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Buffington, George, resigns as Assistant to Secretary, because of not being in sympathy with way HWJr was conducting war loan drives - 6/17/43.....	"	60
a) Robert B. Hobbs, resigned as Technical Assistant to Secretary to return to business - 6/17/43.....	"	60
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- SEE Financing, Government, re: taxes - 5/13/43..... Book 24: 26-29
- Chrysler Corporation of America
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- Clark, Sam, Assistant Attorney General, Justice
Department
SEE Financing, Government - 8/18/43..... " 198-99
- Colm, Gerhard, Bureau of the Budget
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- Compulsory Savings
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- Doughton, Congressman Robert L. (North Carolina) Chair-
man, House Ways and Means Committee
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- E -

- Eccles, Marriner, Chairman, Federal Reserve Board
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- Eisenhower, General Dwight D.
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England

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- F -

- Federal Reserve Board
SEE Financing, Government - 5/13/43..... " 14-22
SEE Tax, Studies - 9/2/43..... " 258-72

Financing, Government

- HWJr issues formal statement of thanks to newspapers
and all who helped make Second War Loan Drive suc-
cessful - exceeded goal by over \$4 billion -
5/3/43..... " 1

Financing, Government (Continued)

Results of 2nd War Loan Drive indicate compulsory savings may not be needed - 5/3/43.....	Book 24: 10
Federal Reserve Board and Presidents of 12 Federal Reserve Banks to meet with HWJr and discuss 2nd War Loan drive with view to improving next drive in September - 5/13/43.....	" 14-22
a) In March, HWJr told press what objectives of drive were; goal far exceeded - 5/13/43....	" 18-22
1. Fishkill, N. Y., with population of 500 and quota of \$50,000 sold over \$120,000.	
\$16 billion more needed to finance war for year; HWJr would like to see it raised through taxes while employment and national income are at present peak - 5/13/43.....	" 22-30
a) At outset, HWJr hoped to finance war on 66-2/3% taxes, 33-1/3% borrowing - 5/13/43.....	" 22-30
1. No less than 50% must come from taxes.	
b) 1944 revenue \$35 billion, another \$16 billion required to provide of \$100 billion to be expended in fiscal year 1944 - 5/13/43.....	" 26-29
1. This would bring US in line with English and Canadian taxes.	
2. \$35 billion comes from Federal taxes; another \$8 billion from State and local.	
HWJr announces change in method of conducting war loan drives: - 5/27/43.....	" 38-49
a) 1. Bank offerings will be separated from individual sales, so as to concentrate on more people investing in war bonds.	
2. Treasury status will govern time bank offerings are made - may be before or after public drives - 5/27/43.....	" 38-49
b) Victory Fund Committee and War Savings Staff combined as War Finance Committee - 5/27/43	" 42
1. Because 16 States were split in Federal Reserve Districts, but other organizations operated along State lines, next drive will be by States instead of Federal Reserve districts - 5/27/43...	" 43
c) War bonds will not be made negotiable, as it is protection for owners not to lose money - 5/27/43.....	" 45

Financing, Government (Continued)

a) 2nd War Loan goal \$13 billion, \$18½ billion subscribed - 5/27/43.....	Book 24: 49
(See Press Service 36-82, p. 49)	
SEE Tax, Legislation - 6/17/43.....	" 53-59
HQJr meeting with Federal Reserve Committee to discuss plans for \$2½ billion regular June financing - 6/17/43.....	" 61-70
a) Next War Loan drive will be handled on individual State basis, under direction of Treasury - 6/17/43.....	" 61
b) National income for last half of year estimated at \$72 billion; goal of war loan drive is 25% of National income or \$18 billion - 6/17/43.....	" 65
c) \$2½ billion will be open to public but handled through Federal Reserve Banks and not War Finance - 6/17/43.....	" 67-68
E, F and G bond redemptions for March tax period \$57.6 million and \$58.3 for June tax period; figures not alarming - 6/17/43.....	" 69-70
\$2½ billion, 1½% notes, Series A-1947 offered in advance of 3rd War Loan to meet current needs - 6/25/43.....	" 79-89
(See Press Service 37-24, pp. 91-92 and Departmental Circular No. 716, pp. 93 and 94)	
a) No other financing contemplated before 3rd War Loan in September, except refunding \$324 million RFC notes due 7/15/43 to be paid off in cash; and \$1.609 billion certificates due August 1, will be paid off by issuing new certificates and if needed some additional new money may be asked - 6/25/43.....	" 81-89
1. \$1 billion regular weekly bill offerings will continue.	
2. September 9 is opening of 3rd War Loan.	
3. About \$11½ billion weekly bills outstanding.	
4. \$800 million maturing weekly; \$200 million new money coming in weekly up to July 21, when \$900 million will mature weekly; on September 16, weekly maturities and offerings will be \$1 billion each, unless offerings are increased.	

Financing, Government (Continued)

\$2½ billion, 1½%, Series A-1947 note subscriptions total between \$19 and \$20 billion; allotments will not be made over 10% of \$2½ billion offered - 7/1/43.....	Book 24:	95-96 & 105
a) All-time record - 7/1/43.....	"	105
SEE Tax, Autos - 7/1/43.....	"	97-98
About 4% of total outstanding bonds being redeemed - 7/1/43.....	"	102-04
a) If people continue buying bonds and pay withholding tax, will be considerable curb on inflation - 7/1/43.....	"	104
"Back the Attack with War Bonds" chosen slogan of 3rd War Loan - 7/15/43.....	"	118
"Off the record", September 9 opening date of drive, chosen at urging of National War Fund as their drive is set for October - 7/15/43.....	"	124-26
a) September 15 income tax payment not expected to affect drive - 7/15/43.....	"	124
"Off the record", Frank Tripp, General Manager, Gannett Newspapers, stated that War Bond sales have increased since withholding tax inaugurated; expects to get similar statement from other papers - 7/29/43.....	"	160-61
Chairman Doughton, House Ways and Means Committee, issues statement that his committee has been working in cooperation with Treasury and Joint Committee on Internal Revenue taxation seeking to obtain: 1) increased revenue to pay larger share of war costs and 2) to combat inflation, without levying unbearable tax burdens - 8/3/43..... (See Press Service 37-93, p. 167)	"	163-67
In order to let 3rd War Loan get under way, Chairman Doughton agreed to have renegotiations discussed by his Committee before new tax bills - 8/5/43.....	"	170-76
a) Treasury working closely with all other government agencies interested in tax bill - 8/5/43.....	"	173-76
SEE statement issued by Frank Tripp of Gannett Newspapers, showing that bond redemptions have struck level - on plus side - since inauguration of withholding tax - 8/5/43.....	"	178

Financing, Government (Continued)

HQJr had conference with heads of all Government departments who could help formulate tax policy -

8/12/43..... Book 24: 179-86

a) Army and Navy interested in keeping income and excess profits taxes at level that will be a production incentive - 8/12/43..... * 181-82 & 189

b) "Off the record", \$12 billion figure agreed upon by Treasury and White House as amount to be raised - 8/12/43..... * 188

At special press conference, HQJr stated that another conference on Administration tax program was held with representatives of other Departments -

8/18/43..... * 192-201

a) President's message called for \$16 billion funds, of which \$4 obtained from withholding tax; and remaining \$12 billion to be raised by individual, corporate, and excise taxes - 8/18/43..... * 193-96

b) "Off the record", enforced savings are not discussed for fear it would affect 3rd War Loan; no change in volunteer plan contemplated - 8/18/43..... * 195-96

c) Alternative methods of levying withholding tax being discussed to aid employees - 8/18/43..... * 197-201

d) Following were present at conference:

Fred M. Vinson (Administrator, Office of Economic Stabilization); Jesse Jones (Director, RFC); Marriner Eccles (Chairman, Federal Reserve Board); Donald Nelson (Chairman, WPB); Ralph Bard (Assistant Secretary of the Navy); Gerhard Colm (Bureau of the Budget); C. S. William (WPB); Captain Straus (Navy Department); General Greenbaum (War Department); O. B. Wells (Department of Agriculture); Sam Clark (Assistant Attorney General - Justice); Arthur Altmeyer (Social Security); Ganson Purcell (SEC), Richard Gilbert (OPA); Stacy May (WPB); and from Treasury - Secretary Morgenthau; Daniel W. Bell (Under-Secretary); John L. Sullivan (Assistant Secretary); Fred B. Smith

Financing, Government (Continued)

