. .......... " 245-51

British Treasury
SEE Morgenthau, Henry, Jr. - 11/2/42. .......... " 62-63
Brown, Edward E., President, First National Bank of Chicago

Burgess, Randolph E., Vice-Chairman, National City Bank of New York
SEE Financing, Government - 11/16/42.......................... 172

Byrnes, James F., Director, Office of Economic Stabilization
SEE Internal Revenue, Salary Stabilization - 10/8/42.......................... 27-36
SEE Tax, Legislation - 11/19/42.......................... 196-210

Canada
SEE Tax, Income - 11/2/42.......................... 63

China
SEE Silver - 12/14/42.......................... 245-51

Coinage
SEE Silver - 12/14/42.......................... 245-51
SEE Gold - 12/14/42.......................... 251-58

Economic Stabilization, Office of
SEE Internal Revenue, Salary Stabilization - 10/8/42.......................... 27-36
SEE Tax, Legislation - 11/19/42.......................... 196-210

England
SEE Morgenthau, Henry, Jr. - 11/2/42.......................... 62-63
SEE Tax, Income - 11/2/42.......................... 63-66
SEE Foreign Funds Control - 11/2/42.......................... 73-77
SEE Silver - 12/14/42.......................... 245-51

Federal Reserve Boards
SEE Financing, Government - 11/12/42.......................... 147-59
Financing, Government

Details on October financing will be announced
October 8; $4 billion will be sought, divided
into 2 issues - 10/5/42........................................ Book 22: 6

Nanoc.

Departmental Circular No. 698 of October 8, offering 2%, Bonds of 1950-52 - 10/8/42..........

Departmental Circular No. 699 of October 8, offering 1%, Series E-1946 notes - 10/8/42........

Internal Revenue, Salary Stabilization - 10/8/42.

Press Service No. 33-55 of October 8, closing subscription books for 2%, 1950-52 bonds and 1%,
Series E-1946 notes on October 9 - 10/8/42..........

MWJr issues press release showing preliminary reports of $4.1 billion sales of 2 offerings; considera
this a good return in view of low rate and short notice - 10/12/42.........................

a) 2% was subscribed by non-banking institutions
   - 10/12/42.................................................. 40-41

b) MWJr hopes to finance this war on 2% interest rate, on 7-10 year banking issues as compared with:

   $2 billion 1st Liberty Loan at 3/4
   $3 billion 2nd Liberty Loan at 4 1/2
   $3 billion 3rd Liberty Loan at 4 1/2
   $6 billion 4th Liberty Loan at 4 1/2
   $3½ billion Victory Loan at 4 3/4 - 10/12/42......................................... 41-59

c) Neither Treasury nor Federal Reserve Banks subscribed to this issue - 10/12/42..........

MWJr issues statement showing total financing figures for October, 1942, of $6.836 billion (largest sum of
new money in history of Treasury for 1 month), divided as follows:

   Tax Savings Notes: $921 million
   War Bonds (quota $775 million) 814 million
   Treasury bills 500 million
   Bonds and notes 4,100 million
   Certificates: 500 million - 11/2/42........................................ 60-62 & 78-79

(See Press Service No. 33-91 of November 2,
   pp. 78-79)

Press Service No. 33-89 of October 29, p. 80,
announcing $3.102 billion subscription to 7/8%,
Treasury Certificates of Indebtedness, Series
D-1943 - 11/2/42........................................ 80
Financing, Government (Continued)
To assist Treasury and Victory Fund Committee in promoting sales of all types of government securities with which to finance war effort, American Bankers' Association appointed special committee - 11/12/42. Book 22: 147-69 
(See copy of Press Service No. 34-6 of November 12, p. 170 and list of members of committee, p. 171):
Brown, Edward E. 
Potter, William C. 
Steele, Thomas M. 
Wood, W. H. 
Hemingway, W. L. 
Wiggins, A. L. M. 
Stofer, Harold
Strickland, Robert S.
a) R. H. Grant, Vice-President of General Motors has been asked to form Advisory Council of National Sales Managers, to advise on sales promotion of securities to public - 11/12/42. 148-49
b) Advertising Council, through Miller McClintock, (Executive Director) and Harold Thomas (Vice-Chairman), has been working with War Savings Staff on all advertising matters - 11/12/42. 149-51
1. OWI acts as clearing house on advertising material - 11/12/42. 150-51
c) 12 Presidents of Regional Federal Reserve Boards, as Chairman of Regional Victory Fund Committees - 11/12/42. 151-52
d) Members of Victory Fund Committee chosen with aid of Investment Bankers Association (which includes Government Securities Dealers' Association), National Association of Security Dealers', Association of Stock Exchange Firms, and New York Stock Exchange - 11/12/42. 154-56
1. Nucleus of paid workers, on every committee; paid from Treasury appropriated funds.
EJFr states that 7-10 year, 25 issues have been well received and no complaints made - 11/12/42. 160-68
a) Expects largest financing yet made to come in December, possibly on bi-monthly basis - 11/12/42. 166-68
Financing, Government (Continued)
Two more names added to Victory Fund Committee membership: 1) Randolph E. Burgess
   2) Robert V. Fleming - 11/16/42. Book 22: 172
Advertising Council, representing 4 advertising agencies, as non-profit organization, assisting Treasury, gratis, in advertising Government issues to finance war - 11/19/42. n 129-95
Treasury announces 3-month financing of $9 billion new money from all sources, including Savings Bonds; Tax Savings Notes; 26 year, 2% bonds due December 15, 1963; callable in 1963; and two series; a) 1-3/4% bonds due June 15, 1945 and b) 7/8% certificates of indebtedness due 1 year after issuance - 11/19/42. n 212-24
   a) Does not affect regular weekly bill offerings - 11/19/42. n 219
   (See Press Service No. 34-22 for November 20, pp. 221-24)
Statement issued showing total sales amounting to $5.526 billion (all types of securities) during first 5 days of December, of which about 60%, or $3.361 billion was raised from non-banking sources - 12/7/42. n 225-39
1,426 new Special Depositors qualified to hold $406 million and increased eligibility of 391 previously designated firms hold $1,468 billion, enabling them to hold proceeds of sales of Government securities until called by Treasury - 12/11/42. n 240-145 & 259-60
   a) Total holdings $2,42 billion - 12/11/42. n 259-60
Bond drive and financing going well; E Bonds over quota but sales in smaller towns are below expectancy - 12/17/42. n 261-72
   a) As soon as Victory Fund Committees are able, they will concentrate on remedying situation before next drive; have done splendid job but are short of manpower - 12/17/42. 267-72
   1. Also Government has succeeded in stopping "wild cat" speculation by small securities salesmen.
SEE Tax, Income - 12/28/42. n 281-94
Financing, Government (Continued)
In response to rumors that large numbers of War
Bonds were being redeemed, see statement pp.
302-3 showing only 3% of L Bonds redeemed and
2.20% of all E, F and G sales - 12/25/42.............. Book 22: 282-84
a) Of $11,946 billion subscribed in drive only
$4,875 billion (or 40%) from banking sources;
$7,071 billion (or 60%) from non-banking
sources - 12/28/42.............. (See statement p. 295)
b) Victory Fund Committee will continue their
work.

Financing, Government
War Savings Bonds and Stamps:
Securities organizations and banks handling pur-
chasers of Government issues for clients have
never asked to be paid for doing so - 10/5/42.... 7-13
a) Where corporations, such as Standard Oil of
Indiana and several airplane companies
are unable to handle purchases and re-
demptions they have hired banks and paid
the expense themselves - 10/5/42.............. 10
b) Cooperation has been 100% voluntary, with
companies paying out large amounts at no
cost to purchasers or Treasury - 10/5/42...
SEE Financing, Government - 11/2/42.............. 12-13
SEE Financing, Government - 12/14/42.............. 60-62 &
SEE Financing, Government - 12/17/42.............. 78-79
SEE Financing, Government - 12/28/42.............. 240-60
SEE Tax Income - 12/28/42.............. 261-71
SEE Financing, Government - 12/28/42.............. 281-94
SEE Financing, Government - 12/28/42.............. 282-24
& 295

Fleming, Robert V., President and Chairman of Board,
Riggs National Bank
SEE Financing, Government - 11/16/42.............. 172

Foreign Funds Control
British are actively assisting US in preventing Axis
from disposing of monies seized from conquered
Nations - 11/2/42.............. 73-77
a) Controls are tight enough to prevent leaks -
11/2/42.............. 75-76
With declaration that all French territory in Continen-
tal Europe is enemy territory, all French funds
in US are frozen - 11/9/42.............. 122-46

France
SEE Foreign Funds Control - 11/9/42.............. 122-46
<table>
<thead>
<tr>
<th>Gold</th>
<th>Book 22: 175-67</th>
<th>251-58</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEE Money, Invasion - 11/16/42.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SEE Money, Invasion - 12/14/42.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government Securities Dealers' Association</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SEE Financing, Government - 11/12/42.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant, R. H., Vice-President, General Motors Corporation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SEE Financing, Government - 11/12/42.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Great Britain</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SEE Morgenthau, Henry, Jr. - 11/2/42.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SEE Tax, Income - 11/2/42.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SEE Foreign Funds Control - 11/2/42.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| H                                           |                 |        |
| Hemingway, W. L., President, American Bankers Association and President, Mercantile-Commerce Bank and Trust Company of St. Louis | SEE Financing, Government - 11/12/42. | 147-59 |

| I                                           |                 |        |
| Internal Revenue, Bureau of                |                 |        |
| SEE Tax, Income - 12/25/42.                |                 |        |
| Internal Revenue                           |                 |        |
| Salary Stabilization:                      |                 |        |
| Director James F. Byrnes, Office of Economic Stabilization, requested MWAR to recommend necessary regulations to enforce provisions of Executive Order of October 3, 1942, Title II, Sections 5 and 7, pertaining to salaries in excess of $5,000 and those over $25,000 net - 10/8/42. | 27-36 |
| See announcement of establishment of Salary Stabilization Unit in Internal Revenue to implement salary stabilization law - 10/29/42. | 81-111 |

| Invasion Money                             |                 |        |
| SEE Money, Invasion - 11/15/42.            |                 |        |
| SEE Money, Invasion - 12/14/42.            |                 |        |
- I - (Continued)

Investment Bankers' Association

- L -

London, England
SEE Morgenthau, Henry, Jr. - 11/2/42................. 62-63

- M -

Money, Invasion
"Off the record", HMJr explains that, as precaution, currency to be used in African invasion had only change by printing seal in gold to make identification as slight as possible - 11/16/42
a) War Department requested job be done this way and not as Hawaiian invasion money was done by overprinting - 11/16/42
b) If currency gets in hands of Axis it can be readily identified and voided - 11/16/42.... Information on invasion currency no longer secret; even Ernie Pyle ran story on it - 12/14/42
a) US obtained some gold coins from Canada to be used in North African campaign, as all US gold coins were melted into bullion - 12/14/42
b) Coin Collectors allowed only 4 of each gold coin, which cannot be spent - 12/14/42....

Morgenthau, Henry, Jr.
Visits London to "talk things over with British Treasury" - 11/2/42................. 62-63

- Wc -

McClintock, Miller, Executive Director, Advertising Council
SEE Financing, Government - 11/12/42................. 149-51
SEE Financing, Government - 11/19/42................. 189-95

- O -

Office of War Information
(Same as War Information, Office of)
SEE Financing, Government - 11/12/42................. 147-59
SEE Financing, Government - 11/19/42................. 196-210
Philippine Islands
SIX Money, Invasion - 11/16/42.......................... Book 22: 175-87

Potter, William C., Chairman, Executive Committee,
Guaranty Trust Company of New York
SIX Financing, Government - 11/12/42.................. 147-59
Pyle, Ernie
SIX Money, Invasion - 12/14/42.......................... 251-58

Salary Stabilization
SIX Internal Revenue, Salary Stabilization -
10/8/42........................................... 27-36
Security Dealers, National Association of
SIX Financing, Government - 11/12/42.................. 147-59

Silver
Mr. reiterates opinion that all silver legislation should be abolished and silver released for War consumption by WPS on priority basis - 12/14/42.
   a) US has sufficient silver for coinage but industry needs it as substitute for other materials - 12/14/42................. 245-51
   b) US has worked out plan to lend-lease silver to United Nations for coinage purposes on ounce-for-ounce basis, to be returned after war - 12/14/42.............................. 248-51
1. England and Australia have already indicated they want it, but no loan has been consummated.
2. China may also want some.

Standard Oil of Indiana
SIX Financing, Government (War Savings Bonds and Stamps) - 10/5/42.............................. 7-13

Steele, Thomas M., President, First National Bank and Trust Company of New Haven
SIX Financing, Government - 11/12/42.................. 147-59 & 171
Stock Exchange Firms, Association of

Stock Exchange, New York
SEE Financing, Government - 11/12/42..................... 147-59

Stoines, Harold, Executive Manager, American Bankers
Association of New York
SEE Financing, Government - 11/12/42..................... 147-59 & 171

Strickland, Robert S., President, Trust Company
of Georgia
SEE Financing, Government - 11/12/42..................... 147-59 & 171

Tax

Income:

SEE Internal Revenue, Salary Stabilization
10/8/42........................................ 27-36

After visit to England, HJWr states that US income
tax, (including Federal, State, and local but not
excise, property, etc.) is about $ as much as
England and Canada are levying - 11/2/42........... 63-66

SEE Internal Revenue, Salary Stabilization
10/29/42........................................ 81-111

For income tax controls, owners of corporate and
Government bonds were required to submit "ownership
ship certificates" when presenting interest coupons for collection; this involved handling of
approximately 2 million such pieces by individuals,
banks, Federal Reserve Banks, Treasury or home
offices of domestic corporations. Requirement
canceled by Treasury Decision 5204, except on tax-
free issues - 12/28/42............................... 281-94
(See Press Service 14-75 of December 28, pp. 290-

Legislation:

Tax bill passed by Congress will produce a maximum
of $24 billion, whereas Treasury estimates needing
a minimum of $30 billion - 10/5/42................... 13-17

a) Treasury preparing another bill to achieve
$30 billion requirements or more -
10/5/42........................................ 14-17
- T - (Continued)

**Tax - (Continued)**

**Legislation:**

"Off the record", MAJr states that there is no
rift between him and James F. Byrnes of Office
of Economic Stabilization on financing war;
they both are working toward same goal -11/19/42 Book 22: 196-210

a) Had OWI cleared speech made by Byrnes,
before New York Herald Tribune Forum,
with Treasury, in which he advocated
compulsory savings he would not have
mentioned it; this is second time OWI
has slipped up on Treasury matters -
11/19/42............................................

b) Treasury has advocated "spendings" tax and
still does - 11/19/42..............................

**Spending:**

| SEE Tax, Legislation - 11/19/42 | 196-210 |

**Thomas, Harold, Vice-Chairman, Advertising Council**

| SEE Financing, Government - 11/12/42 | 149-51 |
| SEE Financing, Government - 11/19/42 | 189-95 |

**Victory Fund Committee**

| SEE Financing, Government - 11/12/42 | 147-59 |
| SEE Financing, Government - 12/26/42 | 281-95 |

**W**

**War Department**

| SEE Money, Invasion - 11/16/42 | 175-87 |
| SEE Money, Invasion - 12/14/42 | 351-58 |

**War Information, Office of (Same as OWI)**

| SEE Financing, Government - 11/12/42 | 147-59 |
| SEE Tax, Legislation - 11/19/42 | 196-210 |

**War Production Board**

| SEE Silver - 12/14/42 | 245-51 |

**Wiggins, A. L. M., Vice-President, American Bankers Association and President, Bank of Hartsville, S. C.**

| SEE Financing, Government - 11/12/42 | 147-59 | & 171 |

**Wood, W. H., President, American Trust Company of Charlotte, N. C.**

| SEE Financing, Government - 11/12/42 | 147-59 | & 171 |
H.M. JR: No hand-outs today. You will have to hand it to me. What have you got?

Q: Mr. Secretary, is there any movement on in connection with your defense bonds to get the War bonds.

Q: War bonds - to pay their dividends with the bonds. Is there anything being done along that line?

H.M. JR: Had you heard--

MR. CALLAHAN: I never heard of that.

H.M. JR: You never heard of any dividends, either.

(Laughter)

Q: We have heard some queries that some institutions were asking their shareholders if they would accept them.

MR. CALLAHAN: You mean dividends - paying off dividends in bonds?

Q: Yes.
MR. CALLAHAN: Yes, that has been done in two cases in the last several months. I misunderstood your question.

Q: Do you recall the names?

MR. CALLAHAN: No, but I can get the names.

H.M. JR: I think that was on their own initiative.

Q: On their own initiative?

A: Yes.

Q: You are not promoting it?

A: We are not promoting it.

Q: Do you have any opinion?

A: Not particularly.

Q: Mr. Secretary, do you know yet whether you made the September quota?

A: No, I don't imagine we know. They said they did not think we would know until late this afternoon - were not sure.

Q: By the daily statement it looks close.

A: They say it will be close.
Q Have you set an October quota?
MR. CALLAHAN: Yes.
Q Has it been announced?
MR. CALLAHAN: I am not sure that it has. I think it is to be announced in a day or so; but we will have that this afternoon with the figures for September. I think it is eight hundred fifty, I am not sure.

H.M. JR: Don't tell them. Hold it.
MR. CALLAHAN: I say I think it is; I am not sure.

H.M. JR: You had better hold it until Graves releases it.

What else?

Q How do you feel about closing down the gold mines, Mr. Secretary?
A I have no feelings on that subject.
Q You can't say whether you favor Mr. Ickes proposal or not?
A Is that his proposal?
Q I understand that he proposed it to the WPB.
I have no feelings on that.

Do you mean by that that there is no monetary question involved?

That is right. It is a question of labor, and that is something else again. I mean I think the question of the skilled worker is the important one.

And machinery?

And machinery, and dynamite, all that kind of stuff.

Anything new to be added to the financing?

No. We meet again tomorrow with the Federal Reserve. I wish you would think of something - one of these initials - so we can give them initials - this committee. I have nothing else. It is a quiet day for us, just working, that is all.

Mr. Secretary, will the Treasury submit forced savings recommendations to this committee that is going to be set up in Congress?
That is a committee to study, isn't it, and then report? You don't suppose I would go in with pre-conceived notions?

Q

You are a member of that committee, aren't you?

A

Yes, I am a member of it. We have to hear all sides, all factions. It is the second time they have made me a member of a committee.

Q

You are referring to the Byrd Committee?

A

Yes.

Q

It is that cooperative spirit between Treasury and Congress that brings that about, isn't it, Mr. Secretary? (Laughter)

A.

Absolutely. O.K.

Q

Thank you, Mr. Secretary.
H.M.JR: I am at your service. You will have to ask the questions.

Q Any news on financing?

A Not other than that it will be this week.

Q Do you know about when?

A Yes, it will be for announcement in Thursday morning's papers.

Q One or more?

A Pardon?

Q One or more issues for the four billion?

A There will be two issues.

Q But the whole four billion will be announced Thursday?

A The whole four billion. We can give you a little more information on it tomorrow. I am meeting with the Fed tomorrow, and we will know a little bit more about it.
Mr. Secretary, can you tell us what the Treasury's part in this anti-inflation program will be, as a member of the advisory committee, and so forth - some of the functions that will be carried on?

No.

Mr. Secretary, have any directives or instructions been sent to the Bureau of Internal Revenue with regard to the application of the tax laws with regard to that?

No.

Mr. Secretary, there has been a report out that the Treasury is going to pay bond salesmen for handling Government security offerings and that the Federal Reserve is going to be sort of the headquarters. Is there anything on that at all?

Not only is the rumor incorrect, but the bond salesmen have not asked to be paid.

W. W. Townsend of Philadelphia - of one of the
houses up there - gave out a story to that effect, as I understand, today.

Well, let me put it this way: I have been in contact right along with the heads of these various securities organizations. I can't name them all, but you can - the Investment Bankers and New York Stock Exchange - four different organizations. You fellows know them; I don't know them all. At no time during the many offers of cooperation which they have made and given and delivered the goods have they asked to be paid. Now, I have been working with these organizations. I don't know who W. W. Townsend is.

Q I don't know, either.

A (Discussion off the record.)

I know a Townsend out in California. I don't know whether he is related or not. He wants to be paid, too. (Laughter)

Q Is he selling bonds, Mr. Secretary?

A No, but didn't they used to call it "ham and
eggs"? Isn't that what they used to call it?

Q
Yes.

Q
I didn't know he was a friend of yours.

Q
Well, the banks do have a charge of one kind or another.

A
Such is fame. Remember the days when they used to shiver at the name of Townsend?

Q
He testified before the Finance Committee the other day.

A
That is just in the room here.

(Resumed discussion on the record.)

Q
The banks do have a charge of one kind or another for handling the purchase accounts for industrial corporations. That is, where a corporation has a voluntary set-up for its employees and turns the whole thing over to a bank to buy the securities and redeem them if the purchasers want them, don't they have a fixed charge of some kind?

A
No. What you have got - you are a little bit
confused, if you don't mind my saying so. Some of these corporations don't want to be issuing agents; that is, they don't want to issue these bonds themselves because they have not the room. They say, "Well, we just have not the room. It is another kind of business." So rather than do it a corporation has gone out and hired a bank to do it, and the corporation has paid for it out of its own pocket. As I understand, that was true of Standard Oil of Indiana. General Motors? That I don't know, but a number of the corporations that haven't got the room, rather than use that space that could be used for munitions, have said, "We will go out and hire a bank to do this for us." And that has been done. A number of the airplane companies have done that.

Q

But that is the charge on the corporation?
confused, if you don't mind my saying so.

Some of these corporations don't want to be issuing agents; that is, they don't want to issue these bonds themselves because they have not the room. They say, "Well, we just have not the room. It is another kind of business."

So rather than do it a corporation has gone out and hired a bank to do it, and the corporation has paid for it out of its own pocket. As I understand, that was true of Standard Oil of Indiana.

General Motors?

That I don't know, but a number of the corporations that haven't got the room, rather than use that space that could be used for munitions, have said, "We will go out and hire a bank to do this for us." And that has been done. A number of the airplane companies have done that.

But that is the charge on the corporation?
The corporation pays that.

Individuals have nothing to do with that?

It does not cost the employee anything; it does not cost the Treasury anything.

Have you heard that some of the banks are charging a dollar per hundred for redeeming some of these bonds to the individual?

No.

Isn't that against the law to charge anything for redemption?

I don't know whether it is against the law, but if I could get a good example I certainly would stop it, the same day. I would stop it.

I want to get this over to you fellows, particularly those writing for the financial papers. The banks, investment bankers, anybody that we have come in contact with who have helped us on this war bond program, ninety-nine and - what is Ivory soap? (Laughter)
The corporation pays that.

Individuals have nothing to do with that?

It does not cost the employee anything; it does not cost the Treasury anything.

Have you heard that some of the banks are charging a dollar per hundred for redeeming some of these bonds to the individual?

No.

Isn't that against the law to charge anything for redemption?

I don't know whether it is against the law, but if I could get a good example I certainly would stop it, the same day. I would stop it. I want to get this over to you fellows, particularly those writing for the financial papers. The banks, investment bankers, anybody that we have come in contact with who have helped us on this war bond program, ninety-nine and - what is Ivory soap? (Laughter)
MR. SCHWARZ: Ninety-nine and forty-four hundredths.

H.M. JR: Ninety-nine and nine-tenths of the organization — it is better than Ivory soap — have been a hundred percent patriotic on this thing. They have given a lot of service. It has cost them a lot of money out-of-pocket, but I have yet to meet one who has felt that it wasn't something that he wanted to do cheerfully. As I say, there is always some maverick around somewhere that kicks up his heels. Well, this is based on isolated cases that I have heard of.

A

Q

A

Nail them down.

Q

I wondered how general it was.

A

Nail them down for me, for your Government. Let me have them. But the financial community has been perfectly swell and I could not ask for any better cooperation. The banks — everybody has been grand, and in many cases it has cost them a lot of money.
Q: Is it safe to say on these two issues that one is a long and one is a short?
A: Better wait until tomorrow.

Q: What else, gentlemen?
A: Any comments on the tax bill?
Q: I think I have done enough on that.
A: It has been reported since then, Mr. Secretary.
Q: Any comments on Senator Vandenberg's answer to your statement?
A: No. With such a beautiful introduction about his affection, and so forth, and so on, how could I answer him? (Laughter)

Q: Don't you think it is a pretty good bill, Mr. Secretary?
A: I am not going to get into it.
Q: He says that this bill will produce more than nine billions of revenue, Mr. Secretary.
A: Who?
Q: Mr. George of the Senate—
A: We have given the official Treasury figures.
We gave it out to the press.

Q. They are somewhat less than that.
A. We stand on those; we haven't changed.

Q. Are you working on another tax bill, Mr. Secretary?
A. Yes, sure.

Q. Will you tell us something about it, what kind it will be?
A. No.

Q. When do you expect to spring the idea on Congress?
A. Can't you change that phraseology a little bit, make it—  (Laughter)

Q. Pardon me, when do you expect to confide in Congress?
A. Confer?

Q. That is right.
A. Well, just as soon as they will see me.

Q. After this bill is disposed of?
A We will be there with another one.
Q Well, can you confide in us its dimensions, approximately?
A No.
Q It takes up what they failed, doesn't it - what they failed to consider in this bill?
A No, but we asked, I think, wasn't it, for a minimum of thirty million dollars' worth of revenue.
Q You mean billions.
A Billions. That is, we have not lowered our sights any. If we did anything, we would raise them.
Q How about the Social Security increase, Mr. Secretary? Anything on that?
A No, we stand just on the President's budget message.
Q I was wondering if you expected to follow that up with further recommendations to Congress.
A Well, not today, anyway. But I have not
changed any as to the needs.

Q That means another six billions has got to be raised, doesn’t it, Mr. Secretary?

A I have not changed. I mean, I think the minimum that we can function on is thirty billion dollars – as a minimum.

Q And this bill will give you a maximum of around twenty-four billion, isn’t that your--

A Does anybody know--

Q That is what you gave us the last time.

A I remember it was around twenty-four.

MR. SCHWARZ: That is right.

Q So that your new tax bill would be a six billion dollar bill, wouldn’t it?

A At least. By the time we get around to it, it might be much more. It might be much more.

Q Do you think that will come early in the year, Mr. Secretary?

A It will come just as soon as they will receive us. I mean the situation is highly
critical. We have got to do something about it.

Q
Might it not be tied up with the next budget message?

A
Well, I don't want--

Q
Mr. Secretary, does that contemplate, also, the compulsory savings plan feature?

A
I don't want to get into that.

Q
I just wondered if it would, both of them--

A
You have done a good job on me, so I think we will quit right there, since I was not going to say anything. (Laughter)

Q
He is just forcing your hand, isn't he?

A
He is all right. He does it so gently you just don't realize it. He kind of creeps up on you. (Laughter)

Q
I am just looking for news. (Laughter)

A
I don't know if you got any.

Q
Is he somewhat like Hedy Lamarr? (Laughter)

A
You will have to ask somebody else. (Laughter)
Q: I object to the comparison. (Laughter)

A: Do you think it is an insult to him? (Laughter)

Q: Thank you, Mr. Secretary.
Secretary of the Treasury Morgenthau today announced the offering, through the Federal Reserve Banks, for cash subscription at par and accrued interest of 2 percent Treasury Bonds of 1950-52, and an additional amount of 1-1/2 percent Treasury Notes of Series B-1946. The aggregate amount of both issues will be $4,000,000,000, or thereabouts, and the proportionate amount of bonds and notes to be issued will be determined by the relation between the total subscriptions received for each and the total subscriptions received for both. In order to insure widespread participation of banks, corporations and others who may be interested, and for the convenience of investors, the subscription books for each issue will remain open two days, that is, through Friday, October 9. There will be no restrictions as to the basis for subscribing for either the bonds or the notes.

The Treasury Bonds of 1950-52, now offered for subscription, will be dated October 19, 1942, and will bear interest from that date at the rate of 2 percent per annum payable semiannually with the first coupon due March 15, 1943, for a fractional period. The bonds will mature March 15, 1952, but may be redeemed, at the option of the United States, on and after March 15, 1950. The bonds will be issued in two forms: bearer bonds with interest coupons attached, and bonds registered both as to principal and interest. Both forms will be issued in denominations of $100, $500, $1,000, $5,000, $10,000 and $100,000.

The notes now offered will be an addition to and will form a part of the series of 1-1/2 percent Treasury Notes of Series B-1946, issued pursuant to Department Circular No. 686, dated
May 25, 1942. They are identical in all respects with such notes with which they will be freely interchangeable. The notes are dated June 5, 1942, and bear interest from that date at the rate of 1-1/2 percent per annum, payable on a semiannual basis on December 15, 1942 and thereafter on June 15 and December 15 in each year until they mature on December 15, 1946. They will not be subject to call for redemption prior to maturity. They will be issued only in bearer form with interest coupons attached, in denominations of $100, $500, $1,000, $5,000, $10,000 and $100,000.

Pursuant to the provisions of the Public Debt Act of 1941, interest upon the bonds and notes now offered shall not have any exemptions, as such, under Federal Tax Acts now or hereafter enacted. The full provisions relating to taxability are set forth in the official circulars released today.

Subscriptions will be received at the Federal Reserve Banks and Branches, and at the Treasury Department, Washington. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Subscriptions from banks and trust companies for their own account will be received without deposit, but subscriptions from all others must be accompanied by payment of 5 percent of the amount of bonds or notes applied for.

Subject to the usual reservations, and within the amounts of the respective offerings, subscriptions for each issue for amounts not exceeding $25,000 from banks which accept demand deposits, and subscriptions in any amount from all other subscribers, will be allotted in full; subscriptions for amounts over $25,000 from banks which accept demand deposits will be allotted on an equal percentage basis, to be publicly announced. Payment for any bonds allotted must be made or completed on or before October 15, 1942, or on later allotment. Payment for any notes allotted must be made or completed on or before October 15, 1942, or on later allotment, and must include accrued interest from June 5, 1942. (The amount of accrued interest from June 5 to October 15, 1942 is about $5.41 per $1,000.)

The texts of the official circulars follow:
Dated and bearing interest from October 19, 1942
Due March 15, 1952

REDEEMABLE AT THE OPTION OF THE UNITED STATES AT PAR AND ACCRUED INTEREST ON AND
AFTER MARCH 15, 1950

Interest payable March 15 and September 15

1942
Department Circular No. 699

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, October 8, 1942.

Fiscal Service
Bureau of the Public Debt

I. OFFERING OF BONDS

1. The Secretary of the Treasury, pursuant to the authority of the
Second Liberty Bond Act, as amended, invites subscriptions, at par and accrued
interest, from the people of the United States for bonds of the United States,
designated 2 percent Treasury Bonds of 1950-52. At the same time the
Secretary of the Treasury is inviting subscriptions for an additional amount
of Treasury Notes of Series B-1946 under Department Circular No. 699. The
aggregate amount of both issues will be $4,000,000,000, or thereabouts. The
amount of bonds to be issued hereunder will be determined by the relation
which the total subscriptions for the bonds bear to the total subscriptions
received for both the bonds and the notes.

II. DESCRIPTION OF BONDS

1. The bonds will be dated October 19, 1942, and will bear interest from
that date at the rate of 2 percent per annum, payable on a semiannual basis on
March 15 and September 15 in each year until the principal amount becomes payable.
They will mature March 15, 1952, but may be redeemed at the option of
the United States on and after March 15, 1950, in whole or in part, at par and
accrued interest, on any interest day or days, on 4 months' notice of re-
demption given in such manner as the Secretary of the Treasury shall prescribe.
In case of partial redemption the bonds to be redeemed will be determined by
such method as may be prescribed by the Secretary of the Treasury. From the
date of redemption designated in any such notice, interest on the bonds
called for redemption shall cease.

2. The income derived from the bonds shall be subject to all Federal
taxes, now or hereafter imposed. The bonds shall be subject to estate,
inheritance, gift or other excise taxes, whether Federal or State, but shall
be exempt from all taxation now or hereafter imposed on the principal or
interest thereof by any State, or any of the possessions of the United
States, or by any local taxing authority.
3. The bonds will be acceptable to secure deposits of public moneys, but will not bear the circulation privilege and will not be entitled to any privilege of conversion.

4. Bearer bonds with interest coupons attached, and bonds registered as to principal and interest, will be issued in denominations of $100, $500, $1,000, $5,000, $10,000 and $100,000. Provision will be made for the interchange of bonds of different denominations and of coupon and registered bonds, and for the transfer of registered bonds, under rules and regulations prescribed by the Secretary of the Treasury.

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

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington. Subscribers must agree not to sell or otherwise dispose of their subscriptions, or of the securities which may be allotted thereon, prior to the closing of the subscription books. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Others than banking institutions will not be permitted to enter subscriptions except for their own account. Subscriptions from banks and trust companies for their own account will be received without deposit. Subscriptions from all others must be accompanied by payment of 5 percent of the amount of bonds applied for.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of bonds applied for, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subject to these reservations, and within the amount of the offering, subscriptions for amounts up to and including $25,000 from banks which accept demand deposits, and subscriptions in any amount from all other subscribers, will be allotted in full; subscriptions for amounts over $25,000 from banks which accept demand deposits will be allotted on an equal percentage basis, to be publicly announced. Allotment notices will be sent out promptly upon allotment.

IV. PAYMENT

1. Payment at par and accrued interest, if any, for bonds allotted hereunder must be made or completed on or before October 19, 1942, or on later allotment. In every case where payment is not so completed, the payment with application up to 5 percent of the amount of bonds applied for shall, upon declaration made by the Secretary of the Treasury in his discretion, be forfeited to the United States. Any qualified depositary will be permitted to make payment by credit for bonds allotted to it for itself and its customers.
up to any amount for which it shall be qualified in excess of existing deposits, when so notified by the Federal Reserve Bank of its district.

V. GENERAL PROVISIONS

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

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

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.
UNITED STATES OF AMERICA

1-1/2 PERCENT TREASURY NOTES OF SERIES B-1946

Dated and bearing interest from June 5, 1942          Due December 15, 1946
Interest payable June 15 and December 15

ADDITIONAL ISSUE

1942
Department Circular No. 699

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, October 8, 1942.

Fiscal Service
Bureau of the Public Debt

I. OFFERING OF NOTES

1. The Secretary of the Treasury, pursuant to the authority of the
Second Liberty Bond Act, as amended, invites subscriptions, at par and accrued
interest, from the people of the United States for notes of the United States,
designated 1-1/2 percent Treasury Notes of Series B-1946. At the same time
the Secretary of the Treasury is inviting subscriptions for 2 percent Treasury
Bonds of 1950-52 under Department Circular No. 698. The aggregate amount of
both issues will be $4,000,000,000, or thereabouts. The amount of notes to
be issued hereunder will be determined by the relation which the total sub-
scriptions for the notes bear to the total subscriptions received for both
the notes and the bonds.

II. DESCRIPTION OF NOTES

1. The notes now offered will be an addition to and will form a part of
the series of 1-1/2 percent Treasury Notes of Series B-1946 issued pursuant
to Department Circular No. 686, dated May 25, 1942, will be freely inter-
changeable therewith, are identical in all respects therewith, and are described
in the following quotation from Department Circular No. 686:

"1. The notes will be dated June 5, 1942, and will bear interest
from that date at the rate of 1-1/2 percent per annum, payable on a
semianual basis on December 15, 1942, and thereafter on June 15 and
December 15 in each year until the principal amount becomes payable.
They will mature December 15, 1946, and will not be subject to call for
redemption prior to maturity.

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

3. The notes will be accepted at par during such time and under such rules and regulations as shall be prescribed or approved by the Secretary of the Treasury in payment of income and profits taxes payable at the maturity of the notes.

4. The notes will be acceptable to secure deposits of public monies, but will not bear the circulation privilege.

5. Bonor notes with interest coupons attached will be issued in denominations of $100, $500, $1,000, $5,000, $10,000 and $100,000. The notes will not be issued in registered form.

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

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington. Subscribers must agree not to sell or otherwise dispose of their subscriptions, or of the securities which may be allotted thereto, prior to the closing of the subscription books. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Other than banking institutions will not be permitted to enter subscriptions except for their own account. Subscriptions from banks and trust companies for their own account will be received without deposit. Subscriptions from all others must be accompanied by payment of 5 percent of the amount of notes applied for.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of notes applied for, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subject to these reservations, and within the amount of the offering, subscriptions for amounts up to and including $25,000 from banks which accept demand deposits, and subscriptions in any amount from all other subscribers, will be allotted in full; subscriptions for amounts over $25,000 from banks which accept demand deposits will be allotted on an equal percentage basis, to be publicly announced. Allotment notices will be sent out promptly upon allotment.

IV. PAYMENT

1. Payment at par and accrued interest from June 5, 1942, for notes allotted hereunder must be made or completed on or before October 15, 1942, or on later allotment. In every case where payment is not so completed, the
payment with application up to 5 percent of the amount of notes applied for shall, upon declaration made by the Secretary of the Treasury in his discretion, be forfeited to the United States. Any qualified depositary will be permitted to make payment by credit for notes allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified by the Federal Reserve Bank of its district. Accrued interest at 1-1/2 percent from June 5, 1942, to October 15, 1942, on $1,000 face amount is $5.41209.

V. GENERAL PROVISIONS

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

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

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.
SECRETARY MORGENTHAU'S PRESS CONFERENCE

October 8, 1942

H.M. JR: All right, gents, I have nothing except we have a financing on.

Q How is that going? Have you had any report?

A It is too early. It is too early to tell.

I think they will like it when they get used to it. They expected a two and a quarter - I guess Bell explained it to you last night - and they got a two.

Q Mr. Secretary, can you tell us anything more about the salary limitation regulations that you are supposed to draw up over here?

A No. Yesterday - I got this in the afternoon -

(Discussion off the record) I must not use the time. This is off the record. Some people do not like me to set the time. It seems to be embarrassing to them. They accuse me of staging things, and so forth and so on.
(Resumed discussion on the record)

H.M.JR: This came in in the afternoon. I don't know how you address him - Justice Byrnes or Mr. Byrnes. He said that he would appreciate it if we would recommend to him concrete regulations. It is in the process of being drawn up. I mean, the boys went to work right away.

Q Could we have it without the date line on it - the text?

A How do you mean?

Q Just have the text of the letter.

A You would have to call up his office.

MR. SCHWARZ: It is his letter. We will ask for it.

H.M.JR: Has he released any others?

Q He has not released any that I know of, but he has announced what he has been doing.

A You can ask him. He had a press conference, didn't he?

Q Byrnes?

A Yes, the paper said so.
He just talked to the boys.

You ask him, anyway. What else?

We understand, then, that the recommendation will cover the picture--

It will cover this - he has asked in regard to both section five and section seven. Section five has to do with the five thousand dollars per year, and section seven has to do with the twenty-five thousand. He has asked us to make recommendations with regard to both.

To the enforcement of those two provisions?

Yes.

Well, Mr. Secretary, can you tell us this, whether, particularly in the case of the twenty-five thousand, the implication is they would be retroactive to existing salaries? (Discussion off the record)

Off the record, I don’t know what the term would be, but I understand the President referred everything to me and got a great
laugh out of it, according to the President. So I suppose if I referred it back to him that it might--

(Resumed discussion on the record)

Q

I mean, does Byrnes give any hint there whether he is talking about future salaries or old salaries?

A

You (Schwarz) find out if it can be released. As I say, Paul and Sullivan - Paul was not here, but his people and Sullivan went right to work on it yesterday. They will have something fairly soon.

Q

Section five limits salaries to five thousand per year, is that it?

A

Section five says "no increase in salary now in excess of five thousand", and section seven relates to salaries to the extent that they exceed twenty-five thousand.

Q

As I understand it, under section seven no corporation can make a deductible item from taxes, - salaries over and above--
Nick, I am not going off on the deep end on that until I see what the men do. But you have made statements before Congress to the effect that where salaries in excess of twenty-five are unreasonable compared with similar work done by other corporations, the Internal Revenue has the power not to allow such increases. You made a statement along that line.

I would not want to do it without refreshing my mind. You are most likely right. Like at Monday's press conference, having a little friendly chat, I mentioned I wanted six billion dollars more, which I had said two or three times before, and to my amazement it was news. That was good news.

I am glad you think so.

It sounded good.

But I mean I had said it a couple of times before.

It just hit the spot.
(Discussion off the record)

Q
It was very mysterious to Mr. Doughton.
A
Doughton has been growling. He wants at least an hour alone with me.
Q
He does now?
A
Is that on the record?
Q
No.
A
You can say you are going to confer--
Q
No, no. There may be nothing left when I come out through the keyhole. (Laughter)
A
No, he wants an hour alone. He says, "Come up and see me some time." (Laughter)
Q
How about George? Has he asked for--
A
No. George seems - he seems all right. (Resumed discussion on the record)
Q
I notice that Senator Vandenberg did not attack you on the six billion dollars.
A
No. He got it all off his chest on the Social Security.
Q
Can you give us any idea about when these regulations will be submitted - two or three
days or a week?

A

Oh, no, I wouldn't think - they ought to be over, I should say, certainly by Monday. I haven't asked anybody, but they had better be. They ought to be able to turn out a regulation by Monday.

Q

Just to keep it straight, Mr. Secretary, the thing you are going to send over will be a recommendation, and what actually turns out will depend on what they decide after looking at the recommendation?

A

That is right.

Q

But this means that you are going to enforce those two provisions of the Executive order, doesn't it - the Treasury is?

A

Well, I suppose we will do the one on the twenty-five thousand. I don't know about the one on the five thousand. Mr. Davis had quite a lot to say about that today.

Q

He said he did not have any jurisdiction over--
Let's wait. There are two things let's wait for. Number one, whether Mr. Byrnes will release this letter, and number two, until the boys have had a chance to work on it.

The President said--

So don't - all I have told you gentlemen is that section five - I told you what it was - is in excess of five thousand, and section seven is in excess of twenty-five thousand, and he has asked us for recommendations.

Beyond that--

Those are stabilization recommendations, is that it?

What does that mean?

I mean, to hold them down or are you going to cut them back?

I don't know. We will have to wait until we see them. I will have to wait until I see them.

Can you tell us whether your recommendations
will go farther than income tax laws, or just be confined to income tax enforcement?

You will just have to wait. Paul was out of town, and it only came in late. I have not talked to the boys. I simply said, "Will you please go to work on it?" - which they are now. I don't know what they are doing. I know less than you do.

Mr. Secretary, there is one provision in that tax bill in connection with tax exempts, a counter-provision amendment offered, that if the State and local securities transfer then the law will become operative in taxing them, as of the early part of this year. They are going to vote on it today. Do you have any views as to whether that says the Treasury - you see, that would apply to all outstanding securities under that basis.

No, I don't want to go out on it. Thanks for the opportunity.

Thank you, Mr. Secretary.
EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE FOR EMERGENCY MANAGEMENT
OFFICE OF ECONOMIC STABILIZATION
WASHINGTON, D.C.

JAMES F. BYRNES
Director

October 6, 1942

Dear Mr. Secretary:

The Executive Order of October 3, 1942, provides in Title II, Sections 5 and 7, as follows:

Sec. 5. "No increases in salaries now in excess of $5,000 per year (except in instances in which an individual has been assigned to more difficult or responsible work), shall be granted until otherwise determined by the Director."

***

Sec. 7. "In order to correct gross inequities, and to provide for greater equality in contributing to the war effort, the Director is authorized to take the necessary action, and to issue the appropriate regulations, so that, as far as practicable, no salary shall be authorized under Title III, Section 4, to the extent that it exceeds $25,000 after the payment of taxes allocable to the sum in excess of $25,000. Provided, however, that such regulations shall make due allowance for the payment of life insurance premiums on policies heretofore issued, and required payments on fixed obligations heretofore incurred, and shall make provision to prevent undue hardship."

Inasmuch as the administration of these two sections is closely related to the administration of the revenue laws, I should appreciate it if you could recommend to me such concrete regulations as you consider appropriate to carry into effect these provisions.

Section 7 by its terms would appear to affect only salaries as authorized or recognized under Title III, Section 4 of the Executive Order. Inasmuch as the recent emergency legislation seems to authorize a broader and more direct control over salaries, the regulations which you may recommend to carry out the President's objectives, need not be limited to Title III, Section 4 of the Executive Order, so long as they come within the scope of the powers granted to the President.

Sincerely yours,

JAMES F. BYRNES

Hon. Henry L. Morgenthau, Secretary of the Treasury.
SECRETARY of the Treasury Morgenthau announced last night that the subscription books for the current offering of 2 percent Treasury Bonds of 1950-52 and of 1-1/2 percent Treasury Notes of Series B-1946 will close at the close of business today, October 9.

Subscriptions for either issue addressed to a Federal Reserve Bank, or Branch, or to the Treasury Department, and placed in the mail before 12 o'clock midnight Friday, October 9, will be considered as having been entered before the close of the subscription books.

Announcement of the amount of subscriptions and the bases of allotment will probably be made on Tuesday, October 13.
(Press release distributed)

Q
You did not do so bad.

A
No, I think we did quite well, considering everything.

Q
This isn't so good, is it, Mr. Secretary, four billion one hundred million?

A
It is all right, considering the size, the rate. They expected a two and a quarter.

It was open two days. Under the circumstances I am satisfied. The next time we will give them a little more time.

Q
What do you mean by that?

A
Most likely give them three days.

Q
Keep the books--

A
Keep the books open a little bit longer and get the notices out a full day in advance.

Some of them missed the train; some of the banks did not hear about it until Friday morning.
Q You mean the circulars went out late?
A Some did not get in the hands of the banks until Friday.
Q Mr. Secretary, some of the other fiscal agencies are a little bit disturbed about some of these stories that there may be a confiscation of savings accounts to put them into bonds, and they say that that would jeopardize their operations because they can buy six times as many bonds with each dollar of savings deposits as an individual can buy.
A I don't know whom you refer to, but this thing of confiscating savings accounts - I think, Dan, you and I officially denounced (denied) that at least three times, didn't we?
MR. BELL: Yes, indeed.
Q No change on that?
H.M. JR: No change.
Q Did you say you officially denounced--
A Denied, thank you. I meant "denied." I may have felt like denouncing it, but I
denied it.

Q
Are you pleased with the twenty-five percent subscription from other than banks?

MR. BELL:
Yes, very.

H.M. JR:
Yes, I think that it is all right. I mean, this was a big job.

MR. BELL:
It was a banking issue, too.

H.M. JR:
As I say, it was a little bit different from what they expected; but I think the next one, now that they realize what they can expect, will go much easier.

Q
I have never seen one where subscriptions have totaled as low as this on a single issue, although admitting it was the largest - only a hundred million dollars above the total figure.

A
It is practically a hundred percent allotment.

Q
Practically a hundred percent allotment?

A
Yes.

Q
Mr. Secretary, there have been some reports from several cities that the banks, after they had made their subscriptions, got
telephone calls to please increase them. Can you comment on that?
(Discussion off the record)

Off the record, it is perfectly possible that that happened - perfectly possible that that happened. But I don't think it would help things any if it were made public. I mean, I am talking off the record.
(Resumed discussion on the record)

This was an enormous job compared with some of the things during the last war - interest rates. I mean they had the first Liberty and they started at three and a half, and that was two billion.

What?

The first Liberty was three and a half percent, and that was two billion; and the second was a four percent and that was three billion. Then the third one was four and a quarter, and that was three billion, amount
offered. Then the fourth was four and a quarter, and that was six billion; and the last, the Victory, was a three and a quarter, four and three-quarters, and now--

Q

The last?

A

I will give you this (indicating paper).

Q

What was the last one, three and a quarter percent?

A

Three and three-quarters, four and three-quarters.

Mr. BELL: Those were notes - Victory notes.

H.M.JR: They were notes which could be converted into a long bond.

Q

How much was the amount?

A

They offered four and a half billion.

Q

That was the last?

A

That was the last. You see, they started, three and a half and four and three-quarters.

(Discussion off the record)
Now what we are going to try to do here is to finance this war on a two-percent basis.

Can you?

I just did.

Is that on the record, Mr. Secretary?

No, I have been talking--

Off the record?

Off the record.

Those World War interest rates are on the record?

Oh, yes, that is public.

Well now, will you say for the record, Mr. Secretary, that you are going to try to finance the war on a two-percent basis?

Well, I don't think I am going to say that on the record. I think that you will have to judge by what I have just done.

I mean there is an obvious conclusion that we draw.

You will have to judge, as I say; as to that question by the gentleman who asked about the
banks, the answer is yes, but I don't think it would help me any in the job that I have got to print it. But I am not saying that you should not, but I just say it would not help you any.

Q
I was just asking to make it clear so we would all understand what was off and what was on.

A
I was answering off the record. The answer was yes. I am saying it would not help any, but I am leaving it to your discretion.

(Resumed discussion on the record)

Q
Probably that one hundred percent allotment is on the record?

A
That is a fact. May I point out on the record that the Treasury did not subscribe to any part of this issue.

Q
The Treasury did not?

A
No, there is no Treasury subscription. I mean this is bona fide, in other words.
Q How about the Federal Reserve?
A They did not, either.
Q Well, this is an admission, Mr. Secretary, that interest rates are on the up, if the issue - you have tried it and you have got a hundred percent - practically a hundred percent subscription, and you say that the market wanted a two and a quarter but you gave them a two. So you are going to swing up with your interest rates.
A No, it is just the opposite. You understand that.
Q Well, how?
A Why not? We have just successfully completed--
Q You got away with your two--
A We successfully concluded a four-billion-dollar issue where in many cases the banks had only about one day. There was a succession of things that we had no control over. They
missed the train, and that full-page ad
in the New York papers did not get into any of
the early editions; something went wrong there.
(Discussion off the record)
Now, in answer to you, we have done it. The
financial community knows now what we want.
I have not heard any grumbling, and I think
the next time we can continue at the same
rate, and having crossed the Rubicon and
demonstrated to them we are going to do it at
two percent I think they will accept it as
good, patriotic citizens. This is for back-
ground. I mean, this is not on the record.

MR. BELL: Will you explain that the two percent is for
the banking issue?

H.M.JR: Yes, that is right. I mean, there will be
others--

Q: You mean otherwise the rate, if offered to
the general public - corporations and other
investors - would be a little bit higher?
MR. BELL: I am thinking about savings bonds and the tap issue. They are higher.

H.M. JR: I mean these F and G's, the two and a half, the tap issue two and a half - but this was for the banks. We were very pleasantly surprised to see that twenty-five percent of it went to nonbanking sources.

Q I was going to say this, merely that I am confused as to what is on the record, what is off the record, and what is background.

A I will start all over again.

Q Let me say this; if I understand it correctly, the World War number I, that is on the record?

A Here, you take it. (Paper handed to reporter)

Q Now, your statement that you are going to finance this war at two percent is not on the record, but our conclusion that you are is our own conclusion?

A That is right.

Q Right?
That is right. The only thing, gentlemen, that I said here which was off the record was the question about had some of the banks been called up. My answer was, "Yes." I said it would not help us at all in getting on with the war to print it. I am not saying that you should not print it. I am just saying it would not help me if it were printed. But some of the banks did not get the notice in time; some of them were a little bit shocked; and when the thing was drawn to their attention everybody was perfectly cheerful and cooperative about it, and the thing went across; and that is the story. Now, I am just leaving it to you people. You don't oppose seeing in print that your intention, though, is to try to have a two-percent limit on banking issues for financing?

I would be pleased to see it.
That is right. The only thing, gentlemen, that I said here which was off the record was the question about had some of the banks been called up. My answer was, "Yes." I said it would not help us at all in getting on with the war to print it. I am not saying that you should not print it. I am just saying it would not help me if it were printed. But some of the banks did not get the notice in time; some of them were a little bit shocked; and when the thing was drawn to their attention everybody was perfectly cheerful and cooperative about it, and the thing went across; and that is the story. Now, I am just leaving it to you people. You don't oppose seeing in print that your intention, though, is to try to have a two-percent limit on banking issues for financing?

I would be pleased to see it.
Q: Mr. Secretary, you say the Fourth Liberty Loan—

H.M.JR.: Are you bothered?

MR. BELL: No, I think that is all right, if you also confine it to the banking area seven to ten years. I think the two percent, seven to ten years, is where we like—

H.M.JR.: We might get out a twenty-year bond and have to pay more, but in the seven to ten year, as Bell points out, right in that banking area. Another thing for your guidance, we have sort of decided here that seven to ten years is the banking area, and in that area the chances are it will be two percent. But that is for your guidance—a background. (Resumed discussion on the record)

Q: Mr. Secretary, may I ask Mr. Bell when was the last time that subscriptions were almost allotted in full? Do you recall on any issue since 1933?
MR. BELL: No. Before that many times we had eighty and ninety percent allotment, but I would have to go back into the record to get you a case.

Q: How about the World War history on these things? Was there anything like that?

MR. BELL: No. You had some oversubscriptions on the Liberty Loans, some of which you did not take any and some of which you took half; one or two you took them in full. But there you had the books open three weeks.

H.M.JR.: There was one like this, wasn't there? I should not think that that would be of much interest to you, Nick, unless it was the fact that we were able to raise the four billion dollars successfully.

Q: Yes, I realize that, Mr. Secretary, except that I see some significance that you reached the saturation point at two
percent.

A

Oh, no, you are all wrong.

Q

And you might have to force interest rates up.

A

Oh, no, you don't have to force interest rates up.

Q

I don't mean that, but except recognize the fact that the market wants a bigger coupon on an issue of that size.

A

We weighed the matter very carefully. The market had ample opportunity to tell me what they wanted. They wanted a two and a quarter percent. After giving the matter very careful consideration, in conjunction with The Federal Reserve System, the combined opinion was that it should be in the banking area from seven to ten years, it should be two percent. On that basis we went ahead and we sold the issue.

Now, it is the other way; the shoe is on the other foot.
You mean on the market?

Well, I mean we decided – the market wanted two and a quarter. We thought that over a period of years – figure up what a quarter percent on two billion dollars is for ten years. It runs into a lot of money and we have saved that, and there will be many other issues. If we can save a quarter of a percent or about twenty percent of the interest rates on each issue – over thirty, forty, fifty billion dollars we have got to finance – it means a lot of money, and my children and your children, when you have some, will be pleased.

Well, I wish you are successful.

Pardon?

I say, I wish you are successful.

We are making every effort and I think – I am personally delighted that the thing went over. We took considerable chance because there is no use – I mean, everybody in the financial community wanted two and a quarter percent.

(Discussion off the record)
Now, we took the chance and we have been successful, and I am very much pleased; and I think that the taxpayers will be pleased, too, because, as I say, a quarter of a percent is about a twenty-percent saving in interest. And I feel fairly confident that we will be able to continue within the seven-to-ten-year basis to finance at this rate. I consider it a real victory for the Federal Reserve and for the Treasury.

(Resumed discussion on the record)

Q

How long was that Fourth Liberty Loan subscription open, Mr. Bell?

MR. BELL:

About three weeks.

Q

Why do they say this four billion is the largest single undertaking - I mean, they sold six billion then - because it was all taken in in two days?

MR. BELL:

I don't think anybody said it was the largest single - it is the largest single since the World War.

Q

Mr. Secretary, have you given any thought to
raising the amount of Series E War Savings Bonds to which an individual may subscribe?

H.M.JR.: No.

Q That is limited, now, as I understand it, to five thousand dollars face value in any year.

A That is right. Are we all right as to what is on the record and what is off the record?

Q I think I am. I will bring the story around tomorrow so you can see. (Laughter) No, I don't get over here very often, and I wanted to be sure I was straight.

A Well, I wasn't too clear.

Q Those various gradations, and off the record, and background--

A I wasn't too clear.

Q Mr. Secretary, the tax bill was sent to conference by the House today. Is there anything you would like to say about it?

A No.

Q Anything about the new six-billion-dollar bill?
No, I have had my say.

About revival of the spending tax, plus a--

Nothing on taxes today. It is my off-day on taxes.

Social Security?

The same goes for that, thank you.

How about the regulations governing salaries?

I think he is first.

Did you answer the question about whether you were reconsidering the amount of Series E bonds?

I said I was not.

Mr. Secretary, I was asking if you had anything to say on the regulations that are being prepared for Mr. Byrnes?

No, I think I will skip everything on taxes.

Well, can you give us an idea when they will go out?

Mr. Schwarz tells me that Mr. Paul said Wednesday or Thursday.

MR. SCHWARZ: That is what I read.
H.M. JR: You had better check up. You read it somewhere?

MR. SCHWARZ: Yes, sir. (Laughter) I have been unable to reach him to check it.

Q Mr. Paul and Mr. Sullivan both said that this morning.

H.M. JR: They said that this morning?

Q That it would be Wednesday or Thursday before the regulations are out.

A There we are - now we have it first-hand.

(Discussion off the record)

Q A moment ago you said you were fairly confident that you would be able to continue financing on this basis. That seems, in effect, to be the same as that statement that was off the record a few moments ago about financing the war on a two-percent basis.

(Resumed discussion on the record)

A Well, let me see if I can do something for you on the record. Shall I start all over again? It is very important. After all, we are talking about a lot of money, and here in the Treasury we have to succeed. After very - this is on the record - after very careful
consideration of all the factors on the part of the Federal Reserve Open Market Committee and the Treasury, we decided that it was in the best interest of all of the citizens of this country that we offer the financial community an eight to ten year two percent bond.

Q
You mean a seven to ten?

A
Is it seven to ten?

MR. BELL:
Seven and a half, nine and a half - eight to ten is all right.

H.M.JR:
Don't be so technical. (Laughter) What was the seven and a half?

MR. BELL:
March 15, 1950-'52.

H.M.JR:
Seven and a half to nine. Now that we have successfully raised four billion dollars at this two percent rate, with the cooperation of the investors of this country I sincerely hope that we will be able to continue to finance the war in this range, seven to ten years, at two percent. If we are able to
accomplish this, as I sincerely hope we will be, we will save not only this generation but future generations, many millions of dollars in interest on the public debt.

All right?

MR. BELL: All right.

H.M. JR: Does that satisfy everybody? How does that look to you, Nick?

Q Fine, Mr. Secretary.

A Now I am going off the record just for a little gossip.

(Discussion off the record.)

A This was a tough job. It took a little nerve. We thought it was the right thing to do. We did it. We got by, and everybody played ball. And you gentlemen, I think you realize the seriousness of a thing like this, and I told you the full story. I haven't kept anything from you. I never will. I always said that what I do here is open to you people. As far as I know you know it all. That's that.

Q Thank you, Mr. Secretary.
FOR IMMEDIATE RELEASE,  Washington
Monday, October 12, 1942.

Press Service
No. 33-62

Secretary of the Treasury Morgenthau today announced the subscription figures and the basis of allotment for the cash offering of 2 percent Treasury Bonds of 1950-52 and of 1-1/2 percent Treasury Notes of Series B-1946.

Preliminary reports received from the Federal Reserve Banks show that total subscriptions for both issues aggregate approximately $4,100,000,000, of which about 25 percent came from sources other than banks which accept demand deposits. All subscriptions were allotted in full.

The reports indicate that subscriptions were quite evenly divided between the two issues.

Further details as to subscriptions and allotments will be announced when final reports are received from the Federal Reserve Banks.

-00-
SECURITY MORGENTHAU'S
PRESS CONFERENCE

November 2, 1942

H.M.JR: On the Treasury financing during this past month, we totaled up some figures. Of these tax savings notes, which are sold by the Victory Fund Committee, we sold nine hundred and twenty-one million, which is much better than we had expected; War Bonds, eight hundred and fourteen million, against a quota of seven hundred seventy-five; additional Treasury bills, five hundred million; then that so-called four billion dollar financing, which was about half bonds and half notes came to four billion one; and additional certificates of five hundred million. That is a total last month of new money raised by the Treasury of six billion eight hundred and thirty-five million dollars during the month.

Q

Do you call tax anticipation notes new money?

A

It is new money while it stays in the Treasury.
MR. BELL: I would call it new money.

H.M. JR.: It is new money as distinguished from refunding.

MR. BELL: It has not been used by us before. (Laughter) Q I know, but it does not belong to you.

H.M. JR.: None of it does. It is your money.

Q: What I had in mind is actual market financing. A I am giving you a list of new money which came into the Treasury during the month as distinguished from refunding, and it totals six billion eight hundred and thirty-five million dollars.

Q: Is that a record, Mr. Secretary? A A record for me. How about it, Dan? These fellows like records. Anyway, it is a record.

MR. BELL: It certainly is a record, except possibly the Victory Loan, or the Fourth Loan; but that may have come in over more than a month because they had many times three or four months in which to pay for those. But I would say this
was probably a record for one month where you got all the cash into the Treasury during that period.

H.M.JR: The War Bond people have a release which they will give you on the tax anticipation certificates. They will have a statement mimeographed. It is not mimeographed yet. Has anybody any questions?

Q What about these rumors that you intend to resign, Mr. Secretary?

A Nothing to it.

Q No basis whatever for those stories, is there, Mr. Secretary?

A No.

Q Did you bring back any new tax ideas, Mr. Secretary?

A Oh, I wouldn't say so. We seem to have plenty extra left over.

Q Their compulsory savings programs over there, did you see how they work?

A No. I saw Lord Kindersley, who is in charge
of their war bond drive, and of course we had a lot of talk through the Treasury, exchange of information on all matters of subject.

Q What was the ostensible reason for your visit, may we ask, in London?

A Just what I told them there and what your paper reported accurately. I don't remember it exactly word for word, but to have a look around, talk things over with the British Treasury.

Q Mr. Secretary, do you think, on the basis of the British experience, that America can stand more in the way of taxes?

A Well, based on what England is doing and what Canada is doing - roughly they are paying about twice as much taxes - income taxes - as we are.
Q: Does that include state and local?
A: That includes making allowance for state and local. Roughly, they are paying about double.

Q: If you add what we pay for state and local to our income, it is only half of what the Englishman pays in income taxes?
A: Roughly. Making allowances for state and local and comparing it with their taxes, they pay about double.