(General Counsel); Guy T. Helvering (Commissioner, Bureau of Accounts); Roy Blough (Director, Division of Tax Research); Stanley S. Surrey (Tax Legislative Counsel); Louis Shore (Assistant Director, Division of Tax Research); Harry D. White (Assistant to Secretary); Henry Murphy (Assistant Director, Division of Research and Statistics); Carl Shoup (Consulting Expert, Division of Tax Research); and Randolph Paul (General Counsel) - 8/28/43.....	Book 24:	198-99
Plans for 3rd War Loan outlined to press - 8/26/43...	"	233-42
a) \$15 billion quota set - 8/26/43.....	"	240-41
b) 2 special campaigns planned; 1) by retail industries and 2) by motion pictures - 8/26/43	"	242
When Treasury develops tax plan, it will be given President and he will discuss it with Congressional leaders - 8/26/43.....	"	244-50
a) Fred M. Vinson, Administrator, Office of Eco- nomic Stabilization, being consulted on plan - 8/26/43.....	"	247-50
President Roosevelt to open 3rd War Loan drive by radio speech September 8 - 9/2/43.....	"	251-58 &
(See Press Service 38-39, pp. 273-75)	"	273-75
a) Hollywood Cavalcade will tour US - 9/2/43.....	"	252-55
1. James Cagney will turn Cavalcade over to President.		
2. Radio program will be "\$20 million hour".		
b) Indiana having state-wide blackout September 8; September 9, all alerts will be sounded to start drive - 9/2/43.....	"	255-56
c) Sales for all of September will be credited to 3rd War Loan to offset lag in reporting end of month sales - 9/2/43.....	"	257-58
SEE Tax, Studies - 9/2/43.....	"	258-72
3rd War Loan off to good start; newspapers giving splendid advertising - 9/9/43.....	"	276
W Bond sales going well, though returns not complete; but \$5 billion quota for individual sales will be met - 10/7/43.....	"	292-97 & 312

Financing, Government (Continued)

- a) Ford, General Motors, Chrysler and other large companies buy blocks of E bonds and resell to employees; these are yet to be reported, but drive closed 10/2/43 - 10/7/43..... Book 24: 294-97
(See statement of sales through October 6, p. 322)

Financing, Government

War Savings Bonds and Stamps:

- SEE Financing, Government - 5/3/43..... " 1
SEE Financing, Government - 5/13/43..... " 14-22
SEE Financing, Government - 5/27/43..... " 38-49
SEE Financing, Government - 6/17/43..... " 61-70
As precaution against sales of war bonds falling off when withholding tax deductions start, 30 million pieces of advertising are being distributed over US to be placed in pay envelopes of employees - 7/1/43..... " 101
SEE Financing, Government - 7/1/43..... " 102
SEE Financing, Government - 7/29/43..... " 160-61
SEE Financing, Government - 8/5/43..... " 178
SEE Financing, Government - 8/26/43..... " 233-42
SEE Financing, Government - 9/2/43..... " 251-58 & 273-75
SEE Financing, Government - 9/9/43..... " 276
SEE Financing, Government - 10/7/43..... " 292-97 & 312

Finland

- SEE War Debts, Finland - 5/13/43..... " 12-13

Fishkill, N. Y.

- SEE Financing, Government, re: 2nd War Loan - 5/13/43 " 21

Ford Motor Company

- SEE Financing, Government - 10/7/43..... " 294-97

Gannett Newspapers

- SEE Financing, Government - 7/29/43..... " 160-61
SEE Financing, Government - 8/5/43..... " 178

General Motors Corporation

- SEE Financing, Government - 10/7/43..... " 294-97

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Germany		
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SEE Italy - 9/9/43.....	"	276
SEE Military Currency (Italy) - 10/7/43.....	"	302-09
Gilbert, Richard, Office of Price Administration		
SEE Financing, Government - 8/18/43.....	"	198-99
Great Britain		
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Greenbaum, General, War Department		
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Green (Silver) Bill		
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Hobbs, Robert B., Technical Assistant to Secretary		
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Hollywood Cavalcade		
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Inflation		
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Internal Revenue, Bureau of		
SEE Tax, Pension Trusts - 7/29/43.....	"	142-56
Internal Revenue Taxation, Joint Committee on		
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SEE Tax, <u>Studies</u> - 9/2/43.....	"	258-72
Invasion Money (Italy)		
SEE Military Currency (Italy) - 10/7/43.....	"	304-09

- I - (Continued)

Italy		
Italy surrenders to Allies September 8, 1943 - 9/9/43 Book 24:	276	
SEE Military Currency (Italy) - 10/7/43.....	"	302-09
- J -		
Jones, Jesse, Director, Reconstruction Finance Corporation		
SEE Financing, Government - 8/18/43.....	"	198-99
Justice, Department of		
SEE Tax, <u>Income</u> , re: United Mine Workers - 7/15/43..	"	127-32
SEE Financing, Government - 8/18/43.....	"	192-201
- L -		
Lend-Lease		
SEE Silver - 7/8/43.....	"	107-13
Lewis, John L., President, United Mine Workers		
SEE Tax, <u>Income</u> - 7/15/43.....	"	127-32
- M -		
May, Stacy, War Production Board		
SEE Financing, Government - 8/18/43.....	"	198-99
Mexico		
SEE Silver - 7/8/43.....	"	107-13
Military Currency (Italy)		
US made invasion money for use in Italy and Italians liked it - 10/7/43.....	"	304-09
a) "Off the record", HD4r says occupation money based on conquest and has no dollar value to Italians - 10/7/43.....	"	304-09
1. American soldiers may be paid in dollars if desired.		
b) England and US have joint agreement to use only US printed money - 10/7/43.....	"	307-08
1. If Germans know this they would broadcast it to Italy and hurt General Eisenhower's operation.		

Military Currency (Italy) (Continued)

- c) Army can wipe out cost without additional appropriation as they are getting value received for all such money spent - 10/7/43 Book 24: 308-09
- d) US and England have moral obligation and when day of reckoning comes will decide how much Italy will be charged for cost of war - 10/7/43..... " 309

Military Personnel

SEE Tax, Income - 5/17/43..... " 35-36

Money, Invasion (Italy)

SEE Military Currency (Italy) - 10/7/43..... " 304-09

Morgenthau, Henry, Jr.

Received letter from Robert Sherwood, Director of Overseas Operations, OWI, enclosing copy of German leaflet dropped on US troops in Tunisia reading: "Every shot you are firing now is a boost for Morgenthau" - 6/25/43..... " 80-81

SEE Financing, Government - 8/18/43..... " 198-99

National Resources Planning Board

SEE War Conditions, Post War Plans - 8/19/43..... " 210-14

National War Fund Committee

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Navy Department

SEE Financing, Government - 8/12/43..... " 181-89

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Nelson, Donald, Chairman, War Production Board

SEE Financing, Government - 8/18/43..... " 198-99

Netherlands

SEE Stabilization - 5/3/43..... " 6

Occupation Money

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Office of War Information

SEE Morgenthau, Henry, Jr., re: North African
campaign - 5/25/43..... Book 24; 80-81

- P -

Price Administration, Office of

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Purcell, Ganson, Securities Exchange Commission

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- R -

Reconstruction Finance Corporation

SEE War Debts, Finland - 5/13/43..... " 12-13

SEE Financing, Government - 6/25/43..... " 81-89

Robbins, W. M., Vice-President, General Foods
Corporation

SEE War Finance Committee - 5/17/43..... " 31-32

- S -

Sherwood, Robert, Director of Overseas Operations, OWI

SEE Morgenthau, Henry, Jr. - 6/25/43..... " 80-81

Silver

EMJr discussed plan to supply some countries with
silver on lend-lease for monetization purposes -
7/8/43..... " 107-13

a) Mexico seeking to get silver from US, so they
could sell more to US for industrial and
art groups - 7/8/43..... " 108-13

1. EMJr ridicules idea; no lend-lease agree-
ment with them.

By means of "Green Bill" (Pub. Law 37-78th Congress,
Approved to 12/31/44 on 7/12/43) Congress has made
progress on repealing Silver Purchase Act by re-
leasing silver to essential war industries -
8/12/43..... " 191

Silver Purchase Act

SEE Silver - 7/8/43..... " 107-13

Social Security		
SEE Tax, <u>Pension Trusts</u> - 7/29/43.....	Book 24:	142-56
Speeches		
SEE Financing, Government, re: President Roosevelt opening 3rd War Loan drive - 9/2/43.....	"	251-58 & 273-75
Stabilization		
Press meeting representatives of Netherlands Government on May 4; here to participate in stabilization discussions - 5/3/43.....	"	6
Preliminary draft outline of proposal for International Stabilization Fund of United and Associated Nations given press - 8/19/43..... (See printed proposal pp. 219-32)	"	202-08 & 219-32
a) Plan based on experience gained from Tripartite Agreement - 8/19/43.....	"	208
Stabilization Fund, International		
SEE Stabilization - 8/19/43.....	"	202
Stam, Colin F., Chief of Staff, Joint Committee on Internal Revenue Taxation		
SEE Tax, <u>Studies</u> - 9/2/43.....	"	258-72
Strauss, Captain, Navy Department		
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- T -		
Taft, Senator Robert A. (Ohio)		
SEE Tax, <u>Pension Trusts</u> - 7/29/43.....	"	142-56
Tax		
<u>Auto:</u>		
Complaints by auto owners against paying \$5 per year tax not justified; HD4r feels anyone can afford to pay tax who can afford to own auto - 7/1/43.....	"	97-98
<u>Corporate:</u>		
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SEE Financing, Government - 8/18/43.....	"	192-201
<u>Excess Profits:</u>		
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SEE Financing, Government - 8/18/43.....	"	192-201

Tax (Continued)

Excise:

SEE Tax, Income - 6/17/43..... Book 24: 52-53
 SEE Financing, Government - 8/18/43..... " 192-201

Income:

HMJR personally recommended exemption from taxation of families of service people killed in action - 5/17/43..... " 35-36
 HMJR agrees with Congressman Doughton's statement that new income tax levy should not apply to 1943 incomes, but hopes excise tax becomes immediately effective - 6/17/43..... " 52-53
 "Off the record", investigation was made of United Mine Workers' and John L. Lewis' relationship to "B Mine" at Springfield, Illinois, and copy of findings sent to Justice - 7/15/43..... " 127-32
 SEE Financing, Government - 8/12/43..... " 181-89
 SEE Financing, Government - 8/18/43..... " 192-201

Legislation:

Criticism that Treasury has failed to present revenue plans to Congress is wholly unjustified - definite recommendations have been made on every tax bill since HMJR has been Secretary - 6/17/43. " 53-56
 a) "Pay-as-you-go" was plan for paying taxes, not for raising revenue - 6/17/43..... " 55
 Treasury presented several combinations of plans for raising \$16 billion - 6/17/43..... " 56-59
 a) HMJR aims to produce 1/2 cost of war from taxes as being only fair figure; present taxes producing about 1/3 - 6/17/43..... " 58-59
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 SEE Financing, Government - 8/26/43..... " 244-50
 SEE Tax, Studies - 9/2/43..... " 258-72

Pension Trusts:

Senator Taft's (Ohio) accusation that Treasury had issued regulations in defiance of Senate Finance Committee held unjust - 7/29/43..... " 142-56
 a) Regulations issued by Treasury designed to close tax-exemption loopholes, so pension plans discriminating against \$3000 or under wage earners (96% of all employees) and giving higher paid employees benefit of more than 33-1/3% of earnings in form of pensions, can be taxed - 7/29/43..... " 142

Tax (Continued)

Pension Trusts:

- b) Social Security cuts off pensions at \$3000; private plans must cover higher paid employees, but must be kept on equal basis with Social Security - 7/29/43.....
- c) Commissioner of Internal Revenue given direct instructions that tax benefits cannot be given to plans which are found to discriminate in favor of higher paid workers - 7/29/43.....

Book 24: 145-55

Studies:

- SEE Financing, Government - 8/12/43.....
- SEE Financing, Government - 8/18/43.....
- SEE Financing, Government - 8/26/43.....
- "Off the record", H&W Jr says Colin F. Stam, Chief of Staff, Joint Committee on Internal Revenue Taxation, trying to force Treasury to give him information on revenue studies, for his own use as he does not have information or personnel to develop it and is not capable of doing so himself - 9/2/43.....
- a) H&W Jr feels that law allowing Stam to call on clerks direct for information is bad organization; requests and information should clear through him - 9/2/43.....
 1. Budget, Federal Reserve Board, CPA and other departments all refused to give Stam their studies.
 2. Stam is "fishing" for information.

" 156
" 179-88
" 192-201
" 244-50
" 258-72
" 262-72

Withholding:

- SEE Financing, Government (War Savings Bonds and Stamps) - 7/1/43.....
- SEE Financing, Government - 7/29/43.....
- SEE Financing, Government - 8/5/43.....
- SEE Financing, Government - 8/12/43.....
- SEE Financing, Government - 8/18/43.....

" 101
" 160-61
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" 181-89
" 192-201

Tripartite Agreement

- SEE Stabilization - 8/19/43.....

" 208

Tripp, Frank, General Manager, Gannett Newspapers and Chairman, Bureau of Advertising, American Newspaper Publishers Association

- SEE Financing, Government - 7/29/43.....
- SEE Financing, Government - 8/5/43.....
- SEE Financing, Government - 8/26/43.....

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Tunisia		
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United Mine Workers		
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United Nations		
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- V -

Victory Fund Committee		
SEE Financing, Government - 5/13/43.....	"	18-22
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Vinson, Fred M., Administrator, Office of Economic Stabilization		
SEE Financing, Government - 8/18/43.....	"	198-99
SEE Financing, Government - 8/26/43.....	"	247-50

- W -

War Conditions

Post War Plans:

With abolition of National Resources Planning Board, there is no agency to coordinate post war plans; H&W gave President list of agencies and personnel working on problem - 8/19/43.....	"	210-14
a) If labor and industry know there is a specific plan they will work harder to end war - 8/19/43.....	"	212-14
SEE Italy - 9/9/43.....	"	276

War Debts

Finland:

\$474,000 payment to Export-Import Bank was not on war debt, but to HFC - Treasury not concerned in transaction - 5/13/43.....	"	12-13
a) Finnish war debt is under moratorium until June 15 - 5/13/43.....	"	13

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War Department

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War Finance Committee

W. M. Robbins resigns as National Director of Sales, but will continue in advisory capacity as needed - 5/17/43.....	"	31-32
SEE Appointments and Resignations re: George Buffington and Robert B. Hobbs resigning - 6/17/43	"	60

War Information, Office of

SEE Morgenthau, Henry Jr., re: North African campaign - 6/25/43.....	"	80-81
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War Loans

2nd:

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3rd:

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SEE Financing, Government - 10/7/43.....	"	292-97 & 312

Wells, O. B., Department of Agriculture

SEE Financing, Government - 8/18/43.....	"	198-99
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Williams, C. S., War Production Board

SEE Financing, Government - 8/18/43.....	"	198-99
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SECRETARY MORGENTHAU'S
PRESS CONFERENCE

May 3, 1943.

H.M.JR:

The only thing that I have got that is news is this statement to the newspapers of America. I will read it, and we will have copies for you.

"To the Newspapers of America: The Second War Loan drive has ended. The final tabulations have not been made, but it is evident that the goal has been exceeded by a substantial amount -- more than 4 billion dollars. Our thanks are due to many people -- workers, advertisers, advertising media, retailers, theaters -- all who devoted themselves so wholeheartedly to this vital cause. I wish to express to the Allied Newspaper Council and to newspapers generally our sincere gratitude for the part they played. The support they gave us in the handling of news, in compelling and imaginative features, and in the promotion of sponsored advertising was as invaluable as it was unparalleled in promotional history."

What we are doing is a little bit different. I first thought I would postpone the press conference, and then I thought it would be easier to reach you this way. The figures will be in tonight around six o'clock. The figures which you had for Saturday were only through Friday night, so you will get them through Saturday and through tonight. However, they will not be available until around six.

Six will be the earliest, won't it?

MR. BELL: We ought to have them by six.

H.M. JR: That will be through tonight. There is no use guessing what they will be. I don't know what they will be.

MR. BELL: On the two percents, also.

H.M. JR: On the two-percent bonds the final figures, and the percentage allotment, we will give you that tonight, too, instead of tomorrow morning. I am sorry to hold you up that late, but I think you would rather have them than wait another day.

Certainly the people who have morning papers won't object.

Q Mr. Secretary, has the Interior Department been in touch with the Treasury today respecting funds for the operation of the coal mines?
(Discussion off the record.)

A Not to my knowledge.

MR. BELL: Not to my knowledge.

H.M. JR: No. Why should they?

Q They had a conference over there this morning trying to find where the money would come from that they will need to operate the mines since the seizure Saturday.

A No, we are operating just under funds allocated to us by Congress. I guess they haven't been in touch with us because they know we haven't any funds.

MR. BELL: It is a Budget Bureau matter.
(Discussion resumed on the record.)

Q Mr. Secretary, did you used to live at 2101 K. Street? (Laughter)

A No, that is wrong, -- 2201. We were on the other corner.

Q You have never been to 2101? (Laughter)

A No. As far as I can find, neither has anybody in the Treasury. I was brought up differently. No, I am not that hard up for an invitation to get a drink. (Laughter)

(Discussion off the record.)

Q Will you clarify your point that you don't have any funds for the miners? You mean there is no way to support them, or will it come from the Interior Department?

A Well, it doesn't happen to be a part of our job any more than if Mr. Knox called me up and said he was sending an expedition somewhere; after all, they have to go through Congress to get an appropriation.

Q Do you have any idea where it would come from?

H.M.JR: Wouldn't you, as the former director of the Budget, say it would have to go through the Budget and up to Congress?