Q: Mr. Secretary, are you speaking only of our state and our local income taxes or all state and local taxes?
A: I mean you take an individual, after he has paid Federal, state and local income taxes, and compared with what the taxes are in England and Canada, they are approximately... I mean if you were living in England you would be paying about double what you are here. That includes property taxes?
Q  No.
Then you don't mean to say that our tax load
over-all is only half of what theirs is?
I mean indirect taxes and everything.
A  I was talking about income taxes.
Q  Pardon me, sir, is that quite a fair
    comparison?
A  It is the only way we can compare it. We have
    some very accurate figures; if you men want
    them for your story, I will get them from our
    Tax Research.
Q  I would like to see them. I mean I don't know
    whether they have excise, hidden taxes.
A  Schwarz will get them for you and send them
down to the press room. We made very
careful studies of what they have in England
and in Canada and here, and I will send them
down to the press room.
Q  In Canada, Mr. Secretary, there are no more
    provincial income taxes, and the rate that
they include in the income tax includes both
the state and local, and they give it back.

Whatever it is, Roy Blough or one of the men
will be available so that you may ask him
questions.

Do you think we are ever going to come to
that, Mr. Secretary, because of the declining
state revenues that the Federal Government
will have to take an increment of the income
tax and turn it back to the states for their
support?

That is too big a jump to take the first day
I get back. That is too big a jump.

Did you compare the other taxes, Mr. Secretary?

No, I haven't those things at my finger tips,
but see a man like Blough, or if he is not here,
somebody in his shop. We will make him
available, and he can answer those questions.
They are very intricate, and I don't try to
memorize them, but they are there and they
are on paper.

While you were away, Mr. Secretary, a British official - I think it was General Venning - made a statement here that we should abolish from the books the question of lend-lease cost; that the war is being paid for, in addition to dollars and cents, in men and lives. Have you any comment on that?

No.

Did this come up in your London talks?

Nobody mentioned it.

While you were over there were there any triangular international financial problems that you studied or worked on? I am thinking particularly of ours and England's financial arrangements in Latin America - investments, purchase of materials.

No, there was not.

Mr. Secretary, did you bring back with you
any definite ideas on the form of the new revenue bill which you said would raise at least six billion dollars more?

No.

Is that still to be presented?

Well, I don't think I will go into that today. I mean it is through you gentlemen that I publicized that pretty thoroughly. You don't expect any additional tax legislation this year, then, do you, Mr. Secretary?

You mean this year?

This calendar year ending December 31.

I do not want to answer that question. I don't want to shut that door.

I am not closing it, but--

I would not bet on it, but I don't want to shut it.

Well, I say, you don't expect it but it is possible, is that it?

I would just like to leave it open.
Q. Will you seek any additional tax legislation this year, Mr. Secretary?

A. The answer is I don't know, and I am not going - we have two months to go. I don't imagine that I will, but, on the other hand, I don't see any purpose through the press of just closing the door.

Q. Mr. Secretary, have there been any further developments in the salary control business?

A. I will have to ask Mr. Bell, who was Acting while I was gone.

MR. BELL: They issued the regulations, and Mr. Sullivan had a press conference and went over them rather thoroughly.

Q. I meant the regional offices, have they been named yet?

MR. BELL: No, I don't think the regional offices have all been set up, although they have the machinery started.

Q. Have you in mind any deputy commissioner of Internal Revenue to head the new unit?

H.M. JR: Frankly, Bell and I have been talking. We had not gotten around to it yet.

Q. What is the Treasury doing with respect to renegotiation of war contracts?
A: I don't know. Do you know, Dan?

MR. BELL: No. Mr. Mack is doing something on it, but I do not know how far he has gotten.

Q: When do you take up discussions of the November financing with the so-called executive committee of the Open Market?

A: Bell and I have been talking about it today, and it is my first order of business.

Q: What is the total?

A: I don't know yet.

Q: Are you going to open up the two and a half's again?

A: Bell and I have just been talking here by ourselves.

Q: Is it likely that the two and a half's will be reopened? There has been a lot of speculation on that.

A: I frankly don't know. We have just been talking. I haven't talked with anybody except Bell.

Q: Would you expect the total to exceed that six billion dollar figure for October?

A: I don't want to mention any figure. I mean, it is too early.
Q. When may we look for something, in the next ten days?
A. What is today?
Q. The second of November, the day before election day. (Laughter)
A. You know, it sounds funny, but I have just lost all track of days. One minute I am below the equator, and the next minute above.
Q. Did you go to the equator?
A. I was one degree below. By next Thursday we would know better, wouldn't we?

MR. BELL: Yes, very definitely.

H.M.JR: By next Thursday we will know something.

Q. Mr. Secretary, tell us something, will you, about your talk with Prime Minister Smuts.
A. It was entirely informal. There was nothing - it was entirely informal. Going down on the train with Prime Minister Churchill to Dover he was on the train, and I was on the train.

Q. Did you have any chance to tell him something about our gold policy? I think they are pretty interested in that down there.
It was purely an informal talk - just chatter.

Can you give us a little idea of your impression of him?

Well, he is a magnificent old man - leave out the "old." He is a magnificent man, and I have great admiration for him.

Can we say you talked over general relations of the two countries?

No, no, just general conversation.

Did you play darts in London, Mr. Secretary?

(Laughter)

No, I didn't have time.

(Discussion off the record)

I see Mr. Willkie did.

Well, one of us is enough.

Can you say if he is coming over here?

Who, Willkie? (Laughter)

Smuts?

I don't know. He will have to say that. If he was, I am sure they wouldn't say anything until he got here.

Did you say what the reaction was to Mr. Willkie over there?
A: No, my remarks about Willkie were purely facetious and off the record.

(Question: Resumed discussion on the record.)

A: How are the British cooperating with us in stopping Axis financial activities in other countries?

A: Very well. I mean the British for a long time have been one of our most useful partners in stopping the escape of Axis funds. They have been most helpful; they have been right straight along. They have had people here who worked and cooperated with us along those lines. They do it very well, and I think we do, also.

(Question: Do you feel that those leaks are pretty well stopped now, controls are pretty tight?)

A: I think so. If you had stopped off at Lisbon the way I did, you would find that pretty difficult. For instance, if you have a large denomination of an English note and you want to change it they will not change it. You have got to tell where you got it,
and so forth and so on, explanation, history, and everything else. The same thing on the dollar - the thing - there is always somebody that will find a loophole, but on the whole, I think, between England and ourselves, the job is being well done.

Did you run into any trouble making change personally?

No, because I didn't have anything to buy.

The whole purpose of that control is to keep the Axis from getting our money to use in their countries, isn't it?

What the Axis does is this: After all, they steal this money in these conquered countries and then they try to dispose of it. What we try to do is to make it as difficult as possible for them to dispose of these stolen funds. That is the job here in the Treasury of the Section of Frozen Funds, Frozen Funds Control. And I think you have got it down now so you can only bring in fifty dollars into the United States.
Q I am not prying into your pocket, Mr. Secretary, but did you encounter any customs people when you came back, to see if you had more than fifty dollars?

A I went through the regular procedure that every other citizen goes through. I mean, I went through the regular procedure that everybody else goes through.

Q Mr. Secretary--

A I mean I went through the same procedure that everybody else goes through.

Q There is a story that came out of London two or three weeks ago that Goering had so much money and various stocks and bonds and investments and insurance in the United States -- and other Axis, Nazi leaders. They would not have a chance of realizing a dime on them, would they?

A The control is very, very tight, and I am not saying that maybe somebody cannot beat it, as they say, but it is almost impossible.
Q: I am not prying into your pocket, Mr. Secretary, but did you encounter any customs people when you came back, to see if you had more than fifty dollars?

A: I went through the regular procedure that every other citizen goes through. I mean, I went through the regular procedure that everybody else goes through.

Q: Mr. Secretary--

A: I mean I went through the same procedure that everybody else goes through.

Q: There is a story that came out of London two or three weeks ago that Goering had so much money and various stocks and bonds and investments and insurance in the United States and other Axis, Nazi leaders. They would not have a chance of realizing a dime on them, would they?

A: The control is very, very tight, and I am not saying that maybe somebody cannot beat it, as they say, but it is almost impossible.
And I want to say this, that the banks in the United States have cooperated very, very well on the thing.

Q Has T.R.F.300 turned up any money or assets belonging to the Nazi leaders?

A Dan, do you know of any?

MR. BELL: I don't know, no, whether it has or not.

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

Q Are there any new angles on this money control concerning South America that you discussed over there?

A No.

Q It has worked pretty well there, as well as elsewhere.

A The main thing, as I said last night when I got off the clipper, is that I come back very much encouraged with what I saw - very much encouraged.

Q It is assumed that you talked about monetary affairs in view of the fact that Mr. White was
with you, isn't it - monetary problems?

A  Yes, some of the conversation, certainly with the Treasury, was on that.

Q  Mr. Secretary, a long time ago--

A  It was very useful having Mr. White along.

Q  You had something to say about the possibility of establishing the Western Hemisphere dollar. Of course that would take British participation, too. Was that discussed, or any of its aspects discussed?

A  No.

Q  Thank you, Mr. Secretary.
Secretary Morgenthau announced today that the Treasury had raised more money in October than had ever been raised by any Government in any comparable period of time.

Sales of Tax Savings Notes in October were $921,352,000, bringing the total sold since the start of the present fiscal year on July 1st to $2,658,700,000. Sales of War Savings Bonds in October amounted to $814,353,000, bringing the total sold since July 1st to $3,287,798,000.

Together with borrowings earlier in the month of $4,100,000,000 in 2 per cent bonds and 1% per cent notes, $500,000,000 in Treasury bills and $500,000,000 in certificates of indebtedness, the October financing operations raised a total of $6,836,000,000, which Secretary Morgenthau said constituted a sum unmatched in the financial history of the country.

"I feel that this result could not have been achieved without the volunteer help we have had from the Victory Fund Committees, the War Savings Staff and their hundreds of thousands of willing helpers in all parts of the country," said Secretary Morgenthau, who issued the month's figures to his press conference today.

"I am especially glad," said the Secretary, "that the sales of Tax Savings Notes are going so well. Only a few months ago we were selling less than $5,000,000 of the Series X notes; today the Series A sales have jumped to $54,000,000 in October. I think that this reflects a growing consciousness on the part of the American people of their heavy tax payments next year, and a growing determination to start making arrangements to pay these taxes out of current income.

"As for the War Savings Bonds, October was the second successive month that the quota has been exceeded. To me, the most encouraging aspect of the October sales is the steady growth in sales of Series E bonds to heights we hardly dared to hope for a year ago. This, of course, is in large part the result of the Payroll Savings Plan, under which more than twenty million workers are now setting aside more than eight per cent of their earnings every pay day.

"The sales of Tax Notes, War Bonds and other Government securities bought outside the banking system make me feel that the American people are wide awake to the needs of their Government, and are ready to dig deep into their earnings to help finance the winning of the war.

"We at the Treasury have a stupendous job to find the money for this costliest of all wars, but the response of the people themselves is making that job easier than it otherwise would be."

The following table shows the sales of Tax Savings Notes in October in the twelve Federal Reserve Districts and at the Treasury itself:
<table>
<thead>
<tr>
<th>City</th>
<th>Series A</th>
<th>Series C</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boston</td>
<td>$3,816,675</td>
<td>$35,008,000</td>
<td>$38,824,675</td>
</tr>
<tr>
<td>New York</td>
<td>11,244,875</td>
<td>280,319,500</td>
<td>291,564,375</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>2,664,175</td>
<td>58,344,500</td>
<td>61,008,675</td>
</tr>
<tr>
<td>Cleveland</td>
<td>6,161,500</td>
<td>115,292,200</td>
<td>121,453,700</td>
</tr>
<tr>
<td>Richmond</td>
<td>4,240,850</td>
<td>39,365,000</td>
<td>43,605,850</td>
</tr>
<tr>
<td>Atlanta</td>
<td>2,125,075</td>
<td>16,313,000</td>
<td>18,438,075</td>
</tr>
<tr>
<td>Chicago</td>
<td>10,940,350</td>
<td>220,292,400</td>
<td>231,232,750</td>
</tr>
<tr>
<td>St. Louis</td>
<td>1,939,725</td>
<td>26,637,500</td>
<td>28,577,225</td>
</tr>
<tr>
<td>Minneapolis</td>
<td>1,379,375</td>
<td>9,198,000</td>
<td>10,577,375</td>
</tr>
<tr>
<td>Kansas City</td>
<td>2,343,625</td>
<td>14,734,000</td>
<td>17,077,625</td>
</tr>
<tr>
<td>Dallas</td>
<td>2,310,050</td>
<td>10,621,900</td>
<td>12,931,950</td>
</tr>
<tr>
<td>San Francisco</td>
<td>5,403,825</td>
<td>39,911,200</td>
<td>45,315,025</td>
</tr>
<tr>
<td>Treasury</td>
<td>55,000</td>
<td>125,000</td>
<td>180,000</td>
</tr>
<tr>
<td>Total</td>
<td>$54,625,000</td>
<td>586,727,200</td>
<td>641,352,300</td>
</tr>
<tr>
<td></td>
<td>Series A</td>
<td>Series C</td>
<td>Total</td>
</tr>
<tr>
<td>----------------</td>
<td>------------</td>
<td>------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Boston</td>
<td>$3,816,675</td>
<td>$35,008,000</td>
<td>$38,824,675</td>
</tr>
<tr>
<td>New York</td>
<td>11,244,875</td>
<td>280,319,500</td>
<td>291,564,375</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>2,664,175</td>
<td>58,344,500</td>
<td>61,008,675</td>
</tr>
<tr>
<td>Cleveland</td>
<td>6,161,500</td>
<td>115,292,200</td>
<td>121,453,700</td>
</tr>
<tr>
<td>Richmond</td>
<td>4,240,850</td>
<td>39,365,000</td>
<td>43,605,850</td>
</tr>
<tr>
<td>Atlanta</td>
<td>2,125,075</td>
<td>16,313,000</td>
<td>18,943,075</td>
</tr>
<tr>
<td>Chicago</td>
<td>10,940,350</td>
<td>220,292,400</td>
<td>231,232,750</td>
</tr>
<tr>
<td>St. Louis</td>
<td>1,939,725</td>
<td>26,637,500</td>
<td>28,577,225</td>
</tr>
<tr>
<td>Minneapolis</td>
<td>1,379,375</td>
<td>9,198,000</td>
<td>10,577,375</td>
</tr>
<tr>
<td>Kansas City</td>
<td>2,343,625</td>
<td>14,794,000</td>
<td>17,137,625</td>
</tr>
<tr>
<td>Dallas</td>
<td>2,310,050</td>
<td>10,621,900</td>
<td>12,931,950</td>
</tr>
<tr>
<td>San Francisco</td>
<td>5,403,625</td>
<td>39,911,200</td>
<td>45,315,025</td>
</tr>
<tr>
<td>Treasury</td>
<td>55,000</td>
<td>125,000</td>
<td>180,000</td>
</tr>
<tr>
<td>Total</td>
<td>$54,625,000</td>
<td>$866,727,200</td>
<td>$921,352,300</td>
</tr>
</tbody>
</table>
FOR IMMEDIATE RELEASE,
Thursday, October 29, 1942.

The Secretary of the Treasury today announced the subscription figures and the basis of allotment for the cash offering of 7/8 percent Treasury Certificates of Indebtedness of Series D-1943.

Reports received from the Federal Reserve Banks show that subscriptions aggregate $3,102,000,000. Of this amount $667,000,000 were allotted in full to all subscribers other than banks accepting demand deposits, $64,000,000 were allotted in full to banks entering subscriptions for not more than $25,000, and the remainder, representing subscriptions from banks for more than $25,000, were allotted 55 percent, but not less than $25,000 on any one subscription, with adjustments, where necessary, to the $1,000 denomination.

Details as to subscriptions and allotments will be announced when final reports are received from the Federal Reserve Banks.
MR. SULLIVAN: Before we start out I want to tell you gentlemen that this morning we have just issued a Treasury decision establishing in the Bureau of Internal Revenue a Salary Stabilization Unit which will be separate from the other units in the Internal Revenue Bureau and which has authority to set up regional offices. Just how many we will have and where we will have them will depend upon the necessity as it is shown by our experience. I have copies of this decision here if you want them. (Copies distributed)

Q. Who is to head that office, Mr. Sullivan?

A. That will be announced later.

Q. Have you found a building big enough to house the personnel?

A. I think that probably you men will have many questions that we cannot answer this morning because, as most of you know, we will have to get out regulations to implement and clarify the regulations that Director Byrnes released Tuesday afternoon. I expect that those regulations will be ready in two weeks or so, and we will get them out just as soon as we can.

I have been very much pleased by the restraint you fellows have shown by not taking shots in the dark about what the regulations that Director Byrnes issued were going to say, and I think you did your public a great service. This is not a simple problem, and it is one in which it is very easy for the public to be confused. I am very grateful to you for sitting tight until those regulations came out rather than conjecturing about what they might be, and I think that probably you will have an opportunity for the same kind of service in regard to these regulations we are going to publish. We will get them out as quickly as we can, and once they are out we will be very happy at any time of day or night to answer any questions you fellows want to ask us.
This is not going to be an easy job — to clarify all of this to the public — and we are going to rely on you fellows to help do that job for us, and I want it strictly understood that at any time when anybody is writing a story, if you are in doubt don't take a chance, call me. You can always get me through the switchboard here or get me at home, and don't take any chances, fellows, because this is just too important. Just come to us at any time and we will give you an straight answer as we can.

O.K., go ahead.

Q

How are partnerships covered under the regulations—that is, the limitations on partnerships, if any?

A

You mean are the salaries covered?

Q

That is right.

A

It depends on whether it is a proprietary interest or a salary.

Q

But in the case of a partnership which may be composed of two people and say they take down so much for their own use, say a salary of eight thousand—

A

Of course all of the earnings of the partnership are taxable to the individual partners.

Q

That is true, but it would not be subject to double taxation when they did not take it down — I mean under the—

A

No, it would not.

Q

Are you going to have forms, additional forms, on your income tax blanks to require corporations to show salary increases?

A

There will undoubtedly have to be further information given to us. Whether that will be on a separate form or an addition to the existing form is a question that has not yet been decided. We will try to do it in a way that will give us adequate information, with the least inconvenience to the income tax filer.
Q

How about obvious efforts to circumvent the regulation by a man hiring his wife and paying her twenty-five thousand dollars a year?

A

You know better than that. We catch them every day and disallow them as a business deduction. That is not any new problem that is created by the Act or by the regulations. We already cover that. And you will note that in these regulations there is one clause which specifically provides that nothing in the Act — nothing in these regulations in any way minimizes the powers the Internal Revenue Bureau now has to disallow an unreasonable business expenditure.

Q

What about lawyers who are serving, perhaps, more than one client?

A

That depends very much, just as in the case of movie actors and radio stars, and so forth — that depends very largely upon the nature of the contract between the individual and the company. Just as in the case of Social Security taxes, the specific facts in an individual case govern and it depends upon whether or not there exists the relationship of employer and employee, master and servant, and so on and so forth. Each of those will have to be decided on its own merits. In the case of a lawyer who is employed exclusively by one client, devotes all of his time to the client, I think it is pretty clear that he is covered. The other cases depend upon varying facts.

Q

On a fee basis?

A

That is just one of the many facts that will have to be taken into consideration.

Q

You have not determined it as yet?

A

It depends on the facts in each case as they come in, just as in the case of the Social Security tax.

Q

What about doctors who work solely on fee?
How about obvious efforts to circumvent the regulation by a man hiring his wife and paying her twenty-five thousand dollars a year?

A

You know better than that. We catch them every day and disallow them as a business deduction. That is not any new problem that is created by the Act or by the regulations. We already cover that. And you will note that in these regulations there is one clause which specifically provides that nothing in the act — nothing in these regulations in any way minimizes the power the Internal Revenue Bureau now has to disallow an unreasonable business expenditure.

Q

What about lawyers who are serving, perhaps, more than one client?

A

That depends very much, just as in the case of movie actors and radio stars, and so forth — that depends very largely upon the nature of the contract between the individual and the company. Just as in the case of Social Security taxes, the specific facts in an individual case govern and it depends upon whether or not there exists the relationship of employer and employee, master and servant, and so on and so forth. Each of these will have to be decided on its own merits. In the case of a lawyer who is employed exclusively by one client, devotes all of his time to the client, I think it is pretty clear that he is covered. The other cases depend upon varying facts.

Q

On a fee basis?

A

That is just one of the many facts that will have to be taken into consideration.

Q

You have not determined it as yet?

A

It depends on the facts in each case as they come in, just as in the case of the Social Security tax.

Q

What about doctors who work solely on fee?
The same answer. There are many large corporations that have doctors who devote all their time to accident work within the plants. They are clearly covered, of course.

Mr. Sullivan, in the case of a moving-picture actor, for example, who works for three different companies, let's assume he gets twenty-five thousand dollars from each of those companies in the course of a year. When you figure out the deductions allowed, fifty thousand was the total he should have received under this act. What company gets soaked for paying him the extra twenty-five thousand dollars?

I would like to answer that question first by clearing up what may be a misunderstanding in your mind. You use the figure fifty thousand. I think you will find that so far as this above twenty-five thousand dollars provision is effective it is only above sixty-seven thousand two hundred dollars. Your question, I presume, is that you want to know whether the last fellow who pays him above the sixty-seven thousand limit is the one who is in trouble.

They might be paying him simultaneously, more or less.

The answer to that is that all will be regarded as participating in the violation of the act. In those instances where a person is receiving salaries from more than one corporation it is up to him and the corporations to get together and adjust the salaries among themselves. If the sum total paid is in contravention of the act all are held to have violated the act.

How are you going to get around cases where a man has several clients - or, the movie actor has several contracts and he has a business expense and that would be the equivalent of a gross instead of a net? How do you get around that? I mean you are putting a limitation on his gross, not his net.
A  It is a limitation on his gross salary.
Q  Even though he has to pay a lot of expense out of those salaries?
A  That is right.
Q  This sixty-seven thousand two hundred figure, would that mean that President Roosevelt would return the difference between seventy-five thousand and sixty-seven thousand two hundred in bringing his salary under the twenty-five thousand limit?
A  Well, the Act exempts statutory salaries.
Q  But he has written--
A  I understand that he has indicated his salary is to be covered, and the adjustment that he requested would mean a downward adjustment that would bring him to the allowable figure.
Q  He might have other deductions, personal deductions?
A  They would not enter into this matter.
Q  Must that adjustment be made at the beginning of the salary year or can it be turned back at the end of the salary year?
A  Well, the adjustment could be made either way, just so long as the individual does not receive during the year more than the allowable amount.
Q  Suppose an employee is paid thirty-five thousand, or, we will say, seventy thousand, during the year -- then at the end of the year he is permitted to turn back the excess to the paying corporation?
A  I don't think you will find it is going to work out that way.
Q  He gets some deductions and things that give him the advantage, arranged in advance.
I don't think it will work out that way. I think the salary will have to be paid at a regular rate that will arrive at the proper amount.

Coming back to Mr. Flynn's question, taking the case of a movie actor who has three thirty-thousand-dollar contracts, would he not be allowed to deduct the ten percent he has to pay his agent, in filing that?

No.

That would be the same in the case of an advertising agency, too, then, wouldn't it, that pays a commission? That is, an individual who has an agency that is a single proprietorship?

Well, he isn't—

He isn't covered at all?

No.

Take an author who writes a book and pays ten percent to his agent, surely that ten percent is deducted but he never gets it.

I don't see how he is covered, anyway. That is not salary or wages.

Royalties don't come under it at all in any form?

No, generally speaking -- unless the royalties are paid as a form of salary.

To return to this paying movie stars three salaries from three different firms, if I understood your interpretation to that, then any individual or any firm who paid this said movie star any part of his income during that year would be subject to prosecution for violation of the law even though he might have in all good faith paid it far before that star had gone over the limit.

I am sure you have seen the way we operate well enough to know that we would not do that sort of
thing. In the case where an employee — or, rather, a person hired by the corporation — had misrepresented facts to the corporation, we would not invoke the sanctions in that kind of a case.

Q
But the point I was trying to bring out was that under that interpretation literally the responsibility would rest with any firm or corporation to see to it to check on the other sources of income of each employee.

A
Just so far as it relates to other salaries, yes.

Q
Have you any figures on the number of people affected by the twenty-five-thousand-dollar limit?

A
I think there are twenty or twenty-four thousand persons who received in excess of twenty-five thousand dollars a year.

MR. CANN: That is correct.

Q
That is not all earned income, though, is it? I mean, that includes investment income and everything?

MR. SULLIVAN: That is earned income.

Q
Twenty-four thousand?

A
Twenty to twenty-four — it varies in there.

Q
The list the Treasury gave out of corporation salaries of over seventy-five thousand included only seven hundred names for 1940.

MR. SULLIVAN: That is over seventy-five thousand, I think. The question asked was over twenty-five thousand.

Q
In the testimony before the Ways and Means Committee on the super-tax I thought they said only fourteen thousand would be hit by that tax. It was a very small number, it seemed.

A
I don't recall that figure. I am giving you the figure I received from the Internal Revenue Bureau.
Mr. Sullivan, in Section 4001 there appears twice the same language, once applying to the War Labor Board and once to the Commissioner of Internal Revenue. It reads: "Any determination of the Board made pursuant to the authority conferred on it shall be final and shall not be subject to review by the Tax Court of the United States or by any court in any civil proceedings." Now, that applies to the Board, and then later to the Commissioner.

A  The determinations of fact made by the Board or by the Commissioner of Internal Revenue are not reviewable.

Q  Does not that abrogate the constitutional right of appeal to the courts. If it means to abrogate that right doesn't it ascribe to the Board and to the Commissioner something like infallibility?

A  No, I don't think there is any pretense of infallibility here.

Q  Under what section of the law—

A  Excuse me, I have not answered the real part of the question on the constitutionality. Mr. Wenchel, will you take care of that? He asked me to whether or not denying the right of appeal from a finding of fact by the Commissioner of Internal Revenue or the War Labor Board is a violation of the Constitution. That was your question, wasn't it?

Q  Substantially that, yes.

MR. WENCHEL: It is just a question of the determination of a fact question, and I don't think that violates the Constitution.

Q  In other words, whatever the War Labor Board says, on the one hand, or whatever the Commissioner of Internal Revenue says, is final? There is no appeal anywhere?

MR. WENCHEL: No appeal.
Q: There is an appeal on the law itself, isn't there?

MR. SULLIVAN: Certainly. Mr. Wenchel meant there was no appeal from the findings of fact rendered by the Commissioner or the Board.

MR. WENCHEL: That is right.

Q: Like any other finding of fact by a Governmental agency?

MR. WENCHEL: A finding of fact, for instance, by the Board of Tax Appeals has been held by the Supreme Court not to be reviewable by a Circuit Court.

Q: But an individual is not precluded from challenging the constitutionality of this law by any means?

MR. WENCHEL: Certainly not.

Q: What is the section of the law that authorized closing the courts to persons who might feel aggrieved?

MR. WENCHEL: The provision that authorizes the President to control or fix salaries and wages.

Q: Could you cite me the section of the Act, Mr. Wenchel, that authorizes that?

MR. WENCHEL: I don't have the Act before me. The President in turn delegates that to the Commissioner or the Labor Board.

Q: Yes, I understand, but under what authority - specific section?

MR. WENCHEL: I don't have the Act here.

Q: Just the broad general language, is it, or is there some delegation?

MR. WENCHEL: That is Section 1 of Public Number 729, Act of October 2.
Q: You construe that as authority for closing the courts to appeal?

MR. WENCHEL: Pardon?

Q: Do you construe that as authority for closing the courts to appeal?

MR. WENCHEL: On finding of fact, yes. I again repeat that the Supreme Court has upheld the findings of fact by the Board of Tax Appeals as being final - the findings of fact. Questions of law, of course, can be appealed. But you cannot appeal a finding of fact of the Board of Tax Appeals to the Circuit courts.

Q: I am glad you brought that out because the impression is pretty general you cannot appeal at all. You could appeal on the application of all those facts to the courts, could you not, sir?

MR. WENCHEL: Pardon?

Q: I say the impression is pretty general that there is no appeal from these findings, but from what you say I gather that there is an appeal on the application--

MR. WENCHEL: An appeal on the question of law but not on the question of fact.

Q: I see.

Q: How do you plan to coordinate your work with the War Labor Board with regard to those employers who are in the twilight zone between the War Labor Board's jurisdiction and yours with respect to salaries under five thousand?

MR. SULLIVAN: We think the twilight zone has been pretty well eliminated. You see, under this order we have all salaries except those below five thousand dollars which are not executive, administrative, or professional in character, and where the executive, administrative, and professional employees are not represented by a duly-recognized labor organization--
Q: Will you define executive, administrative and professional?

A: Yes. Just take the same definition of those three terms that are used in the regulations under the Wages and Hours Act.

Q: Mr. Sullivan, I have two questions here that are just specific questions I would like to ask you. In the first place, the law specifically - or, the order specifically - permits the reduction of salaries above five thousand dollars. Would that be construed to prevent a union, for example, negotiating and obtaining from an employer a contract under which the employer agreed for the duration of the contract not to reduce salaries in excess of five thousand dollars?

A: I think you are not asking a tax question there, are you?

Q: Well, I am meaning to.

A: I think the answer is no, but I am not sure that we are the ones to pass on that. Maybe I did not understand your question.

Q: Well, the question is - it has come up in my office - where the union is negotiating a new contract with the management and the union wants to know whether it is proper to ask the management to put in the contract a sentence which says that salaries above five thousand dollars shall not be reduced for the duration of the contract.

A: That is quite proper - quite proper as far as these regulations are concerned.

Q: The other thing I am asked to ask you is, in the calculation of salaries of course dividends paid to an employee would not be included as a part of the salary?

A: They would not where the dividends were bona fide dividend payments.
Q. Mr. Sullivan, the War Labor Board is setting up a regional arrangement to channel its cases. Are you going to have any procedure like that?

A. Yes, you will find that there is provision for that in the Treasury Decision I just gave you. We, too, will have to have regional offices.

Q. I wanted to ask, how would the difference over the sixty-seven thousand be treated by the corporation?

A. You mean in the event that a salary in excess of that permitted by the regulations were paid? We would disallow the entire salary payment to that employee.

Q. I mean the excess over sixty-seven thousand would simply go into the corporation funds to be taxed to the corporation.

A. You mean where they would reduce the salary of an employee so it would be down to that figure?

Q. Presumably that is what they would do, is it not?

A. Then, of course, the amount by which they reduce would be retained by the corporation and hence be subject to the corporate income tax.

Q. In the case of a movie actor who contracts and is paid by the single picture in which he appears and might be paid, say, fifty thousand dollars a picture, and makes, say, three pictures a year – how would that be considered?

A. He is in the employ of the one company?

Q. Not necessarily.
Well, just as in these other cases I gave you, it depends very largely upon the nature of the contract and the type of employment.

Suppose it is different companies.

That is the same.

He is not committing himself to work three hundred and sixty-five days out of the year or fifty-two weeks out of the year.

I understand that, but it doesn't make any difference, because you will note that the regulations cover a salary at whatever time the salary is earned.