MR. BELL: There is no money appropriated for that specific purpose, and there isn't anything that we could

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do about it. There may be money allocated or appropriated to the President - some emergency funds which might be allocated.

H.M.JR: His war emergency funds?

MR. BELL: Yes. That would be a matter for the Bureau of the Budget and the President to work out.

H.M.JR: I would just as leave you didn't quote us on it because I don't know a darned thing about it. That is also not for quotation. (Laughter)
I mean I would just as leave not get in on something I don't know anything about. I have troubles enough on the things I am supposed to know something about.

Q Frankly, my question wasn't loaded at all. I had been over there covering the question, and I thought the Treasury, covering money, would--
A We don't know anything about it. I would just as soon not be quoted and be left out of the picture. We are out of the picture.

Q What is the status of your remarks?

- A Everything off the record.
(Discussion resumed on the record.)
- A On the record, I didn't live in Mrs. Smith's house formerly and didn't partake of any of her liquor or food or hospitality. (Laughter)
- Q Mr. Secretary, how are the stabilization talks coming along?
- A All right. You are meeting, I understand, the representative of the Netherlands Government tomorrow at eleven-thirty.
- Q Is there anything more definite to be said on when you are going to meet with the British or discuss it with the British?
- A No. The only word I got - and I guess you already know it - is that you are meeting with the Netherlands tomorrow.
- Q There is no word from Lord Keynes, is there, that he might be there, or anything of the sort?
- A I haven't heard anything.
- Q Mr. Secretary, there has been stirring around up in Congress on the holding company legislation.

some letters from the West Coast to the chairmen of the committees up there that you probably know about.

A No, what is it? Tip me off. (Laughter)

Q Well, Chairman Crowley was asked some questions at a couple of hearings and made some strong statements about holding companies - opposing holding companies.

A Opposing them?

Q Yes, bank holding companies.

A I wondered whether he was against holding companies. (Laughter)

Q Just bank holding companies, and a certain corporation on the West Coast was brought in, of course, by name. The head of the corporation wrote lengthy letters--

A We are amongst friends. Mention the name.

Q Trans-America. He raised some issues on the thing, and I understand there is some legislation going to be introduced. I was just wondering if

you knew about it, and do you still maintain the same stand you took before when the bill was sent up there that Carter Glass introduced, which was a Treasury bill, I believe.

A Well, to answer your question, this is the first I have heard about it. Frankly, it is so long ago since that Carter Glass bill that I forget what it was. But that was on banks?

Q That is right. This was bank holding companies, the same general idea.

A Where was Leo on this?

Q He said - in fact, the quotation was that he said that the bank holding companies were very bad; they were developing into a dangerous situation is what he said.

A I would have to take a fresh look at the thing. I haven't had much luck with it.

Q You wouldn't care to say--

A I am not back of this if that is what you want to know.

- Q You wouldn't care to say that your position is still the same as it was back the other time?
- A No, I would have to take a fresh look at it. No, I don't want to - I pick my fights these days.
- (Laughter)
- Q You still may get one of these long letters now. The Comptroller's office is still in the building.
- A Yes, but--
- Q You are not asking for it, anyway, are you?
- A I just don't know anything about it. I didn't know it was a live issue. I would have to take a fresh look at it.
- Q Anything to report on your trip - the results of it?
- A No, except very satisfactory. I am very glad I made it. I learned a lot.
- Q What kind of a reception did you get in California, Mr. Secretary?
- A All right.
- Q Fine.

Q We carried a story of your press conference that you had in San Francisco, saying there might not be a necessity for enforced savings.

(Discussion off the record.)

A Yes, and I also said I never made any forecasts because I have been around here too long, that you never knew from day to day. But since the success of this drive, the number of people that we reached, I questioned--

Q The need of it?

A The need of it this year. But I don't want to go on the record on this.

Q This is off the record?

A Yes, I don't want to go on the record on forced savings. I don't want to forecast.

(Discussion resumed on the record.)

Q Mr. Secretary, do you have any more details of the Japanese murder of Chinese civilians?

A Just that telegram I got from Chiang Kai-shek. I got that telegram, which I take it was authentic. Mr.

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Bell sent it to me. (Laughter)

MR. BELL:

It is as authentic as I got it.

H.M.JR:

It was sent to us via T. V. Soong, who is
Minister of Foreign Affairs.

Q

Thank you, Mr. Secretary.

SECRETARY MORGENTHAU'S

PRESS CONFERENCE

May 13, 1943

Q Mr. Secretary, in the Times Herald this morning there is a story that Finland paid four hundred and seventy-four thousand dollars on her loan May 1st, but this fact was suppressed by the Treasury or somebody so as not to arouse our traditional friendship for Finland. Hasn't it been customary for the Treasury to announce each time Finland has paid interest on its debt?

A I will have to inquire. Do you know anything about it?

MR. SCHWARZ: That was an export-import loan, and nobody in the Treasury had any information on it, Mr. Secretary.

H.M. JR: But what you are talking about is her regular payment on her debt?

Q It is four hundred and seventy-four thousand to the Export-Import Bank.

A No, the thing that--

Q The interest on a twenty-six-million-dollar loan.

- A No. Their war debt has always run - the interest is twenty-eight thousand or something.
- MR. SHAEFFER: One hundred and sixty-nine thousand.
- H.M.JR: This is something else. Do they blame us for this?
- Q Well, they mention the Treasury, but that is all.
- A No. According to what help I am getting around the room here I take it it is an RFC loan.
- MR. SCHWARZ: That is correct.
- Q Blame Jesse Jones?
- H.M.JR: I don't know whether you blame him or give him credit.
- Q How about the Finnish debt? Is there a moratorium on that?
- MR. SCHWARZ: It is under a moratorium now. The next payment is due next month, June 15.
- H.M.JR: At the right time, if anything happens we will let you know, the way we always do. There is no reason why we should - we don't hide anything here.
- Q I am just quoting what is in front of me.
- A Well, they evidently haven't got it quite right.

Q Mr. Secretary, the Chairman of the Board of Governors of the Federal Reserve suggested that the bond drive was a flop before the Banking and Currency Committee day before yesterday because only three billion was subscribed by individuals out of the eighteen billion.

A Did he use that language?

Q What, "flop"?

A Yes.

Q No, but sufficiently indicated when he said only three billion was drawn out of the forty billion of excess purchasing power.

A You remind me of a story.

Q "Suggested" I said.

A The "only," - you go from that to a flop.

(Laughter) The father was raving about the boy they sent away to school, that he was impertinent, never satisfied, ingrate. His wife said, "What is the matter, John?" He said, "Well, look at this letter. My son writes me a letter and he says, 'Father, you only sent me ten dollars', and so on,

'Affectionately yours'." His wife said, "John, you don't read it right. Let me read it. 'Dear Father, you only sent me ten dollars. Affectionately yours.'" So that is my answer to you. (Laughter)

Q Mr. Secretary, he also indicated that there was some consideration being given to separating the commercial bank participation from the public participation.

(Discussion off the record.)

A Well, strictly off the record, because there will be talk and there will be rumors, and so forth and so on, I have invited the Board and the twelve presidents of the Federal Reserve Banks to meet with me tomorrow to consider what we have learned from this last drive.

Q Can we use that, that you are meeting?
(Resumed discussion on the record.)

A You can say that they are coming in here tomorrow at ten o'clock to discuss the drive.

Q The Reserve Bank presidents?

A There will be representatives - I don't know how many of the Board are coming, but Mr. Eccles is coming.

- Q That is the main basis for discussion, of course?
- A To discuss the drive and see what we can do after what we have learned. They are coming in at my invitation, and they will be here for two or three days. I hope that from each drive we can learn something so that we can improve on the next drive. But there is nothing in it other than a friendly discussion.
- Q I understand you don't want to imply that there has been a controversy and that this is designed to settle it.
- A No, there is no controversy. After a big drive like this - it only closed on the 1st of May, and here it is the 13th - we ought to be able to learn something. I am sure we can, and I have invited them in here to discuss it.
- Q Of course anything that you decide, any changes or new procedure, will be applied in the September drive?
- A Whenever the drive is.

Q The President indicated it might be September.

A Well--

Q Will you discuss with them when the drive will be?

A Yes, the chances are that we will. Sure, we will review the whole thing. They may be here for a number of days, and while they are here there will be a number of discussions as to how we can improve the next one.

Q We can use that that you just said?

A Yes.

Q A tentative date for the next one is about September?

A Not necessarily. I don't know just what the President said, but I will put it this way, that the earliest it would be would be September - the earliest.

Q August is removed entirely, then, from the schedule?

A For a so-called drive, but that doesn't mean we might not borrow some money. We might perfectly well borrow some money. But even a really good reporter, like some of you here, I think would have

great difficulty finding any controversy - I mean there won't be such - after all, you have got all these organizations, and when you consider everything it is amazing - the results and the good work that was done by everybody.

Q Mr. Secretary, have the results of this past drive influenced your ideas on compulsory savings?

A Yes, I said so in my talk on the radio. I think the need for compulsory savings has been postponed. We sold just under a billion and a half of E bonds in this drive. And, incidentally, we gave you men and women what our objectives were. Some of the people in the Treasury were very hesitant about giving you how many we wanted from the public, and so on, and they were fearful that we wouldn't get it. And we not only got what we wanted from the public, but far in excess. Was it Lindow or Tickton that showed you the first figures?

Q Lindow.

A Would you like to do that again now that the

drive is over and see the results?

Q I think that would be helpful.

A That would answer any discussion as to did we or didn't we. The people thought I was taking an awful chance to show you what our objectives were, what we wanted from the public, and so on - well, we made it, and considerably over. If you would like to have Lindow take you over the charts now that we are through, Schwarz can arrange it. Would you like to do that?

Q Yes.

A That answers what you have in mind.

Q Well, what he said - he was talking at great length, as usual, and discussed the forty-billion-dollar purchasing power - excess purchasing power - and said only three billion had been siphoned off. Then he went on to say that you judge a campaign of that kind by the amount that is sold to individuals.

A We set ourselves an almost impossible goal on the individuals. In fact, Lindow and the others said

that it was practically impossible, the goal that they set, but we exceeded that. And we gave you the figures originally, so even if I wanted to fudge them I couldn't. You had the figures originally, and now you can see the results. Somebody advised me against giving them out publicly because they didn't think we could make it. And those figures were arrived at in consultation with the Federal Reserve System. Now, if anybody says that--

Q He did urge that you exclude banks from that drive and then pick up what you lacked in the thing at the end.

A What is the difference if a man - we sit around, eight or ten of us, and what is the sense in somebody saying, "I said this" or "I said that"? This thing was agreed on by a whole group of people, and then we go ahead and we exceed the subscriptions by five billion dollars and the thing is a great success. After all, if a majority

rules - and they do in these conferences that I call - then we go ahead and set the goal, and we exceeded the goal. I am not going to let anybody take away the satisfaction that the American people have in putting this thing across. When I was home I went into the little village of Fishkill, five hundred people, and there they had a goal of fifty thousand and they sold over a hundred and twenty thousand - a little village of five hundred. The postmistress said, "Now take the school children. Each classroom had a competition in selling stamps. As soon as they make it they come running in to get the stamps." This thing spread through the country, and it has gone right down to the grass roots, the way I hoped it would. Now, one person can sit back and say you didn't do this or did. This isn't going to spoil what the American people did in this last drive, particularly when we set this very, very tough goal and made it and went far over it. I mean, we have told you everything.

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There was discussion as to whether we should give out what each Federal Reserve district should do. I said, "Go ahead and do it, as long as the public knows what we are doing; then at least, good or bad, they know it. I am going to keep them informed through the press."

Q Mr. Secretary, on another matter, where will the RFC mortgage company get the money for the loans that they announced yesterday - the loaning program for businesses unable to meet wartime restrictions.

A I ought to know, but I don't. I am sure Mr. Bell knows.

Q Will your policy still continue under which you handle these subsidiary agencies through the Treasury financing?

A Don't write "I don't know", but let's find out from Mr. Bell. (Laughter)

Q You are familiar with the announcement made yesterday?

A I have been away since last Friday so I don't know. I am not up to date. I will find out from Mr. Bell.

You (Mr. Schwarz) check it and tell them.

Q Mr. Secretary, what happens to the sixteen-billion-dollar goal if compulsory savings are out of the picture now? You know that was supposed to have been made up, according to the President's statement, by taxes and savings.

A That is right.

Q What happens to that figure?

A As far as the Administration stand, it is there. It is still wanted, as a minimum.

Q And if compulsory savings are out you want it all in taxes?

A The sixteen billion?

Q Yes.

A I would say we want it in taxes. Wouldn't, you, Randolph?

MR. PAUL: We want it some way. The President said taxes or savings, or both, didn't he?

Q That is right.

MR. PAUL: Well, we want sixteen billion. Now it is too early to cross all those bridges.

H.M. JR: Talking for myself, I would like to have it in taxes.

MR. PAUL: So would I.

H.M. JR: I mean I would like to have it in taxes. You remember quite a while back - I can't remember when - when I appeared before Congress I said I hoped to finance the war, sixty-six and two-thirds from taxes and one-third from borrowing. So if we are going to even approach fifty percent in revenue we have got to get sixteen billion dollars from taxes.

Q Exclusive of the sales tax?

A Never heard of it. (Laughter)

Q I think you will hear of it more, Mr. Secretary.

A It may be.

Q Senator George says that his proposal would double up twelve and a half percent this year and next year and raise about three billion three additional revenue over what you are getting under existing law by going over to current basis, and that he

thought that the individual rates ought to be frozen at that level for the two-year period, with the twenty-five percent doubling up in the two years and that everything else would have to come - any part of the sixteen billion would have to come from your consumption or sales taxes, corporation taxes.

A Well, I don't think I want to answer that, if you don't mind.

Q- Any idea as to when this program will go up, Mr. Secretary?

A Which program?

Q Sixteen billion dollars.

A We first have to get the present bill through Congress, and then--

Q You mean the Senate bill, Mr. Secretary?

A Well, a bill. (Laughter)

Q Can you go on from there, Mr. Secretary, after it goes through Congress - do you think it will be several months or several weeks?

A We would have to sit down with Mr. Doughton and members of the Committee to find out what they had in mind.

Q Are you saying, Mr. Secretary, that we will still need sixteen billion dollars additional, no matter what yield any bill which now passes the Congress would produce?

A What I am saying is this - you check me, Randolph - the revenue is about thirty-five billion, isn't it, something like that?

MR. PAUL: That is right.

H.M.JR: Roughly, thirty-five billion.

MR. PAUL: For 1944.

H.M.JR: You take another sixteen billion, which would give you, roughly, around fifty billion dollars in revenue, and again roughly, that would be about half of our expenditures. And I think that we here in the Treasury certainly would like to see at least half of the war expenditures financed through taxes.

Q If they should stick three billion additional on this bill, as George proposes, then that sixteen would be cut back accordingly?

MR. PAUL: Well, you can count it as having obtained that much, whatever it is, but the Secretary just said at least sixteen.

H.M.JR: I think fifty percent in revenue with an expenditure of a hundred billion dollars, from my standpoint I think it is a minimum of what we need.

Q The thirty-five billion dollar revenue figure you just gave us, that is on the basis of present legislation, isn't it?

MR. PAUL: That is right.

Q That is for fiscal '44?

MR. PAUL: Yes.

H.M.JR: If we had about fifty percent that would bring us in line with something along the line of what England and Canada are doing.

Q The argument is presented on the Hill on that side that England and Canada are both getting lend-lease, which does benefit them a little bit on the matter of expenditures that they themselves would have to make.

A But it still leaves them with a net expenditure of whatever it is and the net revenue - I mean of so much. If they didn't get any lend-lease the expenditure would be that much greater.

Q With the lend-lease they can keep within fifty percent.

Q Canada isn't getting lend-lease, though, is she?

A That is right, Canada is not on lend-lease.

Q Do those tax receipts for England and Canada include local and--

A When we figure, we always figure - there has always been this controversy, but we always submitted the figures in which we take into consideration all taxes. I mean, when we compare them with the United States we compare them with Federal and State and local taxes.

MR. PAUL: In those charts we had included the New York State income tax in the curve of our taxes.

Q The thirty-five billion dollars that is in prospect for fiscal '44 is Federal revenue only, is it not, Mr. Secretary?

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MR. PAUL: In those charts we had included the New York State income tax in the curve of our taxes.

Q The thirty-five billion dollars that is in prospect for fiscal '44 is Federal revenue only, is it not, Mr. Secretary?

H.M.JR: That is right.

Q And in addition to that there is a considerable sum from the States and municipalities?

A That is right.

Q Do you know how much that is?

MR. PAUL: My recollection is around eight billion, but you had better check it.

H.M.JR: Now you are comparing it, but that wouldn't make any difference. We still have a hundred billion dollars of Federal expenditures, and I still think that we should make a real effort to raise half of it through taxes. It is going to be that much easier on our children and grandchildren. The time to pay for it is when we have this tremendous war production and these war profits and this tremendous national income. The time to pay for it is now, or at least make a good start towards it.

Q That wasn't my motive, Mr. Secretary. It was to try to show what the total tax of the American people is.

A But I am ad libbing. I want to explain that now

is the time, with this terrific national income, and everything else, to tax ourselves. There will never be a better time.

Q Mr. Secretary, have you any comments on the Australian financial experts' point of view that they are not quite certain whether Australia should participate in any international stabilization program?

A I am not current on that.

All right?

Q Thank you, Mr. Secretary.