Suppose that man's contract definitely calls for three pictures a year for one employer at twenty-five thousand dollars a picture, not—whatever would give him that—and he makes twenty-five thousand and then says to the employer, "I can't work any more because I can't earn any more," and the employer sues him for breach of contract, for refusal to make other pictures.

I can't give you the answer to that. That is something to be straightened out between them.

Isn't there an exemption for a single performance?

Not that I am aware of.

Like getting payment for one job?

Not that I am aware of, if he is employed for that job.

There is none?

I didn't see it in the regulations: I saw it in the Wall Street Journal. (Laughter)

The term salary could cover income from commissions? That is, an advertising salesman—
That is right. There is a broad distinction to bear in your minds, and that is that a wage is remuneration paid on an hourly, daily, or piecework basis.

But does not cover dividends as might be paid out by the company to its employees?

Wasn't that what you said?

Yes, bona fide dividends are not covered by this Act.

What about bonuses? Can an employer be restricted in the amount of a Christmas bonus he can give?

Well now, let's get that straight, because I think it will be pretty important to a good many people. The type of concern that usually gives its employees five dollars and ten dollars at Christmas, has been doing it year after year, certainly they can go ahead and do it this year. Now, when you come to talking about substantial bonuses, you have run into something else. You will recall that the provisions relating to salaries in excess of twenty-five thousand dollars don't go into effect until January 1, 1943 and because this is so, we had to protect ourselves against very large salary payments to some executives during the last three months of this year. That is why you find the provision in the regulations that the total salary and bonus payments made this year in the field where the twenty-five thousand dollars limitation operates shall not exceed the total salary and bonuses paid last year. As a matter of fact, the way it works out that provision does not affect anybody who is not receiving more than about fifty-four thousand dollars this year. But please make it clear that on these customary Christmas bonuses and payments of that type to employees there is no prohibition.
Q Mr. Sullivan, you just mentioned the five, ten, and fifteen dollar bonuses as a "usual Christmas bonus for some concerns. Well, now--

A Please don't use those figures as meaning that twenty or twenty-five is bad. I was just merely trying to distinguish that from the type of bonus that would come under the other limitation.

Q There are some corporations - I know of one newspaper that gives bonuses regularly of a week or two weeks or even three weeks pay - would that be a normal bonus?

A If they have done that customarily in the past.

Q Suppose they do it in good years and are unable to do it in bad years?

A And this is a good year? It is still a customary bonus.

Q How about a company that has never paid a bonus, but has offered an incentive plan to its workers?

A And that plan was prior to October 3?

Q Yes, sir.

A I think that that probably would be all right.

Q That would include bonuses paid for particular efforts or exceptional work or something like that?

A That is right.

Q How about this kind of an attempt at evasion of the effect of the twenty-five thousand dollar limitation - where an individual makes a salary of a hundred thousand dollars a year and prior to this year he is issued a block of stock by the company, that stock to pay dividends on the next year, and his salary is cut back?
A: What is the date of the transfer of the securities?
Q: Any time between now and the first of the year.
A: Well, that is income to him.
Q: Yes, he would have to pay income tax on the income this year.
A: Certainly.
Q: But at the same time he would get the benefit of dividend payments next year which would bolster his net income.
A: That doesn't make any difference. Suppose instead of taking stock in that corporation he bought War Bonds, which is a very good idea, fellows— (Laughter)
Q: I mean if the stock is given to him by the company he works for?
A: All right, it is given to him as a bonus—it is taxable as income. Now, it doesn't make any difference whether he leaves that stock in the corporation or whether he buys stock in a corporation across the street.

Q: Well, the picture I am trying to paint is this: that by doing that the hundred thousand salary he got this year will be reduced to a net of twenty-five thousand dollars next year, but in addition he would get dividends from the stock which he did not hold.
A: Yes, but he might very well have put that money in any other corporation. Dividends are not included in this.

Q: Yes, but he didn't actually have the money—it was given to him as stock, we will say, for the purpose of evading the twenty-five thousand dollar limitation.
A All right, he pays his income tax on it this year. If as a result of that - and this is a transaction, you told me, after October 3 - if as a result of that his total salary for this year would be in excess of his salary last year, that corporation is not going to be allowed to distribute that stock to him.

Q How about a case where a man has been doing work for two years and gets paid on the third year something like a hundred and fifty, a hundred and seventy-five thousand?

A As I told you, we are going to have another set of regulations out in two weeks. Maybe we can meet again at that time and I will be very happy to answer that at that time.

Q Mr. Sullivan, what about the practicing specialist, the doctor, the lawyer, the professional in business for himself who from a number of fees gets an income considerably in excess of twenty-five thousand dollars?

A He is not covered by the Act. Now, remember that I said earlier that the lawyer who works for a single concern, the doctor who devotes all his time to a single concern, is covered. There are several in-between cases - between the case I cite and the case you cite where he may or may not be covered, and that will depend on the facts in the individual case.

Q I understood that distinction; that is the reason I said from a large number of fees.

A That is right. I just wanted to be sure I had in mind what I thought you had in mind.

Q Isn't it possible, Mr. Sullivan, for an attorney, for instance, to act as the legal representative for a company in an area and whatever is paid by the company as a retainer would be considered as a salary although in addition he might also have a general practice?
That depends very largely upon the nature of the retainer.

Mr. Sullivan, but I mean in that case, what consideration is given to the fees he then gets from his general practice?

I think—

That is, for instance, a man might be—well, we will say a man is here in Washington and he is a legal representative for General Motors and he is being paid twenty-five thousand dollars a year for that job, so that would not catch him on this deal, but he is also operating a general practice here in Washington picking up cases as they come along, and that would—

He probably is not covered.

In other words, he is assuming that some such attorney might be seeking an evasion of this. The simple way to do it in case he were employed by one firm alone would be to scurry around and dig him up three or four more clients.

That doesn't change the situation at all, no.

Why?

Because he already has a contract with this other outfit that he devotes his exclusive time to them.

Then a change in that contract between now and the time the law goes into effect would be disregarded.

Well, I don't know. I don't know about that. It depends upon whether it is obviously an attempt to evade or whether it is something that they had in good faith discussed before and have correspondence on, and so on and so forth. I am very hopeful that the phrase you used "simple" to evade, will not come to pass.

What is the definition of a salary agreement? Is that any agreement, also an oral agreement?
I think that that is pretty much a general term and covers a variety of types of agreements.

Mr. Sullivan, would a movie actor or a lawyer evade this thing by being sure he worked for three or four different companies during the year instead of just one?

No.

How about incorporated movie actors like Bing Crosby, Incorporated?

I don't think that the factor of incorporation would alter the circumstances.

Mr. Sullivan, in regard to the salaries over twenty-five thousand for the rest of the year, would a man like Eugene Grace, who has gotten a large increase in '42 over '41, be compelled to turn back that extra money?

When did he get the increase?

Earlier this year. That is assuming he did. The newspapers report to that effect.

Yes. If he is up - I am assuming he is over the fifty-four thousand. If he isn't, we will take up a collection for him. (Laughter) If he is over the fifty-four thousand and he has already been paid more than he received last year, he is through collecting for '42.

Will he have to give back some?

No, he doesn't have to give back what he received prior to October 5, the effective date of the Act.

But it would be possible then for that man's income to be terminated?

October 27, I beg your pardon, is the date of the regulations.
Q It would be possible then for his income to be terminated as of October 27 if he has already exceeded the fifty-four thousand?

A It would. That is, when he exceeds the '41 salary providing he is still above fifty-four thousand.

Q Well, that is what I meant, too, that is, in the case of a man that has been getting—

A I want to be sure that you had that as excess over the '41 salary.

Q Yes.

Q The regulation I read gives recognition to other Federal taxes. Does it take into consideration State taxes at all?

A No.

Q That does not produce double taxation in any sense?

A I think not. This is not a taxing statute.

Q Mr. Sullivan, the employees of the departments who are not organized would come under — that is, the salaried employees would come under the Bureau of Internal Revenue?

A If they are administrative, executive, or professional, yes.

Q Supposing they were not?

A On their salary?

Q Yes, on their salary.

A What class of employees are you talking about?

Q About sales people, people employed in delivery departments, packing departments — assuming they were not organized.

A They would come under the War Labor Board, unless they are executive, managerial, or professional?
Page 9, paragraph C, Mr. Sullivan – it says there that "In any case in which an employee establishes that, after resorting to his income from all sources, he is unable, without disposing of assets at a substantial financial loss resulting in undue hardship, to meet payments for the following" – does that mean that if he has cash in the bank or securities and he can sell at the same price he bought them for, that he must do that before he gets an exemption?

That is a good question. You will note that the preceding paragraph, paragraph (b), relates to charitable contributions. Now, there is a little distinction in the treatment of charitable contributions from the treatment of life insurance, payments on fixed obligations, and Federal taxes. In the first case, of charitable contributions, the test is whether or not his income from all sources is insufficient to make the customary payments. The test on life insurance premiums, on taxes, and on payments on fixed obligations is whether or not from all of his resources, including his assets, he is able to do it. Now, that necessarily vests in the Bureau a great deal of discretion. Certainly we would not feel that a person should sell a piece of real estate he owned in a depression town – a town that was temporarily going through a depression – in order to meet these payments. There is a wide field within which the Commissioner will have to exercise his discretion as to what constitutes a hardship, and at what figure assets would have to be disposed of to represent a substantial loss.

Well then, it means that if a man has stock which he can sell at the same, or virtually the same, figure, at which he bought it, he must first dispose of his stockholdings.

No, I wouldn't want to make that statement, because although he is holding the stock at the same figure that he paid for it, there are certain circumstances under which that might represent a genuine hardship. I mean that stock
might be one that has seasonal fluctuations, and it might be at the bottom of a cycle. I won't attempt to interpret or predict the rules the Commissioner will follow in exercising that discretion. I think I can assure you that he will exercise it wisely and equitably.

Q Suppose the man's only holdings are Government bonds which are practically stable? Is he required to cash those in?

A I think that that would likely be treated very much as though it were cash in the bank, although I still am not predicting what rules the Commissioner is going to follow.

Q He would be required to cash them in?

A No, I can't answer any of these questions categorically. Those are matters for the Commissioner of Internal Revenue to determine on the facts in the individual case.

Q That means, Mr. Sullivan, that all these questions of doubt mean that before the corporation can fix the salary for any particular individual, he has got to determine the finding in that particular case?

A That sounds like a pretty big order, but it really isn't so. In the first place you haven't got so many fellows who are earning above sixty-seven thousand two hundred dollars. You haven't got so many of those who are on the borderline. I don't think many of them are going into bankruptcy next year, and although it sounds like a pretty big order, when you boil it down we are not going to have very many cases and it is not going to be very difficult.

Q Nevertheless, that is true where it is so?

A That is right. If the corporation is paying more than sixty-seven thousand two hundred dollars to an employee who has had a bad season at the track and hasn't anything in the bank, then maybe they had better inquire. But I don't think there are very many up in those brackets who spent the season at the track.
Q: You said a minute ago that—I thought you said that anybody below five thousand who is not in an executive, administrative, or professional capacity was handled by the War Labor Board. Why is this clause in here, the Board handles people under five thousand dollars provided they are represented by labor organizations?

A: Well, the Board handles them. It handles the administrative, executive and professional people if they are represented by labor organizations.

Q: I see. In other words—

A: It is "or," not "and." Do you get it? Anybody else troubled by that?

Q: I have another question back to this one where the man has had a sizeable increase in his salary in '42 prior to October 27, and that would mean, then, that his income should be shut off? However, it may be possible that the man is not paid very frequently during the year.

A: And that he has already exceeded—

Q: No, no, his payments so far have not come up to what he got last year.

A: All right, he can still get up to what he got last year.

Q: How do you arrive at that fifty-four thousand dollar figure? I understand the sixty-seven thousand, but I don't understand the fifty-four.

MR. SURREY: It is computed on the same principle, except that this year we do not have the Victory Tax. The fifty-four thousand dollar figure is the amount necessary before taxes to arrive at twenty-five thousand dollars after taxes this year, just as sixty-seven thousand will be the amount for next year.
MR. SULLIVAN: To spell that out a little further, the reason for that is that it is only the fellows above twenty-five thousand dollars who are not affected by this Act right this minute. The rest of the Act and the rest of the regulations don't affect them until January 1. It is just this closing the loophole on increases between now and December 31.

Q

Here is a question. I haven't seen anything that indicates what kind of control there is in the area between five thousand dollars and the twenty-five thousand dollar net income - what control is there to be exercised?

A

Exactly the same as there is above. We have the power to disallow as a deduction the entire salary that is paid in the case of an unauthorized increase.

Q

But isn't there a provision in the original Executive order setting up the Office of Economic Stabilization that says there can be increases over five thousand dollars if the man is doing a better job, or something like that?

A

Yes, and in these regulations that were issued the day before yesterday.

Q

But the thing is, you see, that it does not make any difference whether the man who is earning - if a man is earning over twenty-five thousand dollars net and say he is working eight hours a day, and if he works twelve hours a day next year he gets nothing more - he cannot get any more. But a man who is earning between five thousand and twenty-five thousand net is privileged, then, if he exerts his energies to still be compensated in advance - that is, you have not frozen those salaries, have you?

A

That is correct.
Mr. Sullivan, in the case of a particular employee who threatens to leave and his boss says, "I would like to give a raise if I can get permission from the Commissioner of Internal Revenue", can he agree to make that raise retroactive to the date they made that agreement? In other words, he says, "I will give you a raise as of today if I can get permission." Would the Commissioner of Internal Revenue then allow that to be retroactive?

I think that it will probably be worked out that the increase will be permitted on the approval by the regional office before approval by the Commissioner here in Washington.

How many regional offices are you setting up?

I don't know. We will probably have twelve or fifteen and as many more as are needed to do the job. I think I saw in the paper today — and you fellows can correct me — that the War Labor Board is setting up ten, isn't it?

Ten.

When I say twelve or fifteen, I just don't know — maybe it will work out to be ten and maybe they will have to be in the same places, I am not sure. There will be seven of them opened within the next ten days, and Mr. Cann, Assistant to the Commissioner of Internal Revenue, can give you the location of those seven if you would like them.

We would.

Go ahead, Norman.


How large a force, Mr. Sullivan, do you estimate will be required to do this job?
I don't think we can answer that question for you today.
Mr. Cann has suggested you might be interested in knowing that to do this work we are not taking in new men. We are selecting the cream of the existing crop in the Bureau, all men who have been with us more than ten years, and are turning this job over to them. We feel that this is a very important operation, and even our best men are going to be taxed to do this job quickly and efficiently.

Suppose part of a man's income is covered by a statute and the rest is a private salary?

Well, I think you have asked one of those other questions that we would prefer to put off until we have drawn up the Treasury regulations. I don't want to be cutting you short. I mean that is just one of the things we have not decided. There are a lot of them, and there will be more.

Mr. Sullivan, how can you relate this sixty-seven thousand figure with the tentative tax which the employer is to arrive at which does not include deductions, in which he applies the rates under the regulations?

You see, that sixty-seven thousand two hundred dollar figure is the amount of salary which after taxes would leave the employee a net of twenty-five thousand.

Presumably would include deductions and all, but—

No, no deductions.

Isn't it possible, too, that that figure will be changed if and when Congress enacts another tax measure increasing the rates?

You see, there is no figure in the regulations. The language of the regulations works out to a figure of sixty-seven thousand two hundred dollars under the rates that are included in the Revenue Act of 1942. Now, as those rates change that figure may change, if those regulations are still in effect. But the language of the regulations will not need to be changed.
Mr. Sullivan, there is still one thing I am not quite clear on—

You are way ahead of me, if there is only one thing. (Laughter)

One thing I can think of at the moment. It is this. This would prevent a man from getting a higher salary from the same employer during this period than he got before for the same work. Does it prevent him from getting a higher salary from some other employer if he changes jobs, provided that other employer has been paying a higher salary for that type of work?

In some cases yes and probably in other cases no. I think that probably some classifications will be worked out here. I can't say that they will. I can foresee that there might be a threat of such a shifting that it would be necessary to work something out. I think you realize that that is something that applies more to wages than it does to salaries.

It does as a rule. However, I was just thinking of a stenographer, for example, whom one man pays forty a week to another pays thirty. Can the girl leave the thirty a week and take the forty, or does that limitation apply to the salary she earns rather than the company that pays it?

That is—

In the case of a man whose employer considers he really should have been paid more for the same sort of work is there any procedure by which that employer—

Yes, he asks the Commissioner of Internal Revenue - he sets forth all the facts and says, "If I make this increase will it be approved?"

Isn't it true, though, that there are some exceptions already, though—

Oh, yes.

It isn't necessary to come to the Commissioner every time you want to raise a salary?
No, that is correct. You will find that on page seven, and for those six cases that are listed there he can go ahead and make his increases. Now, for instance, here is an increase for individual merit within established salary rate changes. That does not mean that every increase that is made for merit is going to be approved because it may turn out that some cousin of the boss who is doing much poorer work this year than last year gets one of those. I mean, we are not precluded from inquiring into whether or not those were reasonable increases under this category.

That would only be developed, though, if you started an investigation, because if the employer decided that he was giving a merit increase, the language there indicates—

That is very likely so, but I am just pointing out that this is not going to be permitted to become a technique of evasion by just saying that it comes under paragraph (e) or paragraph (i), or something like that. It does not tie our hands in the matter. Neither are the increases restricted to those six classifications. There will undoubtedly arise other good grounds for increasing salaries.

Is it necessary for an employer to have in operation a standard employment salary in order to make the raises in those various classifications? The language there indicated that that might be the case.

The language indicates that that might be the case, but I think that there will be many instances of employers who have less formal systems of advancement that will satisfy us.

They have to be submitted, though?

Yes, in case of doubt.

An employer can go around to one of the regional offices and find out whether a particular raise falls within one of those classifications, can he?
A. Yes.

Q. The City of Philadelphia is planning a blanket salary and wage increase for the beginning of next year. What can they do about it, or can't they—

A. When did they agree on it?

Q. Some time before the campaign got hot. (Laughter) But it is supposed to be a cost of living—

A. Was this before October 3?

Q. It was an informal promise of the city council before that date.

A. Let them bring it in and we will pass on it.

Q. But a city may have—

Q. What can you do about salary raises of that sort by municipalities and States? Is there any way you can reach municipalities?

A. Oh, yes, it is provided in here—let me get the correct language for you—"These regulations shall be applicable to any salary or wage paid by the United States, any State, territory, or possession or political subdivision thereof, the District of Columbia or any agency or instrumentality of any one or more of the foregoing, except where the amount of such salary or wages is fixed by the statute."

Q. I was just wondering how you could reach them, like the Governor of South Carolina—

A. We could go after the employee.

Q. "By statute"—does that mean wholly Federal statute or would it be possible to enact a State statute?

A. Yes, State.

Q. How about a municipal ordinance, which is not considered a statute?

A. That is not considered a statute.
Mr. Sullivan, on this Philadelphia case the War Labor Board has ruled with respect to wages that increases promised before October 3 for a future date have to be reviewed. That would be different from the interpretation that you gave with respect to salaries.

Then you correct what I said because we are talking now largely about wages and not salaries. That is their problem and not ours.

With respect to your answer about the girl who is getting thirty dollars now and she finds —

I don't think I answered it.

I was wondering what your answer was.

I knew I did not answer it. I was coming back to that. Let's go over that again. Go ahead.

It was just a question in the case - let's say we have two employers, one who normally pays forty dollars a week for a stenographer and the other normally pays thirty dollars a week for a stenographer. The man who is paying thirty cannot raise her to forty under that law?

That is right.

But can the girl quit and go over to the man who is paying forty if he needs a stenographer?

I think it may work out that way unless we can devise something.

Do you contemplate freezing persons in their present jobs?

No, I don't think that is the function of the Treasury Department.

Could you tell us where classified employees of the Federal Government stand under this? Are they exempt?

Under the Ramspeck bill you mean?

The Ramspeck bill is exempt?

Yes, the increases under it are permissible.
Q
What about the general salary determinations?
A
Well, you have got the basic classifications.
Q
Are they covered by statute? Would you say that a Federal employee working for you is covered by statute or is he in the classification covered?
A
He is covered by the Ramspeck bill.
Q
Is he covered by this regulation?
Q
Is he subject to the regulation or is he exempt from the whole regulation?
A
Well, he is and he isn't. He is subject to the Act, but regulations permit increases under the Ramspeck bill.
Q
How about an ordinary merit increase for a lawyer who has been working for forty-five hundred?
A
This is permissible and is already provided for in the regulations.
Q
What about an exceptional increase that—say you might be of the type that if he were a private employer you would say, "That is not a merit increase." Too much of an increase seems to be an evasion.
A
I haven't had one since I got here. I don't know what you are talking about. (Laughter) No, I don't think you run into that very much, do you?
Q
Thank you, Mr. Sullivan.
A
I am very grateful to you all, and just remember any time we can help clarify anything please call us up because we are relying on you fellows to help us do this job.
H.M.JR: What is on your mind this morning?

Q Financing.

A They tell me I meant Thursday a week.

Q I just said Thursday, so it meant any Thursday.

(Laughter)

A That is what they say, anyway, so that is my story.

Q Not even next Monday?

A Well, I think you had better stick to "next week", and we will be safe on that.

Q That is on the financing?

A Yes.

Q When do you have your first meeting, Mr. Secretary, with the bunch - you know, the Executive Committee of the Open Market Committee of the Federal Reserve System?

A I don't know. It is imminent, anyway. When
we do have one, we will tell you.

Q
When would I have one? (Laughter)

A
I say when we do have one or as soon as I
make an appointment with them I will tell you.

Q
All right. There is always a lot of interest
in that.

A
There are a number of things to be straightened
out. We will begin to have some announcements
for you next week.

Q
Mr. Secretary, I wonder if you would amplify
your statement of Monday as to whether, in
pointing out that British taxes in the lower
brackets were almost double the American
rates, you suggested that it would be a good
idea - or, rather, sound finance, to raise the
American tax level to the British in order to
meet higher costs of war.

A
I am not going to ad lib on that.

Q
It is not a question of ad libbing, Mr.
Secretary. It is what you mean, except by throwing it out, saying, "Here it is."

At the proper time I will have something to say, but it is too important to just throw it out. I mean I am not prepared to give you a detailed statement. I mean I didn't start that. Somebody asked me about British taxes, and I gave it.

You don't think your taxes are high enough, do you, Mr. Secretary? You have already stated that you want six billion more from that standpoint.

You know - I mean I don't want to be drawn into this tax thing today. At some time I will have a statement, but I am not prepared to give one now. I mean, I haven't changed my views on anything I have made previously. I haven't changed any. Taxes are something that interest a great many people today, and I think when I sound off on it I ought to have a carefully prepared statement, which--
Q And not a casual discussion.
A ... which would represent the administration.
Q Are those subcommittee hearings on compulsory savings going to go on December 1? I understand they open on that date.
A I don't know. I mean I just don't know.
Q You are a member of the committee.
A Am I?
Q The committee was thrown out, Nick, thrown out of the bill. They deleted that committee.
A I mean, I haven't caught up with it. I didn't even know. Congress did, the whole committee?
Q Yes.
A Subcommittee?
Q Committee of fifteen. I am speaking of the joint Congressional committee.
A I did not know that committee was thrown out.
Q Thanks for the info. It brings Nick and me both up to date. I have an excuse for not knowing it. Nick has none. (Laughter)
A All I do is look at my own rate, what I have to pay.
Q  Mr. Secretary, do you care to comment in any way upon the election returns?

A  No, no.

Q  What has happened to that Fish story, Mr. Secretary, that you people had about this twenty-five thousand dollars he got?

A  Did I ever talk about it?

Q  No, you never talked about it, but the Treasury has something in its files. Are you going to dust it off now?

A  Well, I have just as much to say on it as I said before, which I think was zero, if I remember correctly.

Q  Mr. Secretary, the Washington Post this morning has an editorial saying that in view of the election returns the President might care to revamp his Cabinet, and to facilitate that process the resignation of Cabinet members might be in order. Do you care to comment on that, sir?
Q

Anything new on this rumor of your resignation, sir?

A

I answered that last time.

Q

I know. I just wondered if there were any further developments.

A

No. I have always considered that I am here at the President's pleasure.

Q

Mr. Secretary, there is one question. We got an inquiry about a new arrangement on the British pound and American dollars as a result of your visit over there, which is designed some way to freeze out activities in all - not necessarily Nazi-controlled countries, but all except the Allied countries. Is there any arrangement of that kind that you can comment on?

A

No.

Q

Nothing whatever on that?

A

No, I just don't want to comment on it.
Q: There is something, but there is no comment?
A: No, I just do not want to help you out, let's put it that way. That is understandable? I just don't want to help you out.

Q: Do you expect something later on it?
A: I am not going to help you out at all; I am not going to be helpful.

Q: We are trying to get a story out of this conference, Mr. Secretary. Can't you originate one yourself for us?
A: No, no. After all, I have been up country and got back this morning, so there is not very much. There is plenty of news around town. You will have to get it in some other shop. (Laughter)

Q: Last week you said there was nothing on the hemisphere dollar, that there had been some talk about it; but this is different from that other arrangement.
A: I am not going to be helpful, I am sorry, so you can thank me for nothing this morning. (Laughter)

Q: Thank you, Mr. Secretary.
I think I ought to call off some of these press conferences. I don't have any news for you. I feel very badly.

We have a very important question we were discussing downstairs.

Seriously, when I do not have any news would you rather have me call off the press conference?

We might have some questions.

We like to see you, Mr. Secretary.

Well, it is mutual. I just wanted to let you know I did not have anything.

The question downstairs was whether the Italians were eligible for Lend-Lease aid, now, Mr. Secretary. (Laughter)

I would say it was a little previous.

What do you think of Mr. Vandenberg's proposal for a moratorium for a year?
Q

You say you are not going to get in on that?

A

On the discussion. I told you gentlemen I would let you know when we were having a meeting with the Executive Committee of the Federal Reserve and we start tomorrow morning. We had all the managers of the Victory Fund Committee in, today. They have been here all day.

Q

Can you give us a list of the names, sir?

A

We will.

Q

Is this a new drive to get your securities to other investors, that is, besides banks and insurance companies?

A

Well, it is to discuss the next financing.

Q

I see.

A

The next financing.

Q

That is these conferences starting tomorrow?

A

The conference with the managers of the Victory Fund has been going on all day. That is where I was, and tomorrow with the Federal Reserve - the Executive Committee.
I am not going to get in on that.

You say you are not going to get in on that?

On the discussion. I told you gentlemen I would let you know when we were having a meeting with the Executive Committee of the Federal Reserve and we start tomorrow morning. We had all the managers of the Victory Fund Committee in, today. They have been here all day.

Can you give us a list of the names, sir?

We will.

Is this a new drive to get your securities to other investors, that is, besides banks and insurance companies?

Well, it is to discuss the next financing.

I see.

The next financing.

That is these conferences starting tomorrow?

The conference with the managers of the Victory Fund has been going on all day. That is where I was, and tomorrow with the Federal Reserve - the Executive Committee.
Q Did they make proposals as to the types of securities that you should issue?
A No.
Q Do you suggest to them the types that you are going to issue? I mean, if that gets out among the bankers--
A It isn't going to get out because we did not tell them anything.
Q Oh, well, you won't tell us anything, then, will you?
A I am not apt to. I shall try not to. We are just getting down to brass tacks, now, on the next financing program.
Q Have you decided on the total, yet?
A No, I hope to have something by Thursday, but I am not sure.
Q This is the first time that you called them in in prefinancing conferences.
A I think we have had them in before. I know they have been here before.
It isn't a usual monthly practice, though, to call them in before, is it?

Oh, gosh, I don't know.

I hear there is some criticism around of the Victory Fund Committee not really getting down to hard work that is necessary to put this over. I hear that among the bankers, themselves.

No, I think that is unfair. I think they have done a good job.

Is there any plan to pay the salesmen to organize their whole staff?

That has not been raised, yet.

It has not?

No.

Mr. Secretary, is there any comment from the Department on the seizure of French ships or any other French assets in this country as a result of the breaking of diplomatic relations?

What do you mean by that?
This morning Secretary Hull announced that French ships now in American ports would be seized. Three were taken this morning at New Orleans. Presumably they are the only ones in the country, and the Treasury already has announced that it now regards all of Continental France as enemy territory.

Well, I understood you were going to ask me, and Paul isn't here. I sent for Luxford. We did about a half a dozen things between eleven o'clock and midnight last night. Has that information been furnished to them - what we did?

MR. SHAFFER: No, sir, except the press release and the general ruling.

H.M. JR: What did the press release say? Bring me up to date.

MR. SHAFFER: The press release said the general ruling declared that all French territory in Continental Europe was enemy territory.

Q I have a copy of that, Mr. Secretary.

A Well, they gave me a list.
I wonder if we could have somebody give us the whole background on that?

What was the situation as far as French funds were concerned?

Well, there was nothing other than the French funds had been frozen, and then the various diplomatic - French diplomatic officers in this hemisphere were on a sort of a monthly allowance.

It has ceased, now?

It has ceased.

How would they get home?

That is the whole hemisphere?

Yes. From here, out of French frozen funds for North and South America we made them an allotment each month - a certain amount of money.

Do you know how much that amounted to, a month?

We never said. I think the State Department does it. We have never said how much, but anyway, as of nine o'clock this morning everything was shut down. That is previous to Mr. Hull doing something?
Q  I wonder if we could have somebody give us
the whole background on that?

Q  What was the situation as far as French funds
were concerned?

A  Well, there was nothing other than the French
funds had been frozen, and then the various
diplomatic - French diplomatic officers in this
hemisphere were on a sort of a monthly allowance.

Q  It has ceased, now?

A  It has ceased.

Q  How would they get home?

Q  That is the whole hemisphere?

A  Yes. From here, out of French frozen funds
for North and South America we made them an
allotment each month - a certain amount of
money.

Q  Do you know how much that amounted to, a month?

A  We never said. I think the State Department
does it. We have never said how much, but
anyway, as of nine o'clock this morning every-
thing was shut down. That is previous to
Mr. Hull doing something?
He did it at noon, approximately.

Well, we did it with the approval of the State Department at twelve o'clock last night.

Well, Mr. Secretary, another case, as I recall--

What I will do - I have sent for Luxford who is handling this thing since Bernstein is gone - he can go down. If he does not come back in time, I will make him available to you.

Would French citizens be free to move from any part of the United States? As I recall, in connection with the Germans and Italians, none of them were permitted to leave without a permit; suddenly they had to declare all their assets. Has that been done in the case of French citizens?

I do not know. Luxford would have to tell you. I do not know. You see, they moved, they clamped down on everything. This is
subject to correction. I take it they will treat them just the way they did the others. In other words, there will be no similar twilight zone in the handling of French interests in this country?

I do not think so, but he will have to tell you the details.

Suppose the Frenchman says he is a resident of Morocco and Morocco was not included. They only froze Continental France, you see, and he is a citizen of France, but a resident of Morocco. Is he free to move, as compared with the fellow who lived in Lyons, France?

I do not know, but I will have him available.