SECRETARY MORGENTHAU'S
PRESS CONFERENCE

May 17, 1948

- Q What was the result of your conferences with Mr. Eccles and the Reserve Board people on the plans for the next drive?
- A We are not ready yet to say.
- Q Will the next drive be in charge of the same people?
- A I am not ready to say anything. I don't know. The conferences are not over yet.
- Q Will Mr. Robbins' committee continue to function?
- A I am not ready to say anything yet. I will have something shortly - in a day or two, I hope.
- Q Will Mr. Robbins continue to function?
- (Discussion off the record.)
- A Well, I am not ready to announce it yet, but we will in a day or two. He is going back to his company. I would like to wait a few days.
- This is off the record. Both he and Stuart

Peabody are going back, and they will stay as consultants. But I want a formal release. I want to say something nice about both of them.

Q What is the reason for the change, Mr. Secretary?

A When we give it out - if you don't mind, I would just like to have it wait.

(Discussion resumed on the record.)

Q Has any decision been reached as to whether or not the next drive will be divided between the public and the bank drive?

A No, there has not been anything decided - nothing at all.

Q Mr. Secretary, are you satisfied with the Senate tax bill?

Q Isn't it too late to put that into effect the first of July? This is the 17th of May, and there will be wrangling for a few days up there yet, I guess.

- A I think my answer on it is, "No comment."
(Discussion off the record.)
- Q The reason I asked, you remember we had an off-the-record discussion and you said that eventually a good bill would come out of the Senate. I wondered if this bill met your definition of a good bill.
- A Off the record, the answer is emphatically no.
- Q Can we speculate on Mr. Robbins' resignation, Mr. Secretary?
- A I would rather you wouldn't. If you are going to speculate - you tell Robbins about the questions, will you?
- MR. SCHWARZ: I will.
- H.M. JR: He and Peabody, and see what they would like to say.
- Q Mr. Secretary, can you give us an on-the-record answer other than "No comment" as to the July 1 date? There is a great deal of interest in that.
- A No. I have reasons which I think you will know in a couple of hours.

- Q I am delighted at the prospect, Mr. Secretary.
(Laughter)
- Q In the form of a statement, may I ask?
- A I think that the thing is you will know more in a couple of hours than you know now.
- Q I couldn't know much less, Mr. Secretary.
(Laughter)
- Q Now you have us curious. (Laughter)
- A I wanted to. (Laughter)
- Q Are you going to make a public statement?
- A No, I am not going--
- Q If there is a statement coming out I want to hold everything until I can get it. If not, I will wind up early and go home, so I would appreciate a tip along that line. (Laughter)
- A I wouldn't go home too early today. (Laughter)
- Q Mr. Secretary, if you were a reporter would you start speculating on vetoes or anything like that? (Laughter)
- A Well, I have never been a reporter.
- Q You have been a publisher, haven't you?
- A That is something different.

Q Would you print a veto speculation?

A I am not going to be a bit helpful. (Laughter)

(Discussion resumed on the record.)

Q Does the Treasury have any stand on the provision of exemption for service men from taxation?

A Yes, I personally recommended it.

Q You did?

A Yes. This one that went in the House bill was on my own personal recommendation.

Q Could we get your reasons for that, sir?

Q Does that cover officers, Mr. Secretary?

A My original recommendation was that any man, or woman, for that matter, who is killed in action - that their taxes should be cancelled. That was my original recommendation. They said that in the last war there were all kinds of questions, where they died, and under what circumstances, and all kinds of difficulties. And out of that came this thing. But my original recommendation

was if a man or woman is killed in action their tax liability should be cancelled, because I think the shock to the family and the sacrifice are enough without - some of these families just don't have the money with which to meet the taxes. That was my original recommendation, and I still think it is a good one, the lawyers notwithstanding.

Q But that is not the present--

A No, but it is one of the things - one of the many things I recommended, and nothing happened.

Q Mr. Secretary, how are the international talks coming along? Any people coming in this week?

A Not that I know of.

MR. SCHWARZ: We don't know of any more. We will announce them as soon as they arrive.

Q The Brazilian hasn't gotten away, has he?

A Brazilian - what do you mean?

Q The Brazilian delegate.

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SECRETARY MORGENTHAU'S
PRESS CONFERENCE

A Oh, you talk as though he was a fugitive.

(Laughter) Not that I know of.

Q Thank you, Mr. Secretary.

(Copy of Press Service No. 31-32 attached.)

Yes. I wanted to ask, Mr. Morgenthau, how far does this third paragraph where it states, "in order to facilitate the sale of issues of Government securities to commercial banks, national savings banks, insurance companies and government bond dealers, Mr. Morgenthau has authorized the Federal Reserve Bank of Miami agents of the Treasury to handle sales to these financial institutions separately" - I wanted to know how far that goes toward Mr. Tucker's proposal that you separate.

I don't count by paragraphs, evidently, the same.

The fourth paragraph.

Well, all I can say is that the Federal Reserve

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SENATOR BENTLEY'S
 HOUSE CONFERENCE

A Oh, you talk as though he was a fugitive.

(Laughter) Not that I know of.

Q Thank you, Mr. Secretary.

(Copy of Press Service No. 35-22 attached.)

Yes. I wanted to ask Mr. Morgenthau, how far
 does this third paragraph about ill-liquidity, in
 order to facilitate the sale of issues of
 Government securities to commercial banks,
 mutual savings banks, insurance companies and
 government bond dealers, by the Federal Reserve
 authorized the Federal Reserve banks as fiscal
 agents of the Treasury to handle sales to
 these financial institutions separately? I
 wanted to know how far that goes toward the
 indirect proposal that you referred to.

That's about my paragraph, evidently, the
 one.

The fourth paragraph.

Well, all I can say is that the Federal Reserve

SECRETARY MORGENTHAU'S
PRESS CONFERENCE

May 27, 1943

H.M.JR:

Any questions on this release?

(Copy of Press Service No. 36-82 attached.)

Q

Yes. I wanted to ask, Mr. Morgenthau, how far does this third paragraph where it states, "In order to facilitate the sale of issues of Government securities to commercial banks, mutual savings banks, insurance companies and government bond dealers, Mr. Morgenthau has authorized the Federal Reserve Banks as fiscal agents of the Treasury to handle sales to these financial institutions separately" - I wanted to know how far that goes toward Mr. Eccles' proposal that you separate.

A

I don't count my paragraphs, evidently, the same.

Q

The fourth paragraph.

A

Well, all I can say is that the Federal Reserve

Board was here yesterday, and a number of the presidents, and this statement was worked out with them. So it meets - the statement as it is has their entire approval, and naturally has the Treasury's. Otherwise we wouldn't be issuing it, you see, but the entire Board was here yesterday, plus a number of the presidents of the Banks.

Q Well, does that contemplate, then, that you might have the individual bond sales drive first, and then leave it for the banks afterwards to take what you didn't get?

A I can clear that up. The chances are that from now on we will make the offerings to the banks at a separate time from the general drive to the public. The chances are we will separate the two.

Q More likely at the end?

A It depends upon a little bit - we are going to try, if possible, to keep these big public drives to three times a year - certainly not more than

four times a year.

Now, if we have the next offering some time after the first of September - either September or October - it gets down to how much money is in the till. If we need some more money before we have a big public drive, then we would make a bank offering. If, on the other hand, we had enough money in the Treasury, then we could make the public drive first and then the offering to the banks. In other words, it gets down to this, the setting of the time for the public drive is important and the time we offer it to the banks is of secondary importance.

Does that clear that up?

Q Thank you, sir.

Q Does that involve in any way any change of offerings to banks, such as tap issues, or anything of that nature, or haven't you gotten to that yet?

A No. We very informally discussed the question

- 4 -

of what kind of issues and told them what our needs were, and I asked the Board if they wouldn't - you have always got to help me out - the Executive Committee of the Open Market Committee of the Federal Reserve Board - is that right? (Laughter)

Q

That is right.

A

I have learned it at last. (Laughter) I have asked them if they wouldn't have them come in in June to have a more detailed discussion.

Q

Is it expected that this would be less inflationary if you went at it this way in order that you might be able to rely more heavily on individual or non-bank sources?

A

I think it is this, that having the bank offering and the offering to the public is confusing to the people; and when we go to the people and ask them to subscribe we want to have everybody concentrate on that. We think here that it will be helpful and we will get more money this way -

individual and corporation savings - and if our idea is correct, then it would be anti-inflationary.

But when we do the next one, we want everybody just concentrating on the public, particularly the press.

Q Mr. Secretary, what has happened to the War Finance Committee?

A Nothing. We will mostly pick up--

Q The reason I asked - as I understood it, this step has already been accomplished under the War Finance Committee, hasn't it, the combining of the Victory Fund Committee and the War Savings Staff?

A It was a combination for this second war loan drive only, and we all agreed that after the second war loan was over we would study and see what happened, and we feel that this is a move in the right direction.

Q Well, the setting up of State organizations is new, isn't it?

A No - I mean not entirely. In the first place, the War Bond organization was on a State basis, and then under the War Finance Committee it was on a State basis in this way, that the Federal Reserve districts - take, for instance, the State of New Jersey where half the State is in New York and the other half in the Federal Reserve District of Philadelphia, and they sort of had two chairmen there, divided in half, but they did recognize the State lines to that extent.

There happen to be sixteen so-called split States in the Federal Reserve System, which made it rather difficult. I mean there were sixteen States which were in two Federal Reserve districts. And so many State bankers associations, the League of Women Voters, American Legion, and so forth and so on, the State Banking Authority - they are all on State lines, and we all think that we can get State organizations to help us and they will pitch in. And we want and we need the help of everybody.

Q Have you adopted any name for the combined committees?

A I think we will continue the name of War Finance. We will continue the same name. It is a good name.

Q Who will be the chairman?

A I will be.

Q Do you contemplate any change in the sort of bonds you are going to offer to the public? I have seen some suggestion that you might have a coupon - low-denomination coupon bond.

A I think some people are a little bit confused on that. Some are talking about a coupon bond - you can get a coupon bond in the F and G. What I think they are really meaning is a negotiable bond.

Q That is right.

A And that we are unalterably opposed to here because we think it is a great protection to the great numbers of people who are buying bonds that the bonds are not negotiable and that when they dispose of them they can't get gipped

- 8 -

the way they did in World War I. We think that that is really the foundation of this whole thing, the fact that they are not negotiable. It is a protection.

In this last drive we issued thirty-two million pieces of bonds, and if these people wanted to dispose of them through the corner grocery store and the drug store, and so forth, and the gasoline station, the way they did last time, they are just going to get gipped.

Now, we feel that it is a protection for them, and we also think that is why so many of them buy it; they like it; they know that they are protected. They know that after six months they can get a hundred cents on a dollar.

I don't think I will ever change it. And that has nothing to do with the coupon. I think some are a little bit confused on that. I don't mean the press.

Q Mr. Secretary, have you the Treasury estimates on what this new tax bill will bring?

A I haven't it, no.

Q I understand it is being worked up by some of your people.

A It has not come to me yet. I haven't it.

Q Mr. Secretary, on the mechanical side of the bond program, we hear indications or intimations that some study has been given to making them smaller in size. Is there anything in that?

A We are working on that. If it is feasible we will do it. It is a question of the machinery - the automatic machinery - that handles it. I mean, it is not the printing of it but the machinery which processes the bonds and puts the name on and registers, and all that. I think what they are talking about is making it just half the size. But if it is mechanically possible, I am for it. It will save some money.

Q How would it save money - cost of paper?

- 10 -

- A Paper. Paper is expensive.
- Q Now that the compromise tax bill is going to go through, are you ready to talk about your sixteen billions?
- A No, I am not ready to talk about it yet.
- Q You wouldn't even like to say that you still think it will be necessary to have more taxes? You know they are talking up in the House as though the extra twenty-five percent which will be left of last year's taxes will obviate the necessity of that.
- A I haven't changed from - wasn't it a couple of weeks ago when I said here that I hoped we would get at least another sixteen billion dollars in tax revenue? I haven't changed a bit. We need it very, very badly.
- Q Mr. Secretary, could we have a word about how this plan for stabilization of world currency is progressing?
- A Mr. White told me last night it was progressing

well. That is what he told me. But it is a long, slow process because these men come in individually and there a lot of countries involved. But his report as of last night was we were making good progress.

Q Mr. Secretary, there has been some talk about the returns from the Victory Tax not quite measuring up to the predictions. Have you anything to say about that? Is there an explanation for the fact that they haven't measured up?

A I will have to get Schwarz to ask Commissioner Helvering. I don't know.

MR. SCHWARZ: The figures so far are not complete, Mr. Secretary. There will be some later figures this coming month - early in June.

H.M. JR: If you have anything, let them have it.

Q Thank you, Mr. Secretary.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Thursday, May 27, 1943.

Press Service
No. 36-82

As a result of the highly successful Second War Loan Drive which brought 1.5 billion dollars into the Treasury in three weeks, Secretary of the Treasury Henry Morgenthau, Jr., announced today that the method of selling bonds through volunteer salesmen would be "streamlined and amplified."

As the first step, according to Mr. Morgenthau, the existing Victory Fund Committees and War Savings Staffs in the various states will be combined into a single organization.

This consolidated organization will function under the direction of state chairmen who will report directly to the Secretary of the Treasury and will be responsible for the continuing sale of War Savings Bonds through the voluntary payroll allotment and other regular purchase plans. These state organizations will also be in charge of War Loan drives and will concentrate on the sale of increasing amounts of bonds to individuals and to corporations.

In order to facilitate the sale of issues of Government securities to commercial banks, mutual savings banks, insurance companies and government bond dealers, Mr. Morgenthau has authorized the Federal Reserve Banks as fiscal agents of the Treasury to handle sales to these financial institutions separately.

"We arrived at this plan," the Secretary said, "after consultation with the Board of Governors of the Federal Reserve System, and with the presidents of the 12 Federal Reserve Banks. I believe that this new arrangement makes the best possible use of what we learned in the first two War Loan Drives.

"One of the chief considerations in setting up this improved plan was to make it possible for everyone to concentrate on the sale of bonds to individuals. We are already making great progress, having sold twice as many bonds to individuals in the Second Drive as in the first, and having exceeded the quota we set for individuals in the Second War Loan Drive by nearly a billion dollars."

SECRETARY MORSETHAU'S

Press Conference

June 17, 1948

H.M.JR

All right, I am at your service.

Q

Want to say something about taxes?

A

I have nothing to add to what Senator George or Congressman Doughton said.

Q

Mr. Secretary, it would be helpful to me if you would explain just what relationship to the tax policy Judge Byrnes and Judge Vinson have. What is the new setup? How are decisions worked out, and so forth?

A

As far as I know, there has been no change.

Q

Mr. Secretary, are you going to write the new tax plan, or is Mr. Byrnes?

A

I think the Congress is going to write the new tax plan.

Q

Are you going to submit proposals to raise revenue to Congress, or how is that arranged?

(Discussion off the record.)

A

All I can say is - this is for your guidance. I don't want to be quoted. But when I saw this

story - I mean, not to be attributed to me - when I saw the story that your papers ran, various stories about the meetings Mr. Byrnes called and the others, naturally my curiosity was aroused. So I asked Mr. Roosevelt, for whom I work, what the situation was, and his answer to me was that as far as the Treasury was concerned representing the Administration on the Hill and taxes, and so forth, and so on, there was no change and please carry on just as before. So I mean - I don't want it attributed to me, but that is what the President told us. So we are going ahead. At Mr. Doughton's request, our technical staff, headed by Mr. Paul, will work with Mr. Stam to prepare a tax bill. Now, this is all for your guidance. And naturally, Mr. Byrnes and Mr. Vinson, who are interested in inflation, have an interest in taxes. We will discuss the matter with them here before representation is made on the Hill, and there will be agreement at this end before representation is made on the Hill. What does that mean, that this new revenue proposal will be a joint--

A Do I make it clear? I am giving this for your guidance, but not to be attributed, because this is a conversation between the President and myself.

Q I understand that. Does that mean that this new revenue proposal will be a joint effort of the Treasury and Congress? Who will take the initiative in it?

A There won't be any - I mean, as far as I know, there will be no change. We will begin to work almost immediately with the technical staff of the joint committees, and we will follow exactly the same procedure that we did on every other tax bill, and at the proper time Mr. Doughton will invite the Treasury to come up and make the recommendations.

(Resumed discussion on the record.)

Q Mr. Secretary, on the record are you in accord with Mr. Doughton's statement that the new income tax levy should not become effective before the 1st of January, 1944?

A You said income tax?

Q Income tax levies, not excises.

- 4 -

- A . You said income tax?
- Q Yes.
- A Yes.
- Q That is on the record?
- A. That is on the record. With excise, if the bill got through in time the chances are they would become effective. I hope that they become effective when the bill passes.
- Q That would mean that corporations and individuals need expect no increase in income taxes on their 1943 incomes above what they are paying now?
- A That is correct.
- Q On the rates?
- A Yes, talking for the Treasury.
- Q I wonder if I could ask one more question?
- A You can ask two more.
- Q I find that the Treasury is often criticized by the press and by politicians for failing to present revenue plans to Congress. Either on or off the record I would like to understand what your attitude is toward that.
- A Well, all I can say is that, as long as you have

coupled yourself with the politicians - I will put it this way, that I would be very glad to get out the testimony of the Treasury before the Ways and Means and the Finance Committee in which we have made definite recommendations ever since I have been Secretary of the Treasury. I will make that all available to you or anybody else. I mean it will take--

Q Would you care to say on the record that this criticism is unjustified or going to--

A Well, it is not only wholly unjustified, but I think that the people that are making it either are woefully ignorant, or they can't read. After all, every time there has been a tax bill the Treasury has been up there with recommendations.