Do you know whether there is any move afoot to recognize the Free French, or Fighting French Government?

I do not know. If I did, I could not tell you.

I was wondering whether that distinction was going to be drawn.

That would be strictly State Department.

Where does the Free French Government get its funds? There is a billion six hundred million.
Mr. Secretary, a purely technical point, what happens to these people who happen to owe a good deal of money when their funds are suddenly frozen like this? What happens to their debts, in other words?

I don't know. I am ad libbing, but my guess is that we freeze them and then subsequently settle their debts out of their own money. That is what we did before. In other words, if a businessman has a contract and the man is owing, we will settle it subsequently. I think that is what we did before. But this thing has gotten to be a pretty big business. We have fifteen hundred people looking after it, and I will let one of them explain it who should know.

(Mr. Luxford entered the conference.)

I need you badly. I don't know how many indiscretions there are now. (Laughter)

Now go ahead and ask Mr. Luxford questions.
Is there going to be any twilight zone in the handling of French financial interests in this country? In other words, will they be handled specifically as those of warring enemies? That is, will they be seized just as in the case of Germans, and so on, or will they be merely somewhat frozen by this order of this morning?

MR. LUXFORD: The answer to that question is that we will deal with the problems when they come up. On the other hand, you keep in mind that when we designated France as enemy territory also the Netherlands, Belgium, Norway, and the like, all the occupied countries, are enemy territory; and that restriction is addressed to trading with that area and communication with that area, so that you are cutting off the possibility of trade with the area as distinguished from seizing their assets. You might just as well ask if we would seize Dutch assets.
Q: This is sort of going back over the same territory, but I want to get it clear in my mind. Then actually there has been and is at the moment, as far as we are concerned, in any way contemplated no seizure of French assets in this country? That is the point I wanted to get clear.

MR. LUXFORD: I think the Secretary could answer that question as well as anyone else.

H.M. JR.: Repeat your question again.

Q: Has there been or is there immediately contemplated a seizure of French assets on the basis of France being termed an enemy country?

A: We go so far, and until the State Department advises us what the next step is I don't know.

Q: In other words, this trading with the enemy is just the first step, and there has been no more action than that so far?
MR. LUXFORD: No more than with the Dutch. By the token of including the Netherlands as enemy territory back in March, you could ask the question, does that mean we are going to seize Dutch assets?

Q: In the case of the Dutch you have a government that we are recognizing; now there is no government that we are recognizing. What is the situation there?

MR. LUXFORD: You have the situation about like you do on Denmark. That is, it is true you are in a peculiar twilight zone. We recognize DeKauffman and yet the Danish Government is under the control of Germany.

Q: Actually, then, the twilight zone does exist.

Q: Why did you announce this if there is no action?

MR. LUXFORD: This does involve action. In other words--

Q: What is the action?

MR. LUXFORD: Before this was issued it was perfectly
all right for an individual in France, in Unoccupied France, to communicate instructions to a bank here to deal with, let's say, his securities. He might say, "Sell my securities in my custody account", and the bank here could deal with that and authorize it under general license number four. Now, the effect of this regulation is to prevent any instructions from France being followed at all. Those regulations were always in effect for Occupied France; now it has just been extended to Unoccupied France in Europe.

H.M.JR: I am going to try to be helpful. Is there anything that you can volunteer to these men? After all, they are in the same position that I am. Is there something which would make it easier for them to write their story that you can volunteer to describe? Why don't you just take a minute and describe what we did last night? Just go through it once.
Q: I was going to suggest a moment ago, Mr. Secretary, that you said that between eleven-thirty and one this morning a half a dozen things were done. Can you tell us what those were?

H.M.JR: Supposing you just take it and tell them what we did late last night. Some may know it; some may not. Just explain it to them. You are an expert in this; they are not. Just run through once what you did do.

MR. LUXFORD: When the break came with France - that is, we broke off diplomatic relations - the first question that came up was that the French Government officials in the United States have been under fairly liberal licenses for their personal accounts and also for the French Government accounts. The question came up as to whether you should permit that freedom, and that question was raised and it
was decided that all licenses should be revoked. That did not mean, necessarily, we were going to say that from now on they do not get any more expenses. What it meant was that we are now going to canvass the problem on the basis of the facts that come up and that we simply want to review it more closely than we have in the past.

H.M.JR: In the meantime you froze them.

MR. LUXFORD: Exactly, they are frozen tight, and they will stay that way until applications are filed dealing with the situation.

Q Those cover transportation and things like that?

MR. LUXFORD: Yes, it would cover - obviously we are not trying to starve them.

Q Is this French official funds - is that what you are talking about?

MR. LUXFORD: French official funds and the personal accounts of the French Embassy staff, as,
for instance, their personal accounts from which they must live. The effect of this was to bring those under our control to the point they were completely frozen until we license them again.

Q: Is that for the whole Embassy?

MR. LUXFORD: That is for the Embassy and all of its consulates here, as far as their funds and representatives were within the United States.

Q: What about South America?

MR. LUXFORD: That is, of course, a question which the various South American countries must take their own measures. That is not within our control. I am talking now of funds they have in South America. As far as that goes, obviously they know the action that we took, and we are all working together - or most of us. Accordingly, they would presumably have the same objectives as we would.

Q: I thought South America was covered from here.
MR. LUXFORD: That depends on this--

H.M. JR.: What I told them was this, that out of the French funds we supplied the money for the diplomatic legations in North and South America.

MR. LUXFORD: To the extent that we are doing that, they will be frozen entirely.

Q Canada, too?

MR. LUXFORD: To the extent that we are furnishing funds to France, that is right.

Q Do you know if the French officials here have enough personal funds in their immediate possession to get along the next few days?

MR. LUXFORD: If they have not they can come in very quickly and we will not permit them to be starved or anything like that. This was to cover their balances.

H.M. JR.: Anybody ask for lunch money? (Laughter)

MR. LUXFORD: Not yet. Then the next step was the one which we have previously discussed, namely,
MR. LUXFORD: That depends on this--

H.M. JR: What I told them was this, that out of the French funds we supplied the money for the diplomatic legations in North and South America.

MR. LUXFORD: To the extent that we are doing that, they will be frozen entirely.

Q Canada, too?

MR. LUXFORD: To the extent that we are furnishing funds to France, that is right.

Q Do you know if the French officials here have enough personal funds in their immediate possession to get along the next few days?

MR. LUXFORD: If they have not they can come in very quickly and we will not permit them to be starved or anything like that. This was to cover their balances.

H.M. JR: Anybody ask for lunch money? (Laughter)

MR. LUXFORD: Not yet. Then the next step was the one which we have previously discussed, namely,
what to do with communications from France ordering the transactions over here. Now, to the extent that the accounts of all French Nationals are blocked in the United States you have two types of transactions: Those under general licenses, which anybody who comes within the general license may go ahead and do without further license; and secondly, specific licenses. On the specific license applications, we notified all of the Federals that we wanted to examine any applications involving trade or communication with France before they took any action. On the general license problem, there was a different situation. There we could not notify any particular person but had to say to the public generally, "Before you act on any financial or business transaction on instructions coming from Unoccupied France, you have to get a license from us." The general licenses to that extent do not apply any longer. That is
all that happened. We did not want them to avail themselves of the general licenses which are outstanding; or, as far as that goes, of specific licenses. The day before this action was taken, a specific license might have been issued for a certain transaction. It may be that that would require further communication with France; now this cuts that off. From now on we want to see any financial transactions involving any communications from Unoccupied France. That has really no significance as far as whether we are going to vest French assets or not, by giving you the illustration that in March we did the same thing for the Axis, as well as all the countries occupied by the Axis. It was simply that we do not know which of those communications are good and which are had, and we have to say, "Now we are going to be very strict, unless you
all that happened. We did not want them to avail themselves of the general licenses which are outstanding; or, as far as that goes, of specific licenses. The day before this action was taken, a specific license might have been issued for a certain transaction. It may be that that would require further communication with France; now this cuts that off. From now on we want to see any financial transactions involving any communications from Unoccupied France. That has really no significance as far as whether we are going to vest French assets or not, by giving you the illustration that in March we did the same thing for the Axis, as well as all the countries occupied by the Axis. It was simply that we do not know which of those communications are good and which are bad, and we have to say, "Now we are going to be very strict, unless you
can show us that the war effort is going to require this transaction."

Can you give us any estimate of how much might have been involved? In other words, under general licenses do you have any idea of the volume of business that was being done?

MR. LUXFORD: Yes. I could not give you the figures, but in most cases we have reports. We require monthly or weekly reports of transactions carried on under the licenses.

Q Was it a very sizeable volume of business that was still going on?

MR. LUXFORD: I would not say that it was too sizeable. The reason I say it, you have large French assets within the United States, but now take, for example, the securities license. What would that allow? It would allow the sale of American securities in a French-blocked account here, provided that you took
the cash you got and put it back in the account so you might have a turnover of the assets; but it did not represent any net diminution of the assets.

Q

Nothing went out of the country then?

MR. LUXFORD: No.

Q

Is there anything else that was done during that period that you can tell us about? The Secretary mentioned six things.

H.M. JR: I said a half a dozen things.

MR. LUXFORD: I mentioned three. The third one was this notification to the missions in Latin America of what we were doing. The fourth thing which I had incorporated in my trading-with-the-enemy discussion was to instruct the Federals - the Federal Reserve Banks, who are our agents in issuing licenses - to be careful before they issue any licenses dealing with transactions with France. They have now got to re-examine those and bring them to our attention before they act. Now, there
were two other matters. They both related to business firms within the United States. There were, for instance, firms which we had to examine in the light of this. That covers the whole situation.

Q Was there any general taking over of patents and that sort of thing? Is that in prospect?

MR. LUXFORD: That is a matter that is under the Alien Property Custodian.

Q Why were the French colonies excluded from this order?

MR. LUXFORD: You are referring to the North African colonies?

Q Yes.

MR. LUXFORD: One answer is that that is still an unsettled situation as to who has control of those and that the developments are too rapid in order to warrant action of that character. There are not enough assets involved down there to require precipitant action.
Q: Do you permit the free movement of French citizens now?

H.M. JR: We do not have that. That is the Attorney General.

MR. LUXFORD: We do not control that.

Q: But I mean the amount of money.

MR. LUXFORD: We should keep in mind that we do not allow the free movement of French funds, and we have not for months; in fact, since we froze French assets. This is a question of certain dealings under general licenses, which, again, do not amount to a free movement of those funds. It allows the form to be changed and to make certain investments.

Q: You misunderstood me. Suppose a French citizen has ten thousand dollars in large denomination bills and he wants to skip to Mexico. In the German and Italian case I think you limited it to two hundred and fifty or five hundred dollars. Has that
limit been imposed on French citizens?

MR. LUXFORD: The answer to that is that for persons within the United States we have limited the freezing control on most of them. That is, most of them we regard as not coming within the freezing control now, and that does not make any difference whether they are French or whether they are German. We select the ones we want to block and block them especially. I think what you have in mind is probably our currency restrictions.

Q That is right.

MR. LUXFORD: Now, as far as Mexico is concerned, you and I cannot take any more money to Mexico than the Frenchman.

Q I know. If I were a Frenchman and I were leaving the United States and had ten thousand dollars in large denomination bills, would they stop me at the border and say, "You cannot take that out"?
limit been imposed on French citizens?

MR. LUXFORD: The answer to that is that for persons within the United States we have limited the freezing control on most of them. That is, most of them we regard as not coming within the freezing control now, and that does not make any difference whether they are French or whether they are German. We select the ones we want to block and block them especially. I think what you have in mind is probably our currency restrictions.

That is right.

MR. LUXFORD: Now, as far as Mexico is concerned, you and I cannot take any more money to Mexico than the Frenchman.

Q I know. If I were a Frenchman and I were leaving the United States and had ten thousand dollars in large denomination bills, would they stop me at the border and say, "You cannot take that out"?
MR. LUXFORD: Exactly. The Mexican authorities would stop you, and we have also prohibited that.

Q Yes, under that joint agreement.

MR. LUXFORD: Whether you are a Frenchman or not, if you were to go down there with large bills you could not take them into Mexico, either.

It would be a fair question if instead of saying Mexico suppose you wanted to go to Cuba, because this restriction we have only deals with currency going into Mexico. You could do it with Cuba, and also a Frenchman might do it. But Cuba has her own restrictions, so that you would be up against those the instant you tried to enter Cuba.

Q In other words, you have no restrictions yourself?

MR. LUXFORD: Not on the export of currency from the United States.

Q By a Frenchman?

MR. LUXFORD: Or by an American, except to Mexico.
H.M.JR: But try to bring it back. (Laughter)

MR. LUXFORD: That is the point, and secondly, try to get it into those countries.

Q One other thing, did I understand you to say that you notified the governments of all the Latin-American nations of the action you took last night?

MR. LUXFORD: We would not do that, but State would ordinarily do that.

Q Did you ask State to do that?

MR. LUXFORD: That is right – excuse me, don’t say we asked State to do that, but we notified them of our action and presumably they would go ahead and transmit it down to their missions.

Q But you did not mention specifically in regard to Latin-American nations?

MR. LUXFORD: We said that they would have the problem of notifying their Latin-American nations of what we had done.

Q What was that last item, you said you were
examining into businesses?

MR. LUXFORD: That is right.

Q: French-controlled businesses?

MR. LUXFORD: They are firms that were not French-controlled; they were French-owned, which is a different thing.

Q: That is the point we were bringing up a while ago; that is, what would be the fate of those particular businesses?

H.M.JR: It is too early to say.

Q: Can you give me any accurate number of how many Latin-American nations were - in how many Latin-American nations were the French representatives being paid from funds frozen in the United States?

MR. LUXFORD: Frankly, I do not know.

Q: Do you know if it was all of them?

MR. LUXFORD: That I do not know. I am not very well acquainted with the precise details of which countries were paid and which were not.
Do you know how much French Government funds were frozen in the United States?

MR. LUXFORD: That is a figure that has been released, and I presume it is the same as it was before. What the round amount is I do not know now. I could get it for you.

H.M. JR: We can get it for them. It has been released once before.

Q Mr. Secretary, to recapitulate a moment, isn't that what happened after the fall of France, the United States froze all French assets in this country and subsequently relaxations were permitted governing that part of France which was unoccupied, and now they are put back in the same class? Isn't that what it means?

MR. LUXFORD: That would be one way to summarize it.

H.M. JR: You got a story, after all. (Laughter)

Q Thank you, Mr. Secretary.
SECRETARY MORGENTHAU'S
PRESS CONFERENCE
November 12, 1942

Has everybody a copy of this?
(Copies of Press Release No. 34-6 distributed.)

In other words, the Victory Fund Committee is going to work on the tap bonds, that will remain open for an indefinite time?

That much we are ready to say. I would like to give you a little more background, if I could. In getting ready for this kind of a drive the American Bankers Association has appointed a special committee to work with the Treasury: one, to assist the Victory Fund Committee in the sale of those kinds of securities which will be allocated to them; and two, to assist in the sale of other Government securities to members of the ABA. I have a list here of this committee. They are in town now. We will give you the names. I started conferring with them Saturday, and they were here yesterday, and are still here.
Q Will they be in today again?
A Yes, they will be here this morning.
Q All these discussions are on sales and distributions of securities?
A Yes, we are working towards - the maximum sale will be to the public, rather than to the banks.
Q To the public rather than--
A To the public rather than to the banks. Now, I have also asked Mr. R. H. Grant, who is vice president of General Motors in charge of all sales, to form an advisory council of national sales managers to advise me on these sales of securities to the public; and D. U. Bathrick, in charge of sales for the Pontiac Division, has been with us all week. Mr. Grant could not be here, but next week the committee will be organized and will be here in full. The members will be sales managers of not only automobile concerns, but other concerns who have national sales organizations.
Q You mean you are going to enlist the selling organizations of these large companies in the
sale of Government bonds?
I don't know. What I wanted - I will answer you and then you will get the picture. I have got the American Bankers Association; I have asked Mr. Grant to organize a group of national salesmen accustomed to selling in forty-eight states to study our problem and advise me on sales promotion. Then in addition to that we have right straight along worked with what is called the Advertising Council, which Miller McClintock is the executive director of, and of which Mr. Harold Thomas is vice-chairman, and he has been sort of liaison between the Advertising Council and ourselves on the War Savings Staff. They are taking in the whole - anything that the Treasury wants to do in the way of advertising, radio, press, anything - this Advertising Council will advise with me on that. I will go over it once more. Then in
addition, of course, I have taken the matter up with Elmer Davis of OWI. He is the clearing house on all of this sort of thing. Mr. Davis has had a number of people working with us, and not only does this not conflict with any other campaign, but they are very glad to assist us and give us as much aid as possible.

Q

What is OWI going to do?

A

Any Government department that has an advertising campaign, or radio or motion picture campaign, the thing is coordinated through OWI so that not only don’t we come into conflict with any other department, but on this particular kind of thing we get not only their backing, but their assistance. And they have people over there—

Q

But those people do not know financing.

A

At least it is a clearing house which the President has set up, and I believe it is a good administration, so I mean, Mr. Davis knows
about it, and people like - I can't give you all the names, but anyway, the people who assist him know about it. It is a clearing house, but I have got the American Bankers Association with a special committee - you have the names - I have got the Advertising Council with Miller McCrington, and Mr. Harold Thomas as liaison between that committee. I have got Mr. R. H. Grant of General Motors and Mr. Bathrick. There will be others. So I have got sales advisors, advertising advisors, banking advisors, and last, but not least, the Federal Reserve Board and the twelve presidents of the Regional Federal Reserve Boards who are in each case the chairman of my Victory Fund Committee. Between the Federal Reserve Board here and the Treasury, Mr. Eccles is liaison, because he is tremendously interested and is giving this thing a great deal of time himself, and has practically been over here continuously since last Saturday working with me. That is the background for this. Well,
it is an unprecedented job which we are undertaking here, and we will have to continue to undertake until the war is won. But I think we have covered every front, promotional, sales, banking, Federal Reserve, OWI as a clearing house. I think we have covered every possible front, and everybody that we contacted likes it and has assured me that we can do the job, always keeping in mind that the whole plan is to sell the maximum amount of securities outside of the banks.

Q  
I have two questions that I want to ask, Mr. Secretary.

A  
Is that all? (Laughter)

Q  
At present. One, are the IBA, and the national association of security dealers, and the association of stock exchange firms in this--

A  
There are four, I think, organizations. Do you know, Bell?

MR. BELL:  
I have forgotten the names, but I think there are four organizations which originally got
together and on the basis of those original conferences the Victory Fund Committees were set up.

H.M.JR: You can get those?

MR. BELL: Yes, I can.

H.M.JR: Look, why don't you ask George Buffington for the names over the phone of those four organizations? You could tell George to come up and we will be complete. There are four organizations: the New York Stock Exchange and the Investment Bankers. What the other two are, I don't know. I am glad you brought that out; I had forgotten them.

Q You are setting no goals? In other words, you open an issue, keep it open, and keep on selling it, and not setting a definite amount as to the issues to be offered other than commercial banks, for subscription.

H.M.JR: No, no, I can't answer that that way. Early next week, following the usual Treasury precedent which I have established here, we will begin to give you the information the way we always
have, except that we are doing it ten days in advance. I mean, we will begin to give you the information early next week, which will be ten days in advance of November 30, and at least a week earlier than we have ever done it before.

In other words, the financing will be launched on November 30.

That is right, begin on November 30. We would have done it Thanksgiving week, but the people felt that with Thanksgiving coming in there it was a bad week to start, so we postponed it until the Monday after Thanksgiving.

You only asked one question. (Laughter)

Two.

Did you ask two? Somebody else have a question while Nick is thinking of the other one? (Laughter)

Is all that effort voluntary? Are they going to be paid workers in these groups?
As you know, in the War Savings Staff we have a nucleus of workers, paid administrators. In the Victory Fund Committee we have a nucleus of paid workers. But that will be expanded. For instance, there are certain states where they have no offices at all. I think Mr. Eccles pointed out that in his State of Idaho there is not an office. I don't know whether we have one in Salt Lake. Instructions have gone out to the twelve presidents of the Federal Reserve Banks to expand that kernel of an organization. Who is going to put up the money for this? Is it out of the appropriation for the sale of War Bonds?

No, it has nothing to do with it. Where is the money coming from?

The money for which?

For the payment of this nucleus.

So far we have paid for it. We pay for it out of Treasury funds.
Q: How long has that been going on, Mr. Secretary?

MR. BELL: It is out of the Public Debt appropriation. It is the same appropriation that pays for War Bonds but a different allotment. We have been paying for it ever since we set up the Victory Fund Committees.

Q: Do you know the amount of expenditures?

H.M. JR: Mr. Bell knows.

MR. BELL: I think it has been running around four or five hundred thousand dollars a year.

MR. BUFFINGTON: Between four and five hundred thousand.

MR. BELL: It has not been big so far.

Q: How big is that staff?

MR. BUFFINGTON: At present time it is about sixty-five, executive managers and assistant executive managers and some few paid regional managers.

H.M. JR: That can't be four or five hundred thousand.

MR. BELL: That includes all expenses.

H.M. JR: There must be a good deal of that which goes for circulars and things like that.

MR. BELL: That is the whole expense of that organization.
H.M. JR: George, Gregory of the New York Tribune - Nicholas by name - wants to know what organizations there are like the New York Stock Exchange and Investment Bankers - what are those four organizations?

MR. BUFFINGTON: The four organizations are the Investment Bankers Association, the National Association of Security Dealers, the Association of Stock Exchange firms, and the New York Stock Exchange.

Q. They constitute the Victory Fund Committee?

MR. BUFFINGTON: No, they are the four organizations of security dealers who work with us - they worked with us originally in the organization of the Victory Fund Committee, and they assisted us in choosing the Executive Managers and the other regional managers from the investment banking and securities industry.

H.M. JR: But they are in it up to a hundred percent to help us?
MR. BUFFINGTON: Yes. The securities industry is cooperating as volunteers.

Q: What I had particularly in mind was that there have been rumors that some of the Government bond dealers would enter the program on some paid basis; that they do not have much more business to do now and the story has been around that they might be used.

H.M. JR: They are in that group, too. They have an organization.

MR. BELL: They have an informal organization.


H.M. JR: You overlooked that.

MR. BUFFINGTON: They are included in the Investment Bankers Association.

H.M. JR: You had better give them the name. What is the name?

H.M. JR: I think we have got about everybody who
could sell a bond or would have an idea.
We need everybody, including the press.
Is there any program under way that you would
take over these Government bond dealers as
your paid workers, since they know the market
and that sort of thing? They are getting one-
sixth for it now to do a job for the Federal
Reserve; they have to be kept in line, I hear,
and so forth.
A
No, don't bring in a discordant note into
this very pleasant meeting. (Laughter) No
one has even mentioned it. The last I heard
they were doing very well - no complaints.

MR. BUFFINGTON: Mr. Secretary, in the Wall Street Journal this
morning there was an article indicating that
the Victory Fund Committee was only composed
of investment bankers. Commercial bankers,
likewise, are serving in all these capacities
along with the investment bankers.

H.M. JR: Mr. Flynn, please take note. (Laughter)
I wonder if you would be good enough to clear up some of the rumors and reports that are continuing to be bandied about in a sub rosa fashion in regard to that four billion dollar issue; that some dealers, for example, were forced to take part of the issue in order to get up to the quota; secondly, that some of the banks were called up and asked to do likewise, and that was reflected in the Federal Reserve statistics the following week. I wonder whether you could just clear up all that situation, although it has been past, now, for some time.

(Discussion off the record.)

Before I went to England I had a press conference, and the press asked me - the man is not here - if we had called up any banks to ask them to take any additional allotments, and I answered "yes". I do not see that there is anything more than that, and when I said we asked them - we asked the presidents of the twelve Federal Reserve banks in certain
districts to ask them whether they would not increase their allotment and that is what we did.

Q

Wasn't your answer, at that time, off the record, Mr. Secretary?

A

No.

Q

You gave it to us for background, but it was not off the record.

MR. SCHWARZ: You left it up to the boys to decide themselves. That was the record.

H.M.JR: I left it up to them to decide whether they used it or not.

MR. SCHWARZ: A few did use it. You expressed the hope that it might not, necessarily, be used.

Q

I remember you thought it would not be advisable to get that angle of it out, and asked us not to use it.

A

As far as I am concerned, the issue was closed - I mean, a few people wrote a few unpleasant articles, which I expected. We established the fact which is important, that in that
range, seven to nine or ten years, two percent is the rate, which was the important thing.

Q

Is there any development that could be announced, today, that would continue to cement that policy?

A

No, I am not ready. Nothing has happened since that last financing to make the Federal Reserve Open Market Committee and myself change our minds.

Q

In other words, there is no fight between the bankers for a higher rate and you are going to stick to your two percent guns and say "That is the limit at which I am going to go and there is no pressure on the part of the commercial bankers for a stiffer rate?" There have been reports to that effect.

A

No, the answer to you is there has been none, and in this meeting yesterday which took place with the ABA group, the question as far as
I know, never came up, did it, Dan?

Mr. Bell: No, sir, it did not.

H.M. Jr: And there is no war on between the bankers and the Treasury. I think you fellows had better use this for background, instead of quoting what I have been saying.

Q: Why not a quote, Mr. Secretary? I think it is a question of policy. If you are going to stick to it as a policy, we would like a statement. That would clear the picture up completely.

Q: Well, in the statement, I wonder if it would be possible--

Q: Mr. Bell made that clear before the IPA.

A: I think he made it perfectly clear.

Q: But the reports are continuing to pop up.

A: Well, it is like the reports that we were going to go in and seize the savings deposits. I think Mr. Bell made a formal statement, and all I can say is that I endorsed it heartily.

(Resumed discussion on the record.)

Now, if you want something on the record, I can simply say that if I had to do the thing over
again as to rates and terms - the last four billion dollar financing - I would do it exactly on the same basis, because I feel that we were right, and I think as a Governmental policy it was right. As to the mechanics of the thing, they can be improved and they will be improved.

Now, as to any disagreement as between the commercial banks and the Treasury, there is not any, and in the meeting with the American Bankers Association, the question was never raised.

If I remember correctly, in the press conference following the four billion dollar financing, I believe you said, at that time, quite naturally, they did want a higher interest rate.

I do not remember.

I recall that, too, Mr. Secretary, you said the banks asked for two and a quarter percent and the Treasury was financing at two.
Well, what I said was, as I remember, it was that some people had recommended two and a quarter percent and were disappointed when they did not get it.

I believe that was correct, yes, sir.

But the issue is over and since then I have not had any communication of any kind from any banker - any sour note whatsoever.

That is all washed out, now?

It is all washed out - finished. As I say, there are certain mechanical difficulties which arose which were not foreseen. We benefitted by it, and the same mistakes won't be made again.

Mr. Secretary, you say in your statement that: "Treasury issues already available and those to be announced for limited periods within the next few weeks, will be suitable for every class and type of investor, from the largest commercial banks, corporations and insurance companies to the smallest individual investor..."
or wage earner." Now, you have a tap issue for the institutions and the investors other than commercial banks; you have tax anticipation notes for industrial companies who wish to invest in funds to take advantage of the increment of their taxes; and you have War Bonds for the small investor. What other issue?

A

I am not ready to say yet.

Q

Would it be a radical departure from previous financing?

A

Not radical, but, if I may say this, I hope for the benefit of my raising this money and the difficulty of the job, that you men will express the future and not the past, if you know what I mean. What is done is water over the dam. We have got the four billion dollars in the Treasury. As far as I know, there are no sore spots; and we have another one to do in December, much bigger than anything
we have ever undertaken before, and we have
got lots more. Now, I can assure you that as
between the banks and the Federal Reserve
and the Treasury everything is O.K. So I
would like to see the future rather than the
past, if you don't mind my just raising that
point.

Looking at the future, Mr. Secretary, does
this involve any change of policy with
respect to ninety-one day bills written up
to five hundred million a week?

There is nothing new other than that we are
trying to get everybody that can be helpful
in the United States to help the Treasury - to
help me in this terrific job that I have got,
to put this thing over. Everybody that I
have asked has unhesitatingly come through
and is going to help; and we need everybody's
help, including very much the press.
I understood that in a general way. I was wondering specifically. Nick mentioned three issues. There are four others—four other types.

I do not want to begin to open up until early next week, when I will, and which will be at least a week sooner than I ever have before.

Mr. Secretary, you have a record amount of available funds, and you have the December fifteen tax period, and you say that the December financing will be the biggest ever. Does this mean, then, that you are going to abandon the earlier policy of the month-to-month financing but try to get one large issue out of the way and then lay off the money market for a while?

This may become bi-monthly financing.

Bi-monthly?

That is the way it looks now. What else?

Now, I have Mr. Paul and Mr. Pehle here, if
any of you gentlemen have any questions about foreign funds or frozen funds, or French funds.

MR. PAUL: We have a statement that we are going to hand out on that.

MR. SCHWARZ: We will have a story after the press conference on the French funds.

Q Could we look at it? We may have some questions.

H.M. JR: Let them have it now.

(Statement read)

H.M. JR: All right, we have the experts here.

Q I think that reiterates, perhaps, a little more clearly what you told us at the last press conference.

A That is easy. All right, gentlemen?

Q Thank you, Mr. Secretary.
Secretary Morgenthau today issued the following statement:

Borrowing by the Treasury to meet the rising costs of the war will be resumed on an unprecedented scale on November 30. Victory Fund Committees, which have been active in promoting the sale of Treasury securities other than War Savings Bonds, will be asked to conduct a widened campaign for the enlistment of idle funds in the war effort. The Committees already have done excellent work in behalf of Treasury financing and they will be given full authority to conduct a drive for further funds.

In addition to conducting a campaign on "tap" bonds, the Victory Fund Committees will be asked to promote purchases by corporate and other taxpayers of series A and C tax savings notes. Such notes ease the taxpaying problems of the purchasers and at the same time add to the current cash balances of the Treasury.

Since sales of "tap" issues, War Savings Bonds and Tax Savings Notes will not provide all of the necessary funds, it is the intention of the Treasury likewise to offer one or more series of open market securities for subscription by banks and others.

Treasury issues already available, and those to be announced for limited periods within the next few weeks, will be suitable for every class and type of investor, from the largest commercial banks, corporations and insurance companies to the smallest individual investor or wage-earner.

The War Savings Staff will remain continually active in sales of War Savings Bonds. In particular, the War Savings Staff will intensify its Payroll Savings drive in November and December, with the aim of raising the present figure of 23,000,000 workers now investing an average of 8 per cent of their pay to a figure of at least 30,000,000 workers setting aside an average of at least 10 per cent of their earnings every pay day.

War borrowing must be done to the greatest possible extent out of current income and savings of the people. This is the soundest means of financing the war deficit.
Members of the Committee:

Edward E. Brown, President First National Bank, Chicago, Illinois

William C. Potter, Chairman of the Executive Committee Guaranty Trust Company, New York, N. Y.

Thomas M. Steele, President First National Bank and Trust Company, New Haven, Connecticut

W. H. Wood, President American Trust Company, Charlotte, North Carolina

W. L. Hemingway, President American Bankers Association and President Mercantile-Commerce Bank and Trust Company, St. Louis, Missouri

A. L. M. Wiggins, Vice President American Bankers Association and President Bank of Hartsville, Hartsville, South Carolina

Harold Stonier, Executive Manager American Bankers Association 22 East 40th Street, New York, N. Y.

Member of Committee but not present

Robert S. Strickland, President Trust Company of Georgia Atlanta, Georgia.
H.M. JR: I have very little today, other than that the ABA, American Bankers Association, has added two very good men to this committee to advise the Treasury: Randolph Burgess, who is Vice Chairman of the National City Bank of New York, and Robert V. Fleming, President and Chairman of the Board of the Riggs National Bank. I am making good progress on the coordinating of this whole drive, which I am spending most of my time on. As I said last week, some time this week we will have a pretty full announcement, but it will not be for another day or two yet.

Q You are not ready to give us any inkling yet?

A No, I would rather do the whole thing. It will be either Thursday or Friday. By Thursday or Friday we will be ready to pretty well tell
you the whole story. I think we will be able to cover the whole thing. But it is an enormous job, and it takes about all my time right now to coordinate the whole thing.

I read in the papers that General Clark was worried about the eighteen thousand dollars' worth of gold that he went overboard with. As far as I am concerned, if it were eighteen million instead of eighteen thousand, I would say it was a good investment.

You are not going to put him in jail when he comes back?

If it were left to me I would give him, if we had such a thing, a Treasury award - well done - I would give it to him with a couple of stars on it. I happened to sit next to him at dinner the day he got back from that show, in London. He looked very fit. You would not have known he had been on a trip.
Mr. Secretary, along that line, can you tell us anything about the use of gold in North Africa, which has been hinted at several times in the press? This is one example of it - but just how it is being arranged, and so forth.

No. I know, because we have spent a lot of time on it, but I think that that will have to come from General Eisenhower.

From what fund will this money come from, Mr. Secretary? I am just curious.

I think all of that will have to come from the War Department.

To which is it debited? Would you call it an investment or an appropriation taken from the revolving fund?

Well, if I had to give it a name I would say it was investment.

I noticed that, but say I am the accountant for the Treasury, where would I take it from, this column, the debit side, or the credit
side on my ledger?

A

I know you are a very good accountant, but I don't happen to be your client, so I would have to refer you to the client. (Laughter)

Q

I realize that, but I am a taxpayer, Mr. Secretary. (Laughter)

A

I still say it is the War Department, using its own money.

Q

It is the War Department's money?

A

It is their show, and anything that has to be said on it should be said by them if and when they want to talk. If I were in their shoes, I would not talk. (Laughter)

Q

There is an item on the ticker this morning, Mr. Secretary, that you are using a slightly different kind of currency in Africa so soldiers will not be confused with what the Axis may have gotten its hands on in Europe.

A

I am perfectly willing to tell it to you off the record, but, again, it is a War Department story. If you want it off the record, I will
tell you what it is. But it is up to them to talk.

Well, the news is out that you are using a different kind.

The distinctive currency news is out, Mr. Secretary.

I know.

Can you tell us how it is distinctive, sir?

No, I cannot. Again, we were asked by the War Department to do a job for them, and I think the relationship will be the same as if the English Government or any other government - any unit of the Government - asked us to do something. I think it is up to them to do the talking.

Would you call them black dollars? (Laughter) (Discussion off the record)

Off the record, as a matter of fact I was amazed that the story came out because the whole idea was to make it as slightly noticeable
as possible. This is off the record. Now, the only thing that I can imagine - this is all off the record, just for your information - is that the English - they printed something big on theirs, something like "military" or "militaire". So what we did, we just took the seal and changed the color of it. I do not know whether you fellows-

That may be off the record, but I heard that before I came in here. I would rather you would not tell it off the record. I will withdraw if you want.

Are any of you short-sor ters, because if you say you are one then you have to pay for the number of people present. (Exhibiting autographed dollar bill) You have to be careful. If you claim you are one and you cannot produce the bill, then you have to pay a dollar for everybody present. (Laughter)

And this is a big crowd.
Q: When did they stick you, on the way back or over? (Laughter)
A: On the way over. The three cooks of the Army initiated me. (Laughter)
Q: What do you have to be able to show?
A: You always have to have one of your bills. The story they tell on Prime Minister Churchill is that when he sat down to dinner the butler came up and asked him if he had his short-shorter bill with him. He says, "No", and he sent him upstairs to get it so as to be sure he had it in his pocket. You have to carry one of these. That story is not for publication. But anyway, I think you have to cross the Atlantic to get it.
Q: But the point that I was trying - you don't want me to talk off the record?
A: I would prefer not. I withdraw, Mr. Secretary, because I had already heard what you said. The story is out.
I cannot help it. I know it is, and I asked United Press through Schwarz, and they said they got it via London. It is a War Department story. They asked us to do a job for them. I understand there are plenty of people in the press section of the War Department.

In view of the fact that it is out could we use this as background without attributing it to you?

No. Haven't they a couple of colonels or generals over there?

Put try and get anything out of them. They are a dime a dozen over there, Mr. Secretary.

And they will immediately insist that it is a Treasury story.

I can't help it, gentlemen. It might be important, and I want them to tell their story.

I do not mean to be discourteous, Mr. Secretary. I have got to get these stories. If some of these fellows want it off the record I will be glad to step out so they can get it.
Q I would like to know the background. May I?
Q Yes.
(Roporter left)
Q The story will break eventually.
A Off the record, the thing is simply this. I started to show you this, and then he stopped me. Everything is the same except that seal, and that seal is in gold. The reason I was surprised was that they wanted to make it as inconspicuous as possible.
(Resumed discussion on the record)
A As a matter of fact, you men know we have this Hawaiian money, with "Hawaii" stamped across it, and that Hawaiian money has come back and passed American banks and the tellers have not even noticed it.
(Discussion off the record)
A But this thing, the whole idea was to make it as inconspicuous as possible, and now somebody talks about it. If they are going to talk
about it, we might just as well print it right across on it, "U. S., Military", the way it was originally suggested. But the idea was - and everybody was in on this - Mr. Hull and Mr. Stimson, and they discussed the thing for a month, and then finally we convinced them that we ought to have some way of distinguishing this money from other money in case we should get into the black market. So finally they would not even let us print those numbers in yellow, so we had to run them through twice; but as long as the money stays out of the black market so that it does not get in the hands of the Germans or the Italians, it is perfectly good. But if they presented it suddenly in Switzerland we would have some way of identifying it. Still off the record, will this be the standard if we ever go in anywhere else? Will you use that same type of bill with the gold seal?
Unless something goes wrong. I don't know why the story came out. I think if I had a hundred of these bills I could pass them out, and I do not think anybody would ever notice it. I never look at a bill; if that seal were in gold I would never notice it. That is the only difference. As I say, the whole purpose was to make it attract as little attention as possible, and then somebody gives out the story. That is why I do not want to add to the feud. If the War Department does - this is a job we did for General Eisenhower, and I do not think it is up to me to add to it, any more than you men would want to make it - if the natives of North Africa suddenly said, "we do not want that; we want money without the gold seal", then we would be in a jam. We would have to send out a lot more money. The money went out a long time ago.
Q I was just wondering what inconvenience you could see if the news came out, if it would create some--

A They might refuse to take it. Some French general might not like it with a gold seal.

(Laughter)

Q How about a French admiral?

A He might like his straight. (Laughter)

Q What denominations were they?

A No, this is something - I mean, the Army can talk about it if they want to. We did a job for them.

Q Can you say how much?

A No.

Q Inasmuch as you started us on this campaign of collecting these coins, could we get one of these bills, just as a memento, Mr. Secretary?

(Laughter) I would like to have one.

Q I would be glad to trade in a good one.

A We will see. Why don't you ask me something easy? How about one of the Hawaiian dollars?
I would like to have one of each.

There is nothing off the record on that Hawaiian item that you mentioned, the fact that they have come back and the bank tellers had not noticed them?

That is all right. Just this stuff about the special currency for General Eisenhower. I don't want to talk about it. If the War Department does, it is their money. We did a special job, and I explained to you why.

I mean, some French general or French admiral might get suspicious of this money.

There is not any reason why this money, though, would not be honored at the same value?

It is just the same. It is just a little caution necessary. Still talking off the record, a man, coming back on the plane, had perfectly brand new thousand franc notes which he had bought for less than a cent apiece. Then he got worried about it - what would he do with them. You can't tell me that
in Lisbon you can pick up thousand franc notes if they weren't working the printing press. Now, if the Bank of France had some way of identifying those, they would say those were printed after a certain date and they are forgeries; but they might perfectly well have them and turn them out; but they have no way of identifying.

It is just a little cautiousness on our part - the same idea - I mean we were lucky in the Philippines; we got all the money out of there, all the gold out. The Japs did not get one cent. We got it all out. And we were cautious in Hawaii. Maybe it looks funny - why worry about special money in Hawaii - but we are a little worried, and we just want to play safe in Africa, that is all. If something should go wrong and they might, instead of getting eighteen thousand dollars, get a plane with a couple of million dollars - supposing they shot a plane with a couple of million dollars
with this special currency, and they start to pass it in Lisbon. We get it right away and say, "No, it is no good; that is our plane."

Q
Will the men be paid in this?
A
I think they are going to be paid in local currency. This stuff was for special purposes. (Laughter) We did not print enough.

Q
This is strictly for the high command, isn't it?
A
But can you see, supposing they shot a plane down with a couple of million dollars of this on it, and the Germans and Italians started to pass it in Lisbon, we could recognize it right away. I just think it was good business. Now, if somebody got onto it, I can't help it. If the War Department wants to publicize it, that is their business.
O.K.?
Q
Yes, thank you.
Q
What was the identification mark on these Hawaiian bills?
The word "Hawaii" on the back - overprint "Hawaii."

Q: What are you going to use when you get into Italy, Mr. Secretary? (Laughter)

A: I will have to take you aside privately to tell you. (Laughter)

What else?

Q: Anything on the budget situation?

A: Not that I know of. I am just another department.

Q: Thank you, Mr. Secretary.
SECRETARY MORGENTHAU'S
PRESS CONFERENCE
November 19, 1942

H.M.JR: I am sorry that we have not yet gotten the
details on the financing, but I will have them
late this afternoon, and I will personally
give them to you. I am afraid it is going to
be late. I will try not to make it late.

Q

How late, Mr. Secretary?

A

I am saying "late", to give myself an out.
I would like to have it at four o'clock, if
possible, but I will find out through Schwarz
if that interferes with anybody else's press
conference. We are pressing just as hard as
we can, but it is a lot of money. We will
definitely have something late this afternoon
for tomorrow morning's papers.

Q

At that time you will hold another press
conference?

A

I will hold another press conference.
Q   It will be for tomorrow morning?
A   Tomorrow morning. How late could we have it
     and still have the fellows who work on the
     morning press - what would be the deadline
     from the standpoint of you people?

Q   I would like to have it in New York by six
     o'clock.
A   What time does that mean you have to have it?
Q   If I get it up to six--
Q   We have a five forty-five deadline in
     Chicago.
Q   We have five-thirty on the first edition.
A   I am going to aim for four o'clock. I will
     try to get just as near to four as I can
     make it. I promise to have it positively
     by five, and I will try to make it four.

MR. SCHWARZ: We will get word to them, Mr. Secretary.

H.M. JR.: Just as soon as we know. It is right here -
     they just handed it to me three minutes ago.
Q   Mr. Secretary, are there any plans for taking
any of the Treasury's programs or messages in the newspapers in the form of advertising? We have had several reports out of New York that there were. I do not know that yet. We have this big group of people here - they were here all day yesterday and will be here all day today - advertising agencies brought down by the Advertising Council. I think there are four different advertising agencies represented here, under the auspices of the Advertising Council.

Is the Advertising Council a permanent organization? They have headquarters somewhere in New York?

Here and in New York. This Mr. McClintock was the head of it. I see he has been made president of Mutual Broadcasting. I don't know who will take his place. What they did was - I don't think we were the first, but I know they worked up a number of these
campaigns, like the scrap campaign. It is a great convenience for us because pretty nearly anybody who advertises works with them - that is, newspapers and radio and advertisers and agencies. Rather than pick one agency to work with, we found it much more satisfactory, and much fairer for everybody concerned, to work through a group like this, which is a non-profit organization. All the work which they have done for us, as far as I know, has been done on a volunteer, gratis basis. I mean not only is there not anything in it for them, but they go out-of-pocket.

Will you place that advertising directly or through agencies, if you decide to do that?

It is too early. I don't know. They have not made any recommendations. I mean, I would tell your advertising managers to sit tight a little bit - the publishers. They have not made any definite recommendations to me yet.

(Discussion off the record)
But my own guess is there will be some paid advertising. That is my guess. That is not for quotation. I do not want to be quoted on that.

(Resumed discussion on the record)

Q  Mr. Secretary, I would like to come into the tax question by the back door.
A  I haven't a back door. I closed it the day I walked in here. (Laughter)
Q  Seriously, "Mr. Secretary--
A  Seriously, I closed it.
Q  What will the Treasury do - this is not on the coming taxes - with this large number of estimated folks who will not be able to pay their tax bill on the fifteenth of March? What is the answer to that?
A  I cannot give you the answer. I am not trying to duck it, but Mr. Sullivan is working very hard on that and I have given him that job. My suggestion is that if he has something - he ought to have something - have
Schwarz arrange it.

You recognize that there will be that question?

Oh, yes, we are working very hard on the thing, and it is a big job. That is what I have assistants for.

As I understand, under the previous tax bills the Bureau of Internal Revenue could levy on a man's goods or take a warrant - restraint, I believe they call it - go out and get judgment against him if he had anything. That is on the previous - up to the present.

This job here gets bigger and bigger each day, and I have certain people and I give them a job and say, "Now go ahead and do it. If you get stuck come and see me." Now, Sullivan has that job; Internal Revenue is under him. So my suggestion is you go and see him.

All right, sir.

And anybody else who is interested.
Could I return to that advertising thing?
You said you did not want us to quote you on saying what your guess was.
No.
Is it permissible for us to say that the question of paid advertising is being considered by this group?
I would rather you did not because then if nothing happened - I will know within another twenty-four hours, I think. I would rather you waited until they give me a plan. They have been meeting, and first they want to thoroughly familiarize themselves with our problem and the market, as they call it. Then after they have done that they are going to make recommendations, so I think you had better wait. But you do have ways of sending notices to your people, simply a notice that goes over the wire, as I
unabridged, that you can tell them--
That is the way it came. (Laughter)
Send it back. I do not mind your saying
that your own guess is that there will be
some, if you want to say that. Just send it
back the same way it came. (Laughter)

(Resumed discussion on the record)

Mr. Secretary, at the state supervisors'
meeting in Philadelphia I understand there
was some talk of issuing a joint Treasury,
FDIC, and Federal Reserve statement regarding
bonds in banks. Is that going to come out?
I don't know. The commissioner from Utah
was in here yesterday - Mr. Starling - and I
don't know just what is - he did call on me
yesterday. Mr. Eccles brought him around.

You have not decided yet?

No.

If somebody is not going to ask me about
these stories about the tax bill, and all that, I will have to volunteer. (Laughter)
I want to talk about it because, in the first place, both Mr. Byrnes and I are working for the same man, the President of the United States. We are both fully and wholly responsible to him. Therefore, there can't be any differences between us. Moreover, Mr. Byrnes and I have been friends for over nine years. Now, as to this other story, as late as Tuesday of this week I had an opportunity to review with the President just exactly what we were doing in regard to the next tax bill.

Was Mr. Byrnes present, also?

No.

You say Tuesday of last week?

This week. No, because my prime purpose in going over was to give the President an outline of this coming financing; and then I said, "Wouldn't you like to know what we are doing on the tax bill?" He said he would,
and I went ahead and outlined how we are working here. We are consulting everybody at this end of the Avenue who works for Mr. Roosevelt who can have any direct or indirect interest in the tax bill. Mr. Paul is doing that for me; and in the course of this consultation with people, he did consult with Mr. Benjamin Cohen.

Q.
Byrnes?

A.
No, Mr. Paul did. As a matter of fact, they had supper together exactly two weeks ago - over two and a half weeks ago. Mr. Paul has consulted with a number of other people since then and will consult with a lot of other people.

Now, when, after listening to everybody at this end of the Avenue, we feel we have a recommendation, with minority reports, so to speak, I told the President I would like to go over the whole thing with him. He said that was fine. Now, that was as late as two days ago.
Q Would you comment on the figure fifteen to sixteen billion dollars as a possible revenue, whether the form of the new tax is compulsory savings?

A No, because the whole thing is in the study stage.

Q You do not deny it, do you?

A I am not going to comment on it.

Q You are not going to comment on it?

A No, I am not going to comment because the whole matter is in the study stage. Just one more thing, and I am through. We have plenty of enemies all around the world, and nobody can get me into a scrap with another appointee of the President. They just cannot do it.

Q Is it a question of scrap or is it a difference of opinion as to the best possible means of obtaining this revenue?

A No, it isn't. I mean, through stories they cannot get me into the position where I am
arguing on the opposite side of the fence from Mr. Byrnes.

Well, there is not a question of argument, Mr. Secretary. Mr. Byrnes is the top man on this whole anti-inflation program, as I understand it. The Treasury, the OPA, WPB, and other agencies are simply affiliates of that machine. So if Mr. Byrnes or Mr. Cohen believe that compulsory savings is the best possible means of--

Do they have the final word - is that what you are getting to?

Yes.

(Discussion off the record)

If you read the order you will see that taxes are not mentioned, nor are fiscal, monetary matters mentioned in the order. Just read it. I do not want to be quoted on that, but read the order. And if you read some of the editorials in some of the newspapers after Mr. Byrnes was appointed you will see that they pointed out that the
Treasury was not included in that order. Mr. Morgenthau, it refers to the control of profits and of civilian purchasing power. That comes pretty close to it, doesn't it? For your guidance, if you read the order, the Treasury very definitely is left out. I am a member of the Board, but the whole question of this tax policy problem is not included in the Executive order setting up Mr. Byrnes' Board. But I recognize - this is for you and I am not on the record now - fully Mr. Byrnes' responsibility, and that nobody in town wants him to succeed more than I do, and nobody is going to help him any more than I do, will, and have. We have the technicians here who can help him, and just as long as we both have the same idea in mind - and that is that we want prices to stay where they are, or go lower - and bring those recommendations to the President, there cannot be any difference. But as far as his being
over me, he is not, and I am not over him. We are both responsible to the President. We have both the same ideas in mind. I want to take the time to explain the thing. I was over yesterday after this story had broken and spent an hour and a quarter with Mr. Byrnes, so there just cannot be any difference between us. He has one of the most difficult jobs on the civilian front. I think I have got a very difficult job. Now, we are both motivated by the same ideals. We are both trying to serve the country and the President, and we are both interested in this inflation thing. Now, both being motivated that way, we will bring jointly to the President recommendations to help him in trying to lick this very difficult job. I wanted to take the time to explain the thing. Therefore, some of these stories do not help any, but they are not going to hurt any.
Well, Mr. Secretary--
I mean they may hurt as far as the public is concerned, but they are not going to hurt any as far as Mr. Byrnes and my relationship is concerned - or anybody who is over in his office.

Mr. Secretary, Mr. Byrnes, before the New York Herald-Tribune Forum, came out for compulsory savings.

Right.

What is your position on that?

That is very easy, again off the record.

Is this on the record?

No, no. I will tell you exactly what happened. After I saw the thing, and your paper picked it up a day after - I think it was given Monday night, and it was not printed until yesterday - Bell signed the story but you may have written it, but I don't know.

I had nothing to do with it. We don't do
that, put somebody else's by-line and somebody else writes the story.

All right. Anyway, this is all off the record. We took the matter up both with Mr. Byrnes and with OWI, and it is the second time it has happened that OWI did not clear the matter with the Treasury. They take full responsibility that they did not bring it to my attention. I took the whole matter up with Mr. Barnes, Mr. Davis not being here; and Mr. Byrnes said that if anybody had said to him that the Treasury did not want him to say that it would not have gone out. He said, "I can't know; my story went over to OWI; it was over there and I took it for granted that they cleared it." The same thing happened on the Hard story - where Hard said that we were losing the war. He gave us an awful kick on war bonds. Now it has happened twice. I do not think it is going to happen a third time because everybody over there now realizes that they
have just got to be better, but I think it is a good thing. I think if I am going to deliver a speech and it affects somebody else then OWI should clear it around. It ought to work both ways, but unfortunately I have not been the beneficiary. Byrnes said, "My, Henry, if anybody had said you would have objected to that paragraph it would have been taken out."

Is he going to change his position now?

That I don't know. He is entitled to his position; Mr. Henderson is entitled to his; Mr. Eccles is entitled to his. This is a free country, as I have said, thank God. But in the final analysis we all work for the President, and the President is going to settle the thing.

I think you misunderstood, sir.

No, I didn't.

There is no question of any fight between yourself and Mr. Byrnes. There is a question of a difference. If he believes in
compulsory savings and you have made your position clear that you want to continue with this voluntary pay-roll plan - that is what I asked - request you to comment on.

He may like Guernseys and I may like Holsteins, but the President may like Milking Shorthorns, to get down to farm talk - I don't know if any of you know farming. (Laughter)

Well, that is pretty hard. (Laughter)

But in the final analysis he is going to make his recommendations, and I will make mine, after careful consultation with each other; and it finally goes to the President, I hope with a majority report from everybody. Then the President will say, "This will go up on the Hill."

Mr. Secretary, this leaves us a little bit confused. I was under the impression that the Treasury already was on record for forced savings.
Q    I was, too.
A    I am not going to comment on the tax bill or this thing.
Q    I mean, we are talking off the record. I thought maybe you might clear that up, as to the spendings tax.
A    We did recommend a spendings tax.
Q    Wasn't that in part forced savings? I mean, it had a rebatable feature.
A    That is right. Now, supposing I say I have not changed my position, the whole thing is being restudied. As a matter of fact, the whole thing is being restudied from top to bottom, and we are giving everybody a chance to look at it all over again in the light of the most recent developments.
Q    Can we say that that is on the record, that the whole thing is being restudied?
   (Resumed discussion on the record)
A    You can say that the whole tax program, as far as the Treasury is concerned, is being
restudied. I will put that on the record.

Q

There is a possibility, Mr. Secretary, that you may have some brand new ideas after you have restudied the thing? You may adopt some entirely new approach?

A

I would rather not answer that, if you don't mind.

Q

Wasn't your objection to the forced savings that it didn't apply - only to the end of this year?

A

As I remember, we recommended it to begin on January first. That is what we recommended. It is in writing, if you want it. As I remember it, we recommended it to begin on the first of January.

Q

Are you sure, Mr. Secretary, that the stories have indicated that there is a clash between you and Mr. Byrnes? I am very much surprised. I came in with the impression that all was sweetness and light between you and that you
were cooperating. I saw nothing to indicate that there was a clash between you. Are you certain that that has been indicated, sir?

Yes.

Where, in the Herald-Tribune story?

No, there were some earlier ones.

In the A.P. story?

I do not want to name them. I mean, nothing that has happened recently - going right back to when he was first appointed.

I was of the same impression, that the stories tended, rather, to show that the two offices were working together.

They are.

Rather than to even point to any rift.

I felt that; maybe I sensed it wrong. Maybe I interpret it wrong, but as far as I am concerned - I will go back over it again. I have known the man for nine years. I have known Ben Cohen ever since I have been here. I know Mr. Prichard. I know all these people,
and it all gets down to a question of good will and what is motivating it, and there just cannot be any trouble and there won't be any trouble.

Q: I can't speak for everybody; but I was with Mr. Bell when he got this story, and I am sure that he had no such thought in mind as you reflected.

A: Mr. Bell?

Q: I don't think any of the others have written stories indicating there is any clash. I know I haven't, Mr. Secretary.

A: Fine.

Q: Did these stories come out after the speech by Mr. Byrnes? Has any clash come out after?

A: No, I am going back to when he was first appointed - the first week after he was appointed.

Q: There was one point I wanted to get clear. That was that it seemed to me that any point to show that the Treasury's tax program, whatever it might be, would of necessity
be a part of the all-out or all-over economic picture certainly would not indicate a rift. It seems to me it would do just the opposite. That was the intention of the story.

If you boys, and lady, all feel that way, fine. Just keep feeling that way, will you? That is what I was trying to do. I was working on you unnecessarily, which is fine. (Laughter)

All this smoke makes you look for the fire.

No. I thought, the way I read some of the stories, - it looked to me as though some newspaper editorial writers were making the smoke and hoping for the fire. (Laughter) But if everything is lovely, fine.

Mr. Secretary, let me refer, if I may, again to that bond section. You are in favor of that general agreement that was brought up, as drawn up?

Yes, but nothing has happened.

No, but--
You know about it. There was an agreement worked out - and Mr. Bell has been handling this for us - and I did agree to this question of bank examinations. Just what has happened to it since the meeting in Philadelphia I do not know. I personally agreed to it, and the answer is yes, but that is just to help you out.

I am glad everything is wonderful. (Laughter)

Now that everything is wonderful will you get us those French dollar bills?

The French ones?

I meant the American dollar bills with the--

I said we would start with Hawaii - Aloha.

(Laughter) You know what Aloha means - farewell. (Laughter)

Thank you, Mr. Secretary.
Two press conferences a day - a pleasure for me. We got the release out on time. Bell and Schwarz did all right.

I want to ask you one question. Can you tell us the quotas for December and January on War Bonds?

No. Where is Vince?

It will not be announced until the first of December. We announce it on the first of each month.

I just wanted to know how much you are going to get from the public, that is, outside of these other sources.

He says it will not be announced until the first of December for December.

Mr. Secretary, I notice this says up here "during December." If I remember correctly
from that previous press conference, this is a November and December financing, isn't that correct?

A That is correct, and I think it says here, doesn't it, that any financing in January will be confined to bills and tax notes and savings bonds. That should be in the statement.

Q Q It is at the very end, the very last paragraph. That means this is all the financing you are going to do in January?

A That is all. This money, plus whatever we raise from tax savings notes, savings bonds, and Treasury bills in January, will take care of us until the first of February. But we thought that it would be easier for everybody concerned if we just announced this for December. It says here in the last paragraph: "After completion of this borrowing the Treasury does not expect to do further major financing until February."
For its new money needs in January the Treasury will rely upon further sales of Tax Savings Notes, Savings Bonds, and Treasury bills."

Q

But, it is a December-January financing program?

A

December-January.

Q

It is a November-December-January.

A

It is really - you are quite right, November-December-January. It is really three months.

Right?

MR. BELL: That is right.

H.M.JR: It is, because the November financing was confined to tax notes and bills and war bonds. It really is for three months.

MR. BELL: That is right. I think this gentleman is mixed up, because when we talked about it ten days or two weeks ago, we talked about November-December financing, and now it is labeled December-January financing, but it is really three months' financing.

Q

It is really a quarterly financing program?

MR. BELL: That is right.
Q: But it isn’t a bi-monthly then, is it?

H.M. JR: This financing, with the exception of tax savings notes, savings bonds, and Treasury bills, which we also sold in November - this money we are raising, exclusive of the money we get from that, will really take care of it for November, December, and January. Is that clear to everybody?

Q: Then it is supposed to be on a bi-monthly basis from then on?

A: I would not want to say definitely, but that is what we are working towards, and we hope that that is the way it will be. Is that right, Dan?

MR. BELL: Yes, sir.

Q: Then you will do another bit of financing in February, and then it will jump to April?

H.M. JR: If everything goes all right.

Q: It will depend on your tax returns and what not?

A: That is right, it is kind of hard, but the thought is that we are trying to establish
a pattern here; and if everything works out about the way we expect, the chances are that in February we would raise enough money to go through to April. But I do not want to make a definite commitment, because when you are at war too many things, unexpected things, can happen. But that is what we are leaning towards. A lot of things can happen these days.

Q

What is the amount of taxes expected on December 15, the quarterly payment date, do you estimate?

MR. BELL:

We have an estimate, but we never give that out.

H.M.JR:

We never give that out?

MR. BELL:

No, we don't.

H.M.JR:

That is what is known as a pre-war secret.

(Laughter)

Q

Could you hazard a guess on that? I just want to use an over-all figure on the total amount of new money to be obtained between now and February.
A: You mean you want to make a guess as to how much would come in in December through taxes?
Q: Yes.
A: Can you help him out? He is going to do the guessing. (Laughter)
MR. BELL: I guess I could, but I don't like to.
H.M.JR: It will be his figure.
MR. BELL: I think it will be about two billion dollars on income taxes.
Q: That is December 15?
MR. BELL: That is through the whole month. I expect it would be better, Mr. Secretary, to use a figure of two and a half from all sources of revenue.
Q: Two and a half of revenue from all sources, two billion of income tax for December?
MR. BELL: Yes, sir.
H.M.JR: Does that help you out?
Q: Yes, thank you very much.
H.M.JR: That is the purpose of a press conference.
Q: That would leave, then, six and a half in
new money out of this total?

**MR. BELL:** No. That is in addition to.

**Q** That is in addition to?

**MR. BELL:** That is general revenue. The nine billion is strictly borrowing.

**Q** The nine billion is really all the new money?

**MR. BELL:** Yes, sir.

**Q** You started the first of November with about three and a half billion in cash, didn't you?

**MR. BELL:** That is right.

**Q** This is the largest sum borrowed in any one single operation. It even exceeds the old Liberty Loan drive, doesn't it?

**MR. BELL:** That is right.

**H.M.JR.:** How much were the three Liberty Loans, do you know, all three?

**MR. BELL:** Sixteen billion dollars, as I recall, but I would like to check it.

**MR. KUHN:** There were five Liberty Loans.

**MR. BELL:** Yes, five with the Victory. There was sixteen billion dollars from the four Liberty Loans,
which raised money through bonds, and four billion dollars from the Victory note.

Q: The Fourth was about six billion dollars, wasn't it?

MR. BELL: The Fourth was six and a half billion, as I recall. That was the largest.

H.M. JR: We can send you down a little note.

Q: Are you pretty well set? Do you want to ask Bell anything?

Q: This in no way touches the regular bill offering, does it, Mr. Secretary? They will continue?

A: That is right.

Q: Do you expect to step them up?

A: Not that I know of right now. I want to say this, that all the reports that we have gotten from both the Victory Fund and the War Savings people are very encouraging. Everybody is raring to go, and I am quite confident that with everybody putting their shoulders to the wheel, including the press,
which raised money through bonds, and four billion dollars from the Victory note.

Q

The Fourth was about six billion dollars, wasn't it?

MR. BELL:

The Fourth was six and a half billion, as I recall. That was the largest.

H.M.JR:

We can send you down a little note. Are you pretty well set? Do you want to ask Bell anything?

Q

This in no way touches the regular bill offering, does it, Mr. Secretary? They will continue?

A

That is right.

Q

Do you expect to step them up?

A

Not that I know of right now. I want to say this, that all the reports that we have gotten from both the Victory Fund and the War Savings people are very encouraging. Everybody is raring to go, and I am quite confident that with everybody putting their shoulders to the wheel, including the press,
it will be a success.

Q

Thank you, Mr. Secretary.