Q I think, Mr. Secretary, perhaps part of that criticism is due to the fact that in the pay-as-you-go tax hearings the Treasury outlined certain possibilities, but I believe you will find that they did not make definite recommendations with respect to that. As I recall it, there were several possibilities outlined.

A That, in the first place, was not a revenue bill.

- 6 -

The question that you asked me was about revenue. You said that the criticism of the politicians and some of the press was directed to this, that we didn't present any revenue plan. Is that right? Now, this other program was not a revenue-producing plan; it was a method of paying one's taxes.

Q

I think some of the criticism, too, is due to the fact that when Mr. Roosevelt proposed sixteen billion dollars of taxes or savings no detailed proposal for raising that accompanied his recommendation.

A

Well, criticism is fine, and I welcome it. It is healthy. It is all right as long as it is fair, but if critics - and I don't know just who you refer to - say we don't have revenue - definite revenue programs and haven't suggested them, I say that they are just - they don't know what they are talking about. We have a library here, and we would be very glad to furnish you with the official hearings before Ways and Means and the Senate Finance, but we have year after year made very definite recommendations. As a matter

- 7 -

of fact, a lot of the criticism has been that the Treasury has been too tenacious in fighting for its recommendations. I mean, I have seen much more of that rather than that we haven't made recommendations.

Q Well now, which policy will you pursue in connection with the new revenue bill, the tenacious policy or the policy you used on the pay-as-you-go plan? (Laughter)

A Let's wait and see.

Q Mr. Secretary, was the sales tax discussed at that meeting the other day with you?

A I feel this way: At the first meeting that we had we presented a combination of plans, a number of combinations which could produce up to sixteen billion dollars. Now it was all done verbally, informally. At the second meeting the discussion was as to when, and not as to how.

Q When was the first meeting, Mr. Secretary?

Q It was about ten days ahead of the first meeting.

Q Mr. Secretary, doesn't the fact that there has been delay in Congress is getting to work on

this, plus the fact that it won't be effective on 1943 income, throw out any possibility of getting as much as sixteen billion?

(Discussion off the record.)

A Let me put it this way, and again I am making this statement just - this again is off the record, having discussed it several times with the President, what I am going to say now, and that is that the aim - our aim here in the Treasury--
(Discussion resumed on the record.)

A Now I am talking on the record. Our aim here is to try to come as near as we can to raising sufficient revenue to pay for half the expense of the war as we go along.

Q Mathematically that works out to sixteen billion in fiscal '44, doesn't it, approximately?

A Not quite because I think that the estimate for the taxes is around - thirty-five for fiscal--

Q Thirty-eight now, Mr. Secretary.

A I was going to say, plus the three makes it thirty-eight, which would leave twelve, wouldn't it?

Q Yes.

Q Mr. Secretary, is there any--

A Pardon me. The thing that I would like to stress is, as I say, the goal is to come as near as possible to fifty percent.

Q Isn't that still hampered by the fact that you won't be able to get it from '43 income?

A That is true, but we won't get the most - if we get increased excise taxes and they do become available, and they started on the bill, the best you could hope for would be to get them towards the end of this year. So there would be little increase I could expect much before the first of January. So whatever we get would have to be a figure of one-twelfth beginning on a monthly basis in January - I mean to attain that rate, but I would like to keep that goal. I like to keep stressing this, the aim for one-half, because I think that is the most that we can hope for and be fair on taxes.

Q Well, Mr. Secretary, isn't it a mathematical certainty that you won't be able to get twelve -

A even twelve billion dollars - in '44 fiscal year?
That is right, but, as I say, if Congress decides to have a tax bill, which the Democratic leaders now have decided, and they have a bill and it passes towards the end of this year, whatever additional revenue we get will be that much to the good beginning with January.

If you remember, I started out hoping for sixty-two and two-thirds. They say, coming back, that I have no plans. I started at sixty-six and two-thirds, and people laughed at me. Well now, I have adjusted my sights to half.

Q What is it running, about, now, thirty percent or forty?

A About a third.

Q Mr. Secretary, you mentioned inflation a minute ago. Do you know of any single one thing that would do more to curb inflation than higher taxes?

A That is a rather difficult question to answer. I will say this, that higher taxes would be very helpful in curbing inflation, but I wouldn't say that it would necessarily be the one thing.

Q Mr. Secretary, I understand that Mr. Buffington and Mr. Hobbs resigned from the positions here in the bond campaign because of dissatisfaction and disagreement with you over the new organization of the coming campaign.

Would you like to make some comment on that?

(Discussion off the record.)

A I will tell you, to give you the truth, off the record. I will answer truthfully, but I don't think it will help any to discuss it.

Hobbs, I think, really wanted to go back to his business. Buffington was out of sympathy with what I was doing. That is the truth. I would rather you didn't run it. If you want to run it, it is up to you.

Q I won't run it.

A I would rather that you didn't, but if you people feel it is of news value - I mean, I think it will do Buffington more harm than it will me. I would rather not do it. He left in a friendly spirit. I would rather you didn't.

(Discussion resumed on the record.)

Q How is the general financing program coming, that is, the laying out of the committees?

A Good.

Are we having an Open Market Committee meeting next Wednesday?

MR. BELL: Yes, that is on the June financing.

H.M. JR: On the June financing we are having an Open Market Committee meeting with the Federal - we are meeting with the Executive Committee of the Open Market Committee of the Federal Reserve next Wednesday.

Q Is that on that two and a half billion?

A Two and a half billion. We are making good headway in organizing the various States.

Q How is it going to operate, Mr. Secretary? Are there going to be forty-eight different bodies and all responsible to the Treasury here?

A That is right.

Q I mean, for example, New York will take its

orders from the Treasury here, and so will the forty-eight bodies?

A That is right.

Q How are you going to tell so each State will know what the other is doing?

A They will know. That is the least of our worries. They are not worried. I mean, we will have a good organization here, and they will know. General plans and policies will be laid down here in Washington, but each State will be given a lot of leeway to carry out their own ideas.

Q One thing--

A Did you get that, Nick?

Q Yes, I did. One thing that puzzles me is this. What are the reasons for reorganizing?

A He was just thinking of the next question. He wasn't listening to my answer. (Laughter)

Q I will get it from the transcript, Mr. Secretary. I don't go to press until nine o'clock tonight. (Laughter)

A I have to think of both your next question and my answer. (Laughter)

Q May I ask you this: What were the reasons for the reorganization? That is, abandoning the Victory Fund Committee and decentralizing the influence of the investment bankers in the drive?

A Hasn't that all been buried and finished?

Q Well, I tell you, I have read the thing but it is all so confusing to me. Either your press wasn't very good in New York or I am not reading right. What are the reasons? Whether you were dissatisfied or you want to decentralize is not clear in my mind.

A If you could say it with a smile and not look so innocent - I am not used to your being so serious. (Laughter)

Q You haven't answered my question, Mr. Secretary. (Laughter)

A It is all settled and finished. I mean your paper isn't interested now. We have a good organization in New York State, one of the best we have ever had. We have a splendid committee, fine people, and they are raring to go and getting along fine with the Federal Reserve.

And I think it is a dead horse.

Q Mr. Secretary, I understand there is a Mr. Fleek that is coming in. Will he do the work Mr. Ruffington has been doing?

A No, Mr. Fleek would have come in, but for certain personal, family reasons he isn't able to leave Cleveland. He won't come in. He has certain personal, family reasons which prevent him from coming.

Q Do most of the people in the new organization think they will be able to get the twenty-five percent of people's incomes invested in bonds?

A They are very enthusiastic and assure me that they think they can, and that is what they are aiming for.

Q Twenty-five percent?

A Well, no. What I said in Kingston was we have to get twice as much in September from personal subscriptions - from individuals - as we did in April.

Q But didn't you say by the end of the year twenty-five percent?

A What the figures are are these. We gave them out to you through Lindow. I think you have all these figures. What the figures showed was that the national income is estimated for the second six months of the year at seventy-two billion dollars, and we figure that we ought to aim to get one-quarter of that, which is eighteen. And that is twenty-five percent of seventy-two, and that is the way they arrived at it. Our aim is to get a quarter of the people's earnings in the second half of the year.

Q You didn't mean, then, to get twenty-five percent of each individual's as your aim?

A No, on the over-all, but we are going to aim to try to get one-quarter of what the people earn in total, which means that some war worker who may be getting a hundred dollars a week and has several members of his family working also in the plant - that the family can invest a quarter of their earnings as a family. Somebody else who is a white-collar