A

Thank you all.
Secretary Morgenthau today made the following statement:

In order to finance the war effort, which now is moving into full stride, the United States Treasury will borrow during December the unprecedented sum of approximately $9,000,000,000 from all sources. This sum will be raised partly through the continuing sale of Savings Bonds and Tax Savings Notes, and partly through offerings of a number of new Treasury issues designed for every class and type of investor. Thus every American will have an opportunity to back the armed forces with bonds.

The Victory Fund Committees will launch an intensive sales campaign on November 30 on three series of offerings of new securities. These well organized and expanding groups of 44,000 volunteer workers, drawn largely from the securities and banking fields, will solicit subscriptions from individual investors, corporations, savings and commercial banks, insurance companies, institutions, trusts and estates. The President of the Federal Reserve Bank in each of the twelve districts is chairman of the Victory Fund Committee in his district.

At the same time the War Savings Staff, with its 300,000 volunteers in every community, will intensify its drive to add at least 7,000,000 more income-earners to the ranks of those already investing regularly in Series E War Savings Bonds through the payroll savings plan.

Almost every citizen has funds in the form of currency or bank deposits which can be enlisted in the war effort in one way or another through the purchase of Government securities.
The special offerings to be sold under the direction of the Victory Fund Committees will consist of:

1. Twenty-six year 2 1/2 per cent bonds due December 15, 1968, callable December 15, 1963, to be issued in coupon or registered form at the option of the buyers. Commercial banks, which are defined for this purpose as banks accepting demand deposits, will not be permitted to hold these bonds until ten years after the date of issue. There will be no limit to the amount of this issue, and no restrictions upon issuance excepting the temporary exclusion of commercial banks from ownership for their own account. Subscription books will be opened November 30, and will remain open several weeks. The bonds will be sold in denominations from $500 to $100,000.

2. Two series intended for banks as well as other investors: (a) 1 3/4 per cent bonds due June 15, 1948, and (b) 7/8 per cent certificates of indebtedness due one year after issuance. These securities will be open for subscription by banks, and also by all other classes of investors, whether private, corporate or institutional.

Sales to commercial banks will be limited to $2,000,000,000 or thereabouts of each series. Applications from commercial banks in amounts up to $100,000 will be allotted in full, and larger subscriptions on an equal percentage basis.
All applications from others than commercial banks will be allotted in full. The total of these securities to be issued thus will be the $4,000,000,000 from commercial banks, plus the full amount subscribed by others.

For all classes of subscribers other than commercial banks, subscription books will be opened November 30 for both series, and will remain open for several weeks. For commercial banks subscription books will be opened November 30 on the 1 3/4 per cent bonds and will remain open until the close of business December 2, while books will be opened December 16 on the 7/8 per cent certificates and will remain open until the close of business December 18. In the case of such bank subscriptions, payment for the bonds must be made on December 11, and for the certificates on December 28.

The 1 3/4 per cent bonds will be issued in coupon or registered forms, at the option of the buyers. The 7/8 per cent certificates will be issued in coupon form only. The bonds will be sold in denominations from $500 to $100,000, and the certificates from $1,000 to $100,000.
The 2 1/2 per cent bonds, 1 3/4 per cent bonds and 7/8 per cent certificates of indebtedness will be dated December 1, 1942 and will bear interest from that date. Accrued interest will be charged on all subscriptions for which payment at a Federal Reserve Bank or at an authorized depositary is received later than December 1.

Any bank or trust company qualified to hold War Loan deposits will be permitted to make payment by credit for securities subscribed for its own account or that of its customers up to any amount for which it shall be qualified in excess of existing deposits.

All elements of the banking and securities business will conduct a vigorous campaign to assure the widest possible public purchases of all issues of these securities. In conjunction with weekly sales of discount bills, these arrangements will make approximately half the $9,000,000,000 of Treasury borrowing in December available from non-banking investors, while the other half will be made available by commercial banks. The widest possible public participation is essential in the interest of sound financing out of current income and savings.

After completion of this borrowing the Treasury does not expect to do further major financing until February. For its new money needs in January the Treasury will rely upon further sales of Tax Savings Notes, Savings Bonds, and Treasury bills.
SECRETARY MORGENTHAU'S
PRESS CONFERENCE
December 7, 1942

H.M.JR.: I gave everybody a copy of a five-day report
(Press Service No. 34-47) on how much money
we have raised up to and through the fifth of
December. If there are any questions--

Q All except the tax notes item are embraced
within the Victory Fund campaign, the nine-
billion-dollar campaign now under way?

A The tax notes are in it?

MR. BELL: Yes.

H.M.JR: They are part of it.

Q On the basis of the original statement of
the financing you expect to get at least
another two billion from the banks?

A That is right. We go to the banks - what is
the date?

MR. BELL: The sixteenth is the first day it is open.

Q Then it is almost certain to go over the
nine billion, isn't it?

MR. BELL: I think so, but then--
Q: That leaves a little over two billion?

H.M. JR: Yes, another two billion from the banks would give us seven and a half.

Q: You are pretty well going to go way over your nine-billion figure, aren't you?

A: We are very conservative here. We will stick to the nine billion.

Q: Do you think there is any possibility that you could go through March fifteen now, with things looking so good?

A: Well, we will just wait. We can see. I gave out the little statement the other day, in which I said I was both amazed and pleased at what had happened. But there is a lot to be done, particularly in the smaller communities. We have just had some people out making a field survey, and in some of the smaller cities there is a lot to be done. I mean they are the hardest to reach, and there is plenty of work that still has to be done. People have got money there.
Q: Is that especially true of the savings bonds?
A: No, I was thinking more of the--
Q: Two and a half percent?
A: Two and a half percent, the Victory bond. But there is plenty of work to be done there, both education and shoe leather.
Q: Do you have any figures or any indication of whether or not this is the most intensive sale - I mean compared with the Liberty Loan drive? You never sold this much in so short a time before, did you, outside of banking sources?
A: I don't think so. I don't know. I am never so good on this comparing things.

MR. BELL: We have never sold this much in five days at any time.

H.M. JR: Any time?
MR. BELL: Yes.

H.M. JR: I think it is safe to say it is the best response the Treasury has ever received in its history.
How many more days to run, Mr. Secretary?

We have kept that open. We said several weeks. We would like very much to close it up before Christmas.

When you reach the nine-billion-dollar mark will you stop?

We will stop, look, and listen, then make up our minds. (Laughter) They spent a little over six billion dollars just on the war effort in November, so we have a job cut out for us; and if we should be fortunate enough to go over our estimates we can postpone having another drive that many days.

You get another billion and a half on December fifteen, in income tax, don't you?

We gave a figure once. Mr. Bell did it very reluctantly.

Two and a half billion, I think, from all sources, I gave out at that time.

For the month of December, wasn't it?
MR. BELL: That is right, yes, sir.

H.M. JR: But it is going very well.

Q: These Victory Fund sales have been principally from the larger cities?

A: I would say so, wouldn't you?

MR. BELL: That they are coming from the larger cities?

H.M. JR: Yes.

MR. BELL: They are coming from all over, but, as the Secretary said a while ago, the smaller cities have not been touched yet, but some of them are doing very well down in the lower brackets.

H.M. JR: That does not mean that some smaller cities are not doing very well, but we do not feel that they have been sufficiently well covered yet. In whatever you are doing the most difficult part is to get into the smaller communities.

Q: This money that is coming in outside of the banks is mostly idle money? I mean, don't you think it is coming out of savings, one thing and another?
I would call it idle money, yes, very definitely. It is the kind of money that we have been trying to get. I want to say that the Federal Reserve Board has been most helpful, particularly Mr. Eccles. I mean he has given a great deal of time.

Are the cities lining up pretty much in order of population, or do you detect differences?

There are some differences.

Geographical?

There are some differences as between Federal Reserve Districts, and we are bringing it to their attention.

Would you want to tell us the top Federal Reserve District?

The District which naturally is doing the most is New York.

They have the most money, haven't they?

It has the most money so we expect them to do the most.
Q
How is the Midwest standing up?

A
Well, everybody is doing fine. After all, I have every reason to be delighted, and am delighted, and I am simply saying that we have had people out and there are some of the smaller cities that we have not yet reached; but those people were out last week. I think this week we ought to pretty well reach every community in the United States.

Q
How is Chicago coming?

A
Very well.

Q
Second?

A
Yes, it is second.

MR. BELL:
That is right, I guess.

Q
Mr. Secretary, this statement includes or is for the first five days of December?

H.M.JR:
That is right.

Q
It does not include sales made November 30, the first day of the campaign, does it?

A
No, because Mr. Bell said there was not anything reported on that day. The first
reports we got were on the first.

Q

Then these include--

A

They include the thirtieth.

MR. BELL:

There were no securities paid for on the thirtieth. The securities were all dated the first, so they were paid for on the first from there on.

H.M. JR:

But it is really from the thirtieth through the fifth?

MR. BELL:

If he wants to look at it that way, yes.

H.M. JR:

But we did not make any actual sales, or, rather, did not take any money in. This would jibe with the daily statement of the Treasury, is that right?

MR. BELL:

Pretty close. There is a little lag in the reports, but it is pretty close to the daily statement.

Q

The balance of the bank borrowing will come, then, - probably the big bulk of it will come from the certificates and Treasury bills. They
open the books on the sixteenth, isn't it?

H.M.JR

It was the one and three-quarters that we just sold two billion of. The next offering will be of the seven-eighths, of which we will offer two billion.

Q

On the sixteenth?

A

On the sixteenth. That will be open for three days.

Q

Mr. Secretary, what caused you to change your policy on financing? What is behind it? You did not use to have such intensive drives at one time like this.

A

Well, I did not change. It is the size of the job that changed. When I first came here they used to be borrowing every couple of weeks and so on.

Q

That is what I mean, changing back to this.

A

Then we did it every three months. We could go along nicely and do it every three months. Then this thing began to get bigger and bigger as the war effort got bigger, and I found myself
doing it every month. Then we realized they were getting up to six billion dollars, and it was so big that it called for a different method of selling. We decided that we could not go into the market each month for six billion; we would have to make an intensive drive and try to do it so that we could get enough money to last us for two or three months. Now that this thing looks as successful as it does, we hope that possibly we can raise the money to pay for the war by having a drive, say, every two or three months. But, what we do here is, we adapt ourselves - in other words, we cut the suit, depending upon how much cloth we have, and as the suit has gotten bigger and bigger, the job has gotten bigger and bigger. We are doing it the way we think we can do it the best, that is all. As I say, right now, it is six billion dollars a month for the war effort alone, and this seems to be the way for the time being. If it gets still bigger, we may have to change our methods
again. Does that satisfy you?

Yes, sir. I wanted to ask you about this fourteen billion dollars in currency that is outstanding, about seven billion more than—do you think these programs will have a tendency to reduce that, or will that increase the currency in circulation?

Well, it is one of the things, as I say— it is very difficult to combat it, and one of the principal ways we can do it is to do it through the press. People get frightened; they read all kinds of stories, newspapers, and hear it on the radio; people make speeches, and they get scared; and, therefore, they begin to hoard their currency. It goes in waves. The only thing that I can do is to assure the people through the press that—certainly I don't know of anything that they should be frightened of, and there is no reason why they should hoard. Through hoarding they just make the Treasury's job that much more difficult. If the people
who have cash in the safety deposit box or in the cellar would get it out and put it in circulation, they would be making the Treasury's job that much easier.

That is, you don't mean into circulation, but get it into bonds?

Get it into bonds, yes, stop hoarding it.

Getting it into circulation would increase your other problem.

I mean, buy a bond.

Mr. Secretary--

It is hard, and you have got to keep at it, and at it. It is particularly foreign-born people who tend to do that. They seem to be frightened most easily through experiences which their relatives went through and which they had in their old home countries, but you can't blame them. But the thing - it cannot - "It Can't Happen Here."

You mean it is a sort of spendings from accumulated savings taxed in the same manner that spendings from current income would be taxed? Is that
what you mean, these scare stories and experiences?

They are afraid that their savings are going to be seized. They are frightened. I mean, they see things under the bed and behind the door, and one thing and another; they know these things have happened abroad and their savings have been taken, and so forth and so on.

Do you think most of the increase is due to hoarding, Mr. Secretary?

Some of it is.

Some of it, but certainly not all of it. Much of it is due to a tremendous increase in business, shortage of banking facilities, and many of the places where these plants have been constructed--

Have you any idea as to how much of it is due to hoarding?

Do you know?

No, we don't know.

I heard a figure of around two billion for hoarding. Does that sound right?
MR. BELL: I wouldn't guess at it. I don't think anybody knows.

Q: Don't you think the credit restrictions that require purchases in cash, for the most part, have a lot to do with it, as people need a lot more money to transact business in retail trade?

H.W. JR: That is true. There is a lot more business, as you say, being done with cash.

Q: Isn't there a progressive increase, too, in the money in circulation as the national income rises, Mr. Secretary?

MR. BELL: That is correct. Service charge on cashing checks has a lot to do with it, too; the banks have a service charge.

H.W. JR: All right?

Q: Thank you, Mr. Secretary.
Secretary Morgenthau announced today that a total of $5,586,000,000 in "new money" had been realized from the sale of all types of securities during the first five days of December. About 60 percent of this amount, or $3,381,000,000, was raised from non-banking sources, he said.

In the table that follows a breakdown of funds received from all sources from the sale of all Government securities is given for the period through December 5:

Funds from banking sources --

<table>
<thead>
<tr>
<th>Security</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury bills</td>
<td>$150,000,000</td>
</tr>
<tr>
<td>1-3/4% Treasury bonds</td>
<td>$2,058,000,000</td>
</tr>
<tr>
<td></td>
<td>$2,208,000,000</td>
</tr>
</tbody>
</table>

Funds from non-banking sources --

<table>
<thead>
<tr>
<th>Security</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/8% Certificate</td>
<td>$610,000,000</td>
</tr>
<tr>
<td>1-3/4% Treasury bond</td>
<td>$452,000,000</td>
</tr>
<tr>
<td>2-1/2% Victory bond</td>
<td>$2,101,000,000</td>
</tr>
<tr>
<td>Tax notes</td>
<td>$114,000,000</td>
</tr>
<tr>
<td>Savings bonds (E, F &amp; G)</td>
<td>$104,000,000</td>
</tr>
<tr>
<td></td>
<td>$3,381,000,000</td>
</tr>
<tr>
<td>Total</td>
<td>$5,586,000,000</td>
</tr>
</tbody>
</table>
Mr. Secretary, in this list I assume that under the law you have been able to include many State banks that are not member banks since that amendment went through attached to the small war plants corporation bill, is that correct?

MR. BELL: The new law does not touch this kind of a depositary. This depositary was authorized by the Second Liberty Bond Act, which said that any bank - any incorporated bank or trust company may be designated. So it is not necessary to be a member of the Federal Reserve System or the FDIC system.

This would include any--

MR. BELL: It would include them all.

Q Mr. Secretary, you are going to raise nine billion dollars, and you have only the place to put eight billion, four hundred and
twenty-nine million, seventeen thousand, a hundred and sixty-four dollars. Are you going to carry the rest around with you or put it in the Treasury? (Laughter)

MR. BELL: It is being spent pretty fast.

H.M.JR: We used over six billion of it in November just for war purposes alone. It goes out pretty fast.

Q My question was not a serious one, anyway.

H.M.JR: That is all right.

Q Do you have any new figures on the drive?

A No. I think we will wait another few days. We gave you the figures as of Friday night, and Saturday was a half day so there was not very much. But it is still going along extremely well.

Q There seems to be quite a love feast between you and Doughton, at Winston-Salem, Mr. Secretary. Did that have any particular significance?

A I don't know.

Q It seemed to bode well for the new tax bill.
Well, I don't know just how to answer it. As a matter of fact, Mr. Doughton and I have gotten along very well, I think, ever since I have been here. I have always held him in the highest esteem, and I have felt that that has been reciprocated.

(Discussion off the record)

As I told him - this is not for quotation - I thought that while he and I were still both alive it might be a nice thing to do so publicly, which we proceeded to do.

(Resumed discussion on the record)

I have always had the most pleasant relationship with Mr. Doughton - always have had the best. He has treated me most fairly.

Mr. Secretary, in view of last week's night meeting among the various fiscal agencies of the Government - the meeting that was held here - is there any comment which might be made now on what form the new tax bill will
take, whether it will embrace any pay-as-you-go plan or any compulsory savings?
No. I think I said last week - in fact, I know I said last week - and I will be glad to repeat it - I gave out a written statement, didn't I?
You said that until the President's budget message had been made there would be no definite indication. That, however, was before the meeting.
Well, it still holds true.
Will you have more meetings of that same kind, more planning meetings?
Yes, I think we will. It was very fruitful. What it was fruitful of I cannot tell you, but it was a very fruitful meeting. What I think I said on the record was that we would consult with other agencies interested in taxation and finance and fiscal matters, and that is what we are in the process of doing. So there will be other meetings.
How soon after the message, Mr. Secretary, do you expect to be prepared to go to Congress?

That is entirely up to Chairman Doughton. The question is, how soon does he want to send for us.

There seems to be a disposition to have the tax bill brought up early in the session.

That will be entirely up to Chairman Doughton. I don't know when he will be ready.

Mr. Bell reminded me to remind you gentlemen that we are going to offer on December 16, 17, and 18, for bank subscriptions only, the seven-eighths of one percent, one-year certificate.

Two billion?

That is the two-billion-dollar offer. That is the 16th, 17th, and 18th, for banks only - the line forms on the right. (Laughter)

You are only going to allot two billion of that, Mr. Secretary?

Two billion or thereabouts. I mean two
billion plus. I think the last time it was two billion and it ran fifty million over, something like that.

Mr. Secretary, have you said anything about this agitation on the Hill to let lose some of this silver that is supposed to be buried in the ground?

Oh, yes, I have said a lot about it. (Laughter) Favorably or otherwise?

I have appeared before this Appropriations Committee on the Treasury budget either two or three times, and each time I testified—and I can get the testimony for you so that you can get it direct—that all the silver legislation be struck off the books. That is number one. Schwarz can get you the last year's testimony.

Number two, we reported favorably on the Green bill—Senator Green's bill.

Was this when you appeared before the Appropriations Committee last week?
No, that was still confidential. I am talking about a year ago. I am talking about my testimony a year ago, which we will send down to the press room. But my position has not changed any since then.

I was going to say, you are not likely to change your position.

No, and in testifying before this so-called Silver Committee, I told them how I felt, that I thought that the silver legislation should be struck off the books; and then they were working for a higher price, and we agreed at that time that if they did not start anything I would not. But I made my position perfectly plain, as to how I felt.

You have gone farther by favoring the Green bill now?

I did not go any further.

The principle of the Green bill?

Well, yes, I think that if there is such a phrase as "less far" - I mean, in one case
I testified that I was for striking all silver legislation, and now this does part of the job.

You now favor today the striking of all silver legislation off the books?

I have not changed my position. I mean, if it were left to me I would start with a clean slate. I mean, I have said this for two or three years now. I would start with a clean slate and strike it all off, and then let those agencies like WPB, who get out regulations on strategic metals, issue the rules and regulations on how it should be distributed.

If you struck all the legislation off, then you would cease buying silver?

We would stop, that is right.

At any price?

At any price. We have got enough on hand to last us a little while.
You don't anticipate any of it being strucken off, do you?

You never know. As we really get down to business in this war and the people get really war-minded, they might. The way it is now, we can only make this silver available on a returnable basis. So if anybody wants any silver to use it up, we cannot make it available.

It cannot be used for consumptive purposes, isn't that correct?

That is correct.

Who would use it on a returnable basis?

Through a subsidiary of the RFC they are now using it, for instance, in bus bars and power plants, a silver core instead of a copper core; and there are uses like that for silver.

We are also ready to lend-lease silver on an ounce-for-ounce basis to members of the United Nations for coinage purposes, to be
returned after the war on an ounce-for-ounce basis. We do it that way to--

You said you did lend it?

We are ready to, as far as I know. I do not think we have done any yet, but Lend-Lease has agreed with us that we are ready for England or Australia or China, or any country that needs it for their coins.

You do not take any money for it now at all, but you will take--

We will lend them, say, a million ounces of silver, and they have agreed to return us a million ounces of silver when the war is over.

That is pretty much the silver story.

Have any specific figures been mentioned on the lending part of it, as to how much they might need?

No. You mean for these countries?

These countries.

No. They have all said they want it, and the
demand is aggravated by the fact that we have troops in these countries, and there is a great demand for small coins. They have told us that they need the silver very badly for that purpose.

They make the coins, though?

Yes, we would just advance the silver.

Mr. Secretary, that would be possible under existing legislation?

That is possible. Lend-Lease has agreed to it; their attorneys have agreed to it; our attorneys have. We feel we have a legal right to do that.

Has any country yet asked for the lend-Leasing of some silver for that purpose?

Both England and Australia said that they wanted silver, and we have just gotten this legal opinion recently. No deal has been consummated, as far as I know.

MR. BELL: That is right.
You mentioned China just now as among the Nations that might want it. Has China asked for it?

China has not asked, but, as I said, both Australia and England have. I mentioned China because in the old days they used to be large users of silver for coinage purposes.

Were either England's or Australia's requests made to you during your visit to England recently?

It was made before I went.

Is that North African currency coming back at the end of a month? I heard some report about it the other day.

Coming back?

That special printed stuff, either put out of circulation or called in?

Not that I know of.

So-called goldbacks?

No.

(Discussion off the record)
I am talking off the record. I get quite a lot of amusement out of this. We were all supposed to keep it such a secret, and I read a story by Ernie Pyle, who is over there. He went into great detail about this kind of money. (Laughter)

Q: That releases you, doesn't it, Mr. Secretary?
A: I mean, everybody knows about it now, so it is not very much of a secret. I suppose even the people in North Africa know now. (Laughter)

(Resumed discussion on the record)

Q: There was a radio story the other day that it was coming in by December 31.
A: No.

MR. BELL: A little of it comes back, Mr. Secretary. These merchant seamen going over there land a few days and get it back on the boat.

H.M. JR: Has some come back?
MR. BELL: Some came into New York, I think. There is no volume at all.

H.M. JR: No talk of not continuing it?
MR. BELL: No, quite the contrary.
Q The money is negotiable here, of course?
MR. BELL: It is just like any other currency.
H.M.JR: But we have just marked it in case some-
thing should go wrong, so that we could
identify it.
Q Mr. Secretary, some of the stories cabled
from over there said there were gold coins,
too. I remember a story in which it said
that a five-dollar bill was paid to an
Arab for bringing back an American from the
desert, a paratrooper, and ten dollars if he
brought back his parachute with him, and so
on. Are those American gold coins, sir?
A No. Those were Canadian gold dollars.
Q Is that so?
A Yes. They had some Canadian gold dollars
which they very kindly made available to us.
We shipped those abroad. They had some left.
We had none. Those were Canadian gold dollars.
This radio story I am referring to said each man on the transport was given about fifty dollars in the goldbacks before he went ashore and that each officer had about a hundred.

I don't know the details. Mr. Bell and I, with the help of the Bureau of Engraving - Mr. Hall - did almost an overnight job on the thing. When they wanted the gold from Canada, we got requests in the morning and it was on the train the same night. I mean whenever they wanted something, they always wanted it the same day, and we were almost able to do that for them.

Q: How much in Canadian gold dollars? Could you tell me the volume?

A: No. (Discussion off the record) Then you could find out how much it costs to buy a French general. (Laughter)

Q: They demand gold, too, do they?

A: I don't know. Some of these French generals
divided by so many gold dollars-- (Laughter)

Q

To be called the "Darlan dollars"? (Laughter)

A

That is a good one.

(Question resumed discussion on the record)

Q

Could you tell us why they decided to use Canadian gold rather than our own when we have such a large quantity?

A

We haven't any. We have melted it all down.

MR. BELL:

The law requires it.

Q

Not minted but in bullion form?

H.M.JR:

That is right. We would have to send them over some gold bricks. (Laughter) They might be a little suspicious.

Q

That is a story in itself. There is no more American gold coin in existence?

MR. BELL:

There is some available, but there is none in our possession.

Q

Where is it held?

MR. BELL:

Some of it the foreign governments have under their central governments.
Q: So far as the American Treasury is concerned, there is no more gold-minted coins?

MR. BELL: That is right.

Q: We have got two stories. (Laughter)

H.M.JR: Wonderful.

Q: As a matter of fact, didn't the gold coins disappear when gold money was recalled by the Treasury some several years ago?

A: Yes. The people turned it in.

Q: Part of that old going off the gold standard?

A: Yes. I think the law is that if you are a collector you can keep four kinds of each gold coin. Anything over and above that is illegal. But you can keep four coins if you are a collector. Everything over that is supposed to be turned in.

Q: And must be kept as collectors' items and not be spent?

A: That is right. As a matter of fact, if you should have a 1933 twenty-dollar gold piece, hang onto it. It is worth a lot.
Q: Even if you are not a collector?
A: As a collector's item. I have forgotten what it is worth, but it is quite a rarity.
Q: When was this melted down, Mr. Secretary, just recently?
A: No. I am glad if you think it is new, but this goes back to when we went off gold and called in the gold coins and the goldbacks, and all that. All coins were called in in '34.
Q: I knew that, sir, but I did not know they had been melted down.
A: Oh, yes.
MR. BELL: The law requires that whenever it comes into the possession of the United States it shall be melted down.
H.M. JR: When we needed some gold coins in a hurry, the only place we could get them was Canada.
Q: Do you find the Axis unloading any dollars anywhere at all - in South America?
A
Not particularly. It is something we watch all the time. It is under pretty good control.

All right?

Q
Thank you, Mr. Secretary.
Secretary Morgenthau announced today that during the past month additions to the Treasury's list of Special Depositaries throughout the country and increases in the qualifications of depositaries previously designated have brought to $3,429,017,164 the total amount that may be held at any one time by banks and trust companies in behalf of the Government.

A special effort in cooperation with the Federal Reserve System added 1,426 new depositaries, qualified to hold $406,740,250, and increased the eligibility of 391 institutions now designated by $1,468,344,900.

In order to keep the funds raised by sale of Government securities in the communities where raised until actually needed to meet Government payments, the Secretary asked the Federal Reserve banks to circularize the banks in their districts with a view to having them qualify for use of the "War Loan Accounts" as Special Depositaries. Those taking advantage of this method of participating in Treasury financing are thus able to retain the proceeds of the sales of securities subscribed for their own account and those of their customers until called by the Treasury.

The number, by Federal Reserve Districts, of new depositaries and the amount they are qualified to hold and the increases in previous designations are as follows:
<table>
<thead>
<tr>
<th>DISTRICTS</th>
<th>NEW DESIGNATIONS</th>
<th>INCREASES IN PREVIOUS DESIGNATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>Amount</td>
</tr>
<tr>
<td>Boston</td>
<td>70 $</td>
<td>36,885,000</td>
</tr>
<tr>
<td>New York</td>
<td>93</td>
<td>42,517,500</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>113</td>
<td>22,174,100</td>
</tr>
<tr>
<td>Cleveland</td>
<td>152</td>
<td>75,384,000</td>
</tr>
<tr>
<td>Richmond</td>
<td>103</td>
<td>48,586,000</td>
</tr>
<tr>
<td>Atlanta</td>
<td>83</td>
<td>17,160,500</td>
</tr>
<tr>
<td>Chicago</td>
<td>57</td>
<td>68,750,000</td>
</tr>
<tr>
<td>St. Louis</td>
<td>42</td>
<td>9,490,800</td>
</tr>
<tr>
<td>Minneapolis</td>
<td>570</td>
<td>57,974,600</td>
</tr>
<tr>
<td>Kansas City</td>
<td>115</td>
<td>16,890,750</td>
</tr>
<tr>
<td>Dallas</td>
<td>24</td>
<td>7,035,000</td>
</tr>
<tr>
<td>San Francisco</td>
<td>4</td>
<td>3,900,000</td>
</tr>
<tr>
<td>TOTALS</td>
<td>1426</td>
<td>406,748,250</td>
</tr>
</tbody>
</table>

Qualifications prior to Nov. 14, 1942: 3313 $6,553,924,014
Total to date: 4739 $8,429,017,164
H.M.JR: This one-year certificate, the seven-eighths, which we have pending now for the public, seems to be going very well. I have been checking up. The E bond through the 15th is going better this month, and we have made our quota - and so is the F and G. So I have every reason to be pleased.

Q What was the month's quota, Mr. Secretary?

A I do not think it was announced.

MR.CALLAHAN: It was not announced. There is a quota on E bonds.

H.M.JR: But it was not announced?

MR.CALLAHAN: It was not announced.

Q Mr. Secretary, is there anything to these reports about abolishing the F and G bonds altogether? Can you tell us anything about it? There have been a lot of things written out of New York, apparently by some of those
Nothing other than that some people have had some ideas, that is all.

There is no plan to do anything about it now, is there?

I would rather have you say that as of now - that certainly between now and the end of the year there is nothing. There is not any plan, and there is not anything very definite. Just for your background, I think some of these people on the Victory Fund Committee perhaps would like to push the two and a half, and so forth. I imagine that is where it comes from. But I would much rather have you gently sit on the thing because there is not anything imminent.

Any more reports on the nine-billion-dollar campaign?

No. On account of this certificate, we will not have our reports in much before very late Saturday, and I am afraid we are going to
have a late Saturday night story for Monday morning release. It will be quite late Saturday night.

Q: How late, Mr. Secretary? I am working Saturday.

A: Let's put it up to you men. How late can we get it to you without inconveniencing you?

Q: Four or five o'clock.

Q: I am working Sunday; it doesn't make any difference to me. (Laughter)

A: How about the rest of you?

Q: I have a weekly.

Q: It would be preferable if we could get it by five, for most of us.

A: We will do everything possible, but it is a question of getting the figures in.

Q: You can't say now whether the banks have taken up the two billion in certificates?

A: It has only been one day. We would not expect -
but the subscriptions that came in as of last night exceeded what even our fondest hopes were, as of last night.

Q
The banks' subscriptions?

A
It is all a bank issue. As I say, the subscriptions which were in as of last night were in excess of what we had hoped for. But the story which we will have for you for Monday morning will break so late Saturday that there is no use in trying to get it into Sunday's papers.

Q
Monday's story will be the whole picture, including this?

A
Everything. It will be up-to-the-minute figures on the seven-eighths certificate and the Victory Bond and the whole story.

Q
You have definitely stated that you hope to get through March now, haven't you?

A
What we said in the story was that we hoped to go through March or April, didn't we?
Yes.

And we will not know whether we can go through March or April until after the first of January because - take, for instance, these tax certificates - if you follow that - most of them come in the last three days. The people wait until the last three days, so we really don't know, and won't know. But as it stands now, we certainly know we do not have to go to the public again before March. That we do know, definitely.

Do you plan on keeping your Victory Fund organization intact, so to speak?

Yes.

They won't be disbanded?

No.

In other words, it is a continuing affair?

Oh, yes.

For the duration?
A

Q

Very much so.

Are you really pleased with the subscriptions? Although there has been a preponderance of non-bank subscriptions, many of the bank subscriptions were taken in the two large reserve areas, that is, New York and Chicago, which had an excess reserve situation. I was just wondering whether you are satisfied with that.

Say that again, Nick, please.

A

Q

New York and Chicago had a reduction in their excess reserves owing to the large, substantial purchase of Government securities. Under the sale of this nine billion there were, I believe, two billion six hundred and ninety-eight of bank subscriptions and the balance was non-banking. But the two billion six hundred and ninety-eight, although comparing favorably with the four billion of non-bank, was made in the two large reserve areas, New York and Chicago.
A

Q

That is right.

And there have been reports - or, rather, I have seen editorial comments that while it has been a success--

A

Q

Do you read the editorials? (Laughter)

I haven't been able to read the Herald-Tribune...

... that this figure might still be reduced still further, in the sense that Government bonds should be bought outside of these two large areas.

I do not want to be quoted. I guess this is what you would call background. Considering that this Victory Fund Committee has really just gotten going, they have done a very good job. But when you do get out of the big cities there is still a great deal more to be done; and as you begin to leave the cities, the ratio to the size of the city, how good the job is, the smaller the city and the smaller the community, the less good the job is.
Q What are you going to do about that, Mr. Secretary?

A What we are going to do about it is that just as soon as we have already had people out studying the thing, and we will have to strengthen the thing. We know where our weaknesses are, and the weaknesses are, as I say, as you go from the larger city to a smaller city you find just the direct ratio to the size of population. We will have to strengthen the organization during the two or three months between the drives. We have already had a number of people out in the smaller communities doing interviewing, and we know where the weaknesses are and we will take steps to correct them. Now, the good of it is that it shows that there is still a lot of cream there, and there is plenty of time. We will have a couple of months to strengthen the thing.
Q Have you found non-cooperation in some of the reserve centers outside of New York?
A Non-cooperation?
Q I mean not full cooperation - I mean where there has been no effort to push this thing.
A No. It is a question of manpower. Also, when you get out of the city these security dealers are just not there any more. They have gone out of business. I mean, you go into a town of ten thousand or twenty-five thousand, and the chances are that the security dealer does not exist any more.
Q Who do you blame for that?
A Who do I blame for that?
Q Yes.
A Well, I will put it the other way around. The Administration can take credit for the fact that all this wildcat speculation has been stopped, and so forth and so on. I
think the Administration should take full credit for that. The result is that there is less security business.

You didn't expect that answer, did you?

Q: No, I thought you might--

Q: You wouldn't want these wildcatters selling your bonds anyway, would you, Mr. Secretary?

A: No. When you get down to the legitimate business in the stock exchange and cut out a lot of the wildcat business, there is not enough business to go around to support the number of security salesmen there were. The result is that a lot of them had to go out of business. As you say, I don't want them.

Q: Isn't it a fact, also, that the only securities they can sell are Government securities now, practically?

A: Practically.

Q: Mr. Secretary, a moment ago you said that
there would be two or three months' time--

A

And you agree with me, too, Nick, as to the

wildcat stuff.

Q

Oh, yes, I covered the SEC for years. I know.

A

It is not a question of blame. I think we

should take credit for it.

Q

You said a moment ago that you still have
two or three months in which to prepare your
next campaign. That means, then, that when
your next major financing occurs, either in
March or April, it will be a campaign
vigorously and more particularly in the
smaller areas, is that it?

A

That is right. We have to strengthen our
forces there very much.

Q

Can we quote you to that extent? You gave
us all that as background, more or less.

A

The trouble is this. If I do this thing now,
it looks as though I was criticizing a group
of men who really are working very, very hard,
and it is no fault of theirs that they cannot cover the whole United States. There are just not enough of them. So, if you don't mind, I would rather not because it looks as though I am criticizing a very willing force. They are doing a wonderful job within the possibilities of the number of men and the territory, and everything else. When you begin to call on every man, woman and child that has ten thousand dollars or more to invest, it is some job. So my answer is that I would rather you would not. They really have done an amazingly good job.

Mr. Secretary, I want to ask you a rather delicate question.

Really? (Laughter)

This question of this sharp increase in the amount of money in circulation. There have been current reports that the hoarding is not on the part of the small people but some of
the people who are quite wealthy and who
fear the salary limitation, and others, who
have rented safe deposit boxes, in which they
cache substantial amounts of large denomination
currency. Some of those things have been
turned up, I understand - that is, not by the
Treasury, but, I believe, by the Federal
Reserve Board. Are you looking into that
situation, that the hoarding is not by the -
first they were blaming the foreigners, and
then they were blaming the little fellow.
But the little fellow is not hoarding; he is
spending. So the hoarding is being done, I
understand, by the very, very wealthy people.
All I can say is - you are the first person
who has mentioned it to me. I don't know
anything about it.

I understand that they have turned up in
safe deposit boxes substantial amounts of
large denomination currency.
A  Let me ask you, how is that possible. No one can go into a man's safe deposit box. Let's be practical. How could the Federal Reserve or anybody else turn up a thing like that? They have no authority.

Q  I know that, but there must be some basis for these reports, Mr. Secretary.

A  Not necessarily. They might just be vicious.

Q  Their bulletin said there has been a terrific run on twenty, fifty and hundred-dollar bills, but that is based on the demand for them.

Q  Your borders are closed, so something must be taking these bills.

A  We are in constant contact with the Federal Reserve. If they have any such thing, they have not brought it to our attention; and secondly, I do not see how they would know it because you cannot go into a man's safe deposit box.
I understand some of the Victory Committees who sell bonds go to a fellow and say, "Now look, you have some dough; we know you have some dough. How about buying some of these bonds?" In that respect some things have been turned up.

If so, I would tell you. But I am telling you, quite frankly, it is the first I have heard of it; and nobody in the Treasury has mentioned it to me.

Has there ever been any attempt to find out why there is hoarding, Mr. Secretary?

All the time.

Have you found out why?

No, I haven't. It is a most peculiar thing.

(Discussion off the record)

To show you - this is off the record - I was told of a town in Long Island - one little community - where there was great cashing in
of bonds. I sent somebody there to try to find out why. We have these people travelling around the country. They go to one community and they find one situation; the next another. On the net, I don't think it is so bad. It takes a lot of money to do the business. You go into any store today - I mean, the stores are just so crowded, and it takes a lot of cash. You take a lot of these workmen who have - I don't know who mentioned it - who have got the cash. They have not taken the time to open an account. They like to carry a lot of cash around with them.

Q Did you find out why they were redeeming bonds in this little community?

A No, I just heard it this morning.

(Q Resumed discussion on the record)

Q Have you heard of much redeeming this month, Mr. Secretary?

A No.

Q People hard up for Christmas cash?
Q No, we have not.

Could you get some data for us as to the amount of bonds turned in for taxes?

A We have not that. We have the amount being paid by tax notes.

Q Some are turning in their bonds.

MR. SCHWARZ: I will give them the tax note figure.

MR. CALLAHAN: You cannot turn in a bond for your taxes. You have to cash your bond, and so there is no way to tell.

H.M. JR: We would not have any figures on that, but we would have the tax-note figure. We would have no way - if a man wants to go across the street and cash his bond and then come over and pay his taxes, we would have no way of knowing.

Q Mr. Secretary, on two occasions in the last week or ten days we have had queries, one from a large city, reporting unusually large turn-ins
of bonds. The other was from a little town in Arkansas, reporting a similar condition. They said it was about fifty a day, which is pretty high for a town of that size.

If you will give me the names of the cities I would like to have somebody go there from the Treasury. I would be glad to investigate. One was Philadelphia and the other, I think, was Fort Smith, Arkansas.

Fort Smith?

Yes.

We can look into it. Both of you (Schwarz and Callahan) can inquire.

But I will tell you - after all, that is your job to know and my job to tell you.

Is it possible there might be some foreign propaganda mixed up in some of this, from different spots?

It might be, but I can't say that it is.

Mr. Secretary, were any foreign funds invested
in the Victory Loan campaign by any foreign nations?

A Not that I know of, but I will ask Schwarz to find out.

Q That would make your campaign - you would probably get fourteen billions of dollars - five billion of foreign funds. It is a good investment for a foreign government, Mr. Secretary.

A It is, but that is not what has been responsible for the success of the drive.

Q I know that.

Q How about investing all the frozen funds in it, Mr. Secretary? (Laughter)

Q Could the French put their money to any better use?

A I am sure they couldn't. (Laughter)

Q Mr. Secretary, how is the job of collecting information with respect to the tax program coming along? Has that been nearly completed?
Q I don't know as I understand your question. You told us about a month ago that you were consulting with various other Federal officials to get all their views preliminary to going to the White House.

A We are making progress.

Q Have you had further conferences, Mr. Secretary?

A Now listen, you have got to come around and find out for yourself. (Laughter)

Q I would, but you wouldn't invite me to the buffet supper so I stopped coming. (Laughter)

Q Is it shaping up to the point where you think that pretty soon you can take a program to the White House?

A I don't want to say. I don't want to get out on that limb.

Q I wasn't preparing a trap for you, Mr. Secretary.

A No, I don't want to date it. O.K.?

Q Thank you, Mr. Secretary.
Did you have a chance to read this (Press Service No. 34-75)? Any questions?

No. It seems very complete.

Mr. Secretary, how will these records be kept?

Which records?

Of these coupons.

How will they be kept, John?

The procedure which is being abandoned is a very elaborate mistake-proof procedure. It entailed the filling out of about four and a half million certificates by individual owners of bonds in domestic corporations. Those certificates had to be taken by the banks. In many instances the bank clerks themselves filled them out. They were then sent on through the Federal Reserve System to the home office of the corporation, then sent to
the Bureau for association with the return of the individual.

We think that other methods we have can accomplish, roughly, the same purpose and save a great deal of time for the individual taxpayers and to the banks and to the employees of Internal Revenue.

H.M. JR:

I would like to say that Commissioner Helvering has done a grand job on this, and it should have been in the release; and so has Mr. Sullivan. They both have.

There have been a lot of questions about redemptions of E Bonds, and the War Bond people tell me that since May 1, 1941, through December 24, 1942, they sold six billion, eight hundred and eighty-six million of E Bonds. Altogether the redemptions are two hundred and eleven million, or about three percent. Putting it the other way around, ninety-seven percent of all of the
purchasers of E Bonds still own them, which is a good showing.

Q

That is the so-called War Savings plan, is it?

A

Yes, the E Bond, the one of which you can buy five thousand dollars, face value.

Now, as to the Victory Fund Committees, they are still going strong. The figures through Saturday night come up to the unbelievable total of eleven billion, nine hundred and forty-six million, of which, roughly, sixty percent was from non-banking sources.

MR. SCHWARZ: We have that breakdown, Mr. Secretary, which we can give to them now. (Copies of breakdown of figures distributed.)

H.M. JR: These various Victory Fund Committees have done a superb job. Having worked on this, practically, and nothing else, since I got back from England, I can sit back now and maybe take it easy for three months, as far as raising money goes.

Q

How about taxes, Mr. Secretary? Can you
take it easy on that? (Laughter)

A  I said as far as money goes. (Laughter)

Q  Mr. Secretary, in addition to that eleven billion--

A  Excuse me. You don't think the tax question is difficult, do you? (Laughter)

Q  Do you, sir?

A  Do I? Well, each year it gets easier. (Laughter)

Q  Is there not a bill offering to come in on the 30th or 31st?

A  There will be a series of bills, turnover, and there will be some of these certificates that are coming due, and that sort of thing. But this will be the drive on the public for funds of non-banking sources. It looks more and more as though we will not have to go to the public again with a drive until April. But there will be a number of bills each week, and a certain number of certificates.
I was just wondering if - Mr. Bell told us that about two hundred million dollars of fresh money was anticipated in this last bill offering of the year.

Yes, that is correct.

That would raise it then, would it not, by two hundred million more, making it pass twelve billion?

Yes, it will go considerably over twelve billion because we still have the E, F, and G Bonds to come in, and the tax notes. So it will go well over twelve, which is a very tidy sum in any kind of money, not alone dollars.

Mr. Secretary, have you read any of the statements in the papers about pay-as-you-go taxes over the week end? There seems to be a lot of thought being given to it up on the Hill. I was wondering if you have anything to say on it.

I still have to stay where I was earlier, that
until after the President sends his Budget Message up we in the Treasury have nothing to say about new plans for taxes.

Mr. Secretary, it is reported now that John W. Hanes, a former Under Secretary of the Treasury, is being given credit for the idea of buying and ordering and now paying for on an installment plan all durable goods for delivery after the war. Does he speak for the Treasury in any way?

(Discussion off the record.)

Now, let me go off the record. I am not going to throw down my old friend Johnny Hanes. I think I read the story that you refer to. I do not think he claimed to do the talking for the Treasury.

No, but he was identified merely as a former Under Secretary.

In entire fairness to Johnny, I do not think I have ever noticed any statement of his where
he claimed he was talking for the Treasury, so it really would not be necessary for me to either confirm or deny the story. I think he has been very scrupulous about that.

(Resumed discussion on the record.)

Q

Does the Treasury then approve of that plan, whether it be proposed by Mr. Hanes or Mr. Henry Kaiser?

A

Or by--

Q

Or by anybody.

A

We looked it up. As a matter of fact, we have had suggestions going back over twelve months on that plan. I had an analysis made of Mr. Nugent's suggestion, and we in the Treasury cannot see any advantages in Mr. Nugent's plan or any one of - at least a dozen people during the last twelve months have made similar suggestions over the present War Bond plan. You buy a War Bond and you can cash it after sixty days, and then you can do what you want with it. Now, in Mr. Nugent's plan he wants
us to pay six percent commission. We do not pay any commission. Why earmark these different bonds and waste a lot of manpower doing this thing the way he suggests?

The most important reason why I am against it is on account of the men in the Armed Forces. It would leave them entirely out of the picture. The people here that are earning big salaries in war plants get a lot of priorities on ice boxes and automobiles, and the men who are working for fifty dollars a month would be left out in the cold when they come back. If they wanted to get an automobile or an ice box, they just would not have a look-in. So if for no other reason, I would be against it.

Mr. Secretary, in connection with the elimination of these ownership certificates, is there anything that could be said about the substitute methods that the Treasury might have in mind?
I will have to ask Mr. Sullivan, who is constantly in touch with that.

MR. SULLIVAN: We have other techniques which will accomplish approximately the same result without putting the taxpayer and the banks and the corporations to the difficulty and trouble they now have in following through on these certificates. They are all burdened down with bookkeeping detail, and they are short of help, and we think that this is a perfectly good opportunity to help relieve the burden they are now bearing.

H.M. JR: I may say we are going to have other suggestions and remedies which will lighten the burden of the businessman and the individual. We are constantly studying that, and there will be other suggestions.

Everybody happy? (Laughter)

Thank you, Mr. Secretary.
Secretary Morgenthau today made public a Treasury Decision which relieves individuals, business concerns and the Government of much paper work connected with the cashing of interest coupons from corporate and Government bonds.

The decision renders unnecessary hereafter the execution and filing each year of more than 8,000,000 "ownership certificates" previously required as income tax records.

"In these times when business men are being subjected to additional record-keeping made imperative by the war," the Secretary said, "we have been examining all of our activities with a view to reducing this burden of paper work to a minimum. The Treasury is checking each type of record with a view to its over-all value. By eliminating this form, I believe we will provide a saving in time and effort to taxpayers, banks and industry in general that will be very substantial, leaving them more time to concentrate on winning the war."

Today's Treasury Decision eliminates outright the requirement for filing of an ownership certificate, Form 1000, by citizens of the United States presenting interest coupons from obligations of the United States. About 4,000,000 such certificates have been filed annually in recent years, and the number would have increased heavily with the issuance of additional securities to finance the war.

The certificates are eliminated also in the case of citizens of the United States presenting interest coupons from bonds of domestic corporations, except in the case of bonds containing a tax-free covenant. About 4,500,000 certificates accompanying corporation bond coupons have been filed each year.

The original ownership certificate regulations required that bond owners presenting coupons for collection, either through their banks, at Federal Reserve banks, at the Treasury, or at the
home offices of domestic corporations, prepare and submit ownership certificates on Form 1000 with the coupons.

A form was required for each coupon submitted, except that one certificate could be submitted for groups of coupons from the same issue of bonds. The owner of domestic corporation bonds was required to show his name and address, the name and address of the obligor of the bonds, name of bond, date of bond issue, due dates and payment dates for interest, and the bondholder's signature.

The completed certificate was presented at the bank window with the coupon, and they remained together through banking channels to the office of the company issuing the bond. The company then forwarded the certificate to the Commissioner of Internal Revenue at Washington. The Revenue Bureau used the certificates as a check on the accuracy of income tax returns.

Owners of obligations of the United States were required to prepare ownership certificates in substantially the same way when presenting coupons for payment. In the case of registered Government bonds, the certificates were prepared by the Treasury when interest checks were mailed.

Not only the preparation of the certificates by the bond owners, but also the subsequent handling of them by private banks, Federal Reserve banks, corporations, and the Revenue Bureau required the expenditure of much effort.

In the Revenue Bureau, the certificates had to be sorted and arranged for association with the individual income tax returns of the bond owners.

The new decision continues in effect the requirement for filing of ownership certificates in the case of citizens of the United States cashing interest coupons of domestic corporations where such bonds contain a tax-free covenant because this requirement could be changed only by Congress. However, handling of these certificates is being considerably simplified.

The text of the Decision is as follows:
Ownership certificates required in connection with interest on bonds of corporations and obligations of the United States and its instrumentalities - Regulations 103 amended.

TO COLLECTIONS OF INTERNAL REVENUE
AND OTHERS CONCERNED:

Regulations 103 (Part 19, Title 26, Code of Federal Regulations, 1940 Sup.) are amended as follows:

Paragraph 1. Section 19.143-3, as amended by Treasury Decision 5174, approved October 28, 1942, is further amended by adding before the period at the end of the first sentence the following: "and (in the case of taxable years beginning after December 31, 1942) that his victory tax net income does not exceed the specific exemption of $624".

Par. 2. Section 19.143-4, as amended by Treasury Decision 5103, approved December 13, 1941, is further amended as follows:

(A) By striking out the last sentence of the first paragraph and inserting in lieu thereof the following:

However, in the case of interest coupons presented on or after January 1, 1943, such ownership certificates are required to be filed by such citizens, residents, fiduciaries and partnerships only with respect to interest coupons on bonds, mortgages or deeds of trust, or other similar obligations issued prior to January 1, 1934, and containing a tax-free covenant. In the case of interest on obligations of the United States or
any agency or instrumentality thereof, regardless of the date of issuance thereof, ownership certificates shall be filed by such citizens, residents, fiduciaries and partnerships only in the case of interest paid on or after January 1, 1942 and prior to January 1, 1943.

(B) By striking out the second sentence of the third paragraph and inserting in lieu thereof the following:

The ownership certificate is required in such cases whether or not the obligation contains a tax-free covenant.

(C) By amending the last sentence of the third paragraph to read as follows:

Ownership certificates (Form 1001) shall also be filed in the case of interest paid on or after January 1, 1942, on obligations of the United States or any agency or instrumentality thereof, regardless of the date of issuance of such obligations, if such obligations are owned by the persons described in the first sentence of this paragraph.

(D) By inserting in the sixth paragraph immediately after the word "monthly" the following: "(quarterly, for the calendar year 1943 and subsequent calendar years)".

Par. 3. Section 19.143-7, as amended by Treasury Decision 5174, is further amended as follows:

(A) By inserting immediately after the sixth sentence the following:

However, for the calendar year 1943 and subsequent calendar years the withholding agent shall make a quarterly return on Form 1012 on or before the last day of the month following the termination of the quarter for which the return is made. The ownership certificates, Forms 1000 and 1001, must be forwarded to the Commissioner with the quarterly return. Forms 1001 should be listed on the quarterly return. While Forms 1000 need not be listed on the return, the number of such forms submitted and the total amount of interest paid and of the tax withheld on such of the forms as report interest from which the tax is to be withheld should be entered in the spaces provided.
(B) By inserting in the fourth sentence of the second paragraph immediately after the word "monthly" the following: "(quarterly, for the calendar year 1943 and subsequent calendar years)."

Par. 4. Section 19.143-9 is amended by adding after "14" the following: "(and, for a taxable year beginning after December 31, 1942, the Victory tax imposed by section 450)."

Par. 5. Section 19.147-4, as amended by Treasury Decision 5103, is further amended by inserting at the end thereof the following:

(As to the requirements of filing ownership certificates for bond interest generally in the case of a nonresident alien, a nonresident partnership composed in whole or in part of nonresident aliens, a nonresident foreign corporation or where the owner is unknown, and with respect only to interest on obligations containing a tax-free covenant and issued prior to January 1, 1934 in the case of a citizen or resident of the United States, a resident partnership and nonresident partnership all of the members of which are citizens or residents of the United States, see section 19.143-4).

(This Treasury decision is issued under the authority contained in sections 62 and 147 of the Internal Revenue Code (53 Stat. 32, 64.)

/s/ Guy T. Helvering
Commissioner of Internal Revenue

Approved: December 28, 1942.

/s/ John L. Sullivan
Acting Secretary of the Treasury.
Funds borrowed from all sources on the different issues:

(Figures as of December 26, 1942)

Funds from banking sources:

- Treasury bills ............... 700,000,000
- 7/8% Certificates ........... 2,117,000,000
- 1-3/4% Treasury bonds .... 2,056,000,000
- 2-1/2% Treasury bonds .... 2,830,000,000
- Tax notes .................. 828,000,000
- Savings bonds ............... 729,000,000

Total from banking sources: 11,946,000,000

Funds from non-banking sources:

- 7/8% Certificates ........... 1,681,000,000
- 1-3/4% Treasury bonds .... 1,003,000,000
- 2-1/2% Treasury bonds .... 2,830,000,000
- Tax notes .................. 828,000,000
- Savings bonds ............... 729,000,000

Total from non-banking sources: 8,071,000,000

Total of all funds: 11,946,000,000

The certificates are allocated among citizens of the United States presenting interest coupons from bonds of domestic corporations, except in the case of bonds containing a tax-exempt clause. About 4,200,000 such certificates accompanying compensation bond coupons have been filed each year.

The original ownership certificate regulations required that each bond presenting coupon be collected, either through their banks, at Federal Reserve Banks, at the Treasury, or at the...
TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Monday, December 28, 1942.

Press Service
No. 34-75

Secretary Morgenthau today made public a Treasury Decision which relieves individuals, business concerns and the Government of much paper work connected with the cashing of interest coupons from corporate and Government bonds.

The decision renders unnecessary hereafter the execution and filing each year of more than 8,000,000 "ownership certificates" previously required as income tax records.

"In these times when business men are being subjected to additional record-keeping made imperative by the war," the Secretary said, "we have been examining all of our activities with a view to reducing this burden of paper work to a minimum. The Treasury is checking each type of record with a view to its over-all value. By eliminating this form, I believe we will provide a saving in time and effort to taxpayers, banks and industry in general that will be very substantial, leaving them more time to concentrate on winning the war."

Today's Treasury Decision eliminates outright the requirement for filing of an ownership certificate, Form 1000, by citizens of the United States presenting interest coupons from obligations of the United States. About 4,000,000 such certificates have been filed annually in recent years, and the number would have increased heavily with the issuance of additional securities to finance the war.

The certificates are eliminated also in the case of citizens of the United States presenting interest coupons from bonds of domestic corporations, except in the case of bonds containing a tax-free covenant. About 4,500,000 certificates accompanying corporation bond coupons have been filed each year.

The original ownership certificate regulations required that bond owners presenting coupons for collection, either through their banks, at Federal Reserve banks, at the Treasury, or at the
home offices of domestic corporations, prepare and submit ownership certificates on Form 1000 with the coupons.

A form was required for each coupon submitted, except that one certificate could be submitted for groups of coupons from the same issue of bonds. The owner of domestic corporation bonds was required to show his name and address, the name and address of the obligor of the bonds, name of bond, date of bond issue, due dates and payment dates for interest, and the bondholder's signature.

The completed certificate was presented at the bank window with the coupon, and they remained together through banking channels to the office of the company issuing the bond. The company then forwarded the certificate to the Commissioner of Internal Revenue at Washington. The Revenue Bureau used the certificates as a check on the accuracy of income tax returns.

Owners of obligations of the United States were required to prepare ownership certificates in substantially the same way when presenting coupons for payment. In the case of registered Government bonds, the certificates were prepared by the Treasury when interest checks were mailed.

Not only the preparation of the certificates by the bond owners, but also the subsequent handling of them by private banks, Federal Reserve banks, corporations, and the Revenue Bureau required the expenditure of much effort.

In the Revenue Bureau, the certificates had to be sorted and arranged for association with the individual income tax returns of the bond owners.

The new decision continues in effect the requirement for filing of ownership certificates in the case of citizens of the United States cashing interest coupons of domestic corporations where such bonds contain a tax-free covenant because this requirement could be changed only by Congress. However, handling of these certificates is being considerably simplified.

The text of the decision is as follows:
Ownership certificates required in connection with interest on bonds of corporations and obligations of the United States and its instrumentalities - Regulations 103 amended.

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

TO COLLECTORS OF INTERNAL REVENUE
AND OTHERS CONCERNED:

Regulations 103 (Part 19, Title 26, Code of Federal Regulations, 1940 Sup. 2) are amended as follows:

Paragraph 1. Section 19.143-3, as amended by Treasury Decision 5174, approved October 28, 1942, is further amended by adding before the period at the end of the first sentence the following: "and (in the case of taxable years beginning after December 31, 1942) that his victory tax net income does not exceed the specific exemption of $624".

Par. 2. Section 19.143-4, as amended by Treasury Decision 5103, approved December 13, 1941, is further amended as follows:

(A) By striking out the last sentence of the first paragraph and inserting in lieu thereof the following:

However, in the case of interest coupons presented on or after January 1, 1943, such ownership certificates are required to be filed by such citizens, residents, fiduciaries and partnerships only with respect to interest coupons on bonds, mortgages or deeds of trust, or other similar obligations issued prior to January 1, 1934, and containing a tax-free covenant. In the case of interest on obligations of the United States or
any agency or instrumentality thereof, regardless of the date of issuance thereof, ownership certificates shall be filed by such citizens, residents, fiduciaries and partnerships only in the case of interest paid on or after January 1, 1942 and prior to January 1, 1943.

(3) By striking out the second sentence of the third paragraph and inserting in lieu thereof the following:

The ownership certificate is required in such cases whether or not the obligation contains a tax-free covenant.

(4) By amending the last sentence of the third paragraph to read as follows:

Ownership certificates (Form 1001) shall also be filed in the case of interest paid on or after January 1, 1942, on obligations of the United States or any agency or instrumentality thereof, regardless of the date of issuance of such obligations, if such obligations are owned by the persons described in the first sentence of this paragraph.

(D) By inserting in the sixth paragraph immediately after the word "monthly" the following: "(quarterly, for the calendar year 1943 and subsequent calendar years)".

Pnr. 3. Section 19.143-7, as amended by Treasury Decision 5174, is further amended as follows:

(A) By inserting immediately after the sixth sentence the following:

However, for the calendar year 1943 and subsequent calendar years the withholding agent shall make a quarterly return on Form 1012 on or before the last day of the month following the termination of the quarter for which the return is made. The ownership certificates, Forms 1000 and 1001, must be forwarded to the Commissioner with the quarterly return. Forms 1001 should be listed on the quarterly return. While Forms 1000 need not be listed on the return, the number of such forms submitted and the total amount of interest paid and of the tax withheld on such of the forms as report interest from which the tax is to be withheld should be entered in the spaces provided.
(B) By inserting in the fourth sentence of the second paragraph immediately after the word "monthly" the following: "(quarterly, for the calendar year 1943 and subsequent calendar years)".

Par. 4. Section 19,143-9 is amended by adding after "14" the following: "(and, for a taxable year beginning after December 31, 1943, the Victory tax imposed by section 450)".

Par. 5. Section 19,147-4, as amended by Treasury Decision 5103, is further amended by inserting at the end thereof the following:

(As to the requirements of filing ownership certificates for bond interest generally in the case of a nonresident alien, a nonresident partnership composed in whole or in part of nonresident aliens, a nonresident foreign corporation or where the owner is unknown, and with respect only to interest on obligations containing a tax-free covenant and issued prior to January 1, 1934 in the case of a citizen or resident of the United States, a resident partnership and nonresident partnership all of the members of which are citizens or residents of the United States, see section 19,143-4).

(This Treasury decision is issued under the authority contained in sections 52 and 147 of the Internal Revenue Code (53 Stat. 33, 64.).

/s/ Guy T. Evelvering
Commissioner of Internal Revenue

Approved: December 29, 1942.

/s/ John L. Sullivan
Acting Secretary of the Treasury.
<table>
<thead>
<tr>
<th>Funds from banking sources:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury bills</td>
<td>0</td>
</tr>
<tr>
<td>7/8% Certificates</td>
<td>2,000,000,000</td>
</tr>
<tr>
<td>1-3/4% Treasury bonds</td>
<td>2,058,000,000</td>
</tr>
<tr>
<td></td>
<td>6,075,000,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Funds from non-banking sources:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>7/8% Certificates</td>
<td>1,661,000,000</td>
</tr>
<tr>
<td>1-3/4% Treasury bonds</td>
<td>1,009,000,000</td>
</tr>
<tr>
<td>2-1/2% Treasury bonds</td>
<td>2,830,000,000</td>
</tr>
<tr>
<td>Tax notes</td>
<td>828,000,000</td>
</tr>
<tr>
<td>Savings bonds</td>
<td>729,000,000</td>
</tr>
<tr>
<td></td>
<td>7,071,000,000</td>
</tr>
<tr>
<td></td>
<td>11,946,000,000</td>
</tr>
</tbody>
</table>

Dec. 28, 1942.
Despite rumors, which in numbers are growing by leaps and bounds, redemptions of United States War Bonds continue to be small in number and in volume of dollars.

Since May 1941, through December 24, 1942, the Treasury Department has sold $6,886,426,000 of Series E War Bonds. Redemptions total $211,162,000 or 3% of total sales. In other words, 97% of the total of over 6 3/4 billion dollars of E War Bonds sold are still in the hands of the people who bought them.

Sales of E, F and G War Bonds total over eleven billion dollars from May 1941 through December 24, 1942. Redemptions total $249,802,000 or 2.20% of total sales.

Every year at this season come additional reports that people are redeeming great numbers of bonds, using the proceeds for Christmas gifts. The increase in redemptions of War Bonds this season is normal.

Each time the Treasury Department hears of specific cases of large redemptions in one locality or another, an immediate investigation is made. For the past year we have made more than a score of such inquiries and have found that the reports of great increases in redemptions are not true. Generally speaking, redemptions run about the same percentage in virtually every part of the United States.
We find that most of these rumors rise from people seeing large numbers of persons in front of post office windows and bank windows and redemption windows of the Federal Reserve Banks. Because of the tremendous number of bonds outstanding, naturally transactions in bonds are on the increase.

In the case of post offices, it should be pointed out that they do not redeem War Bonds. They merely certify the identity of the person who wants to redeem the bond.

It is a great tribute to the common sense of the American people that they are holding these bonds which increase in value after being held one year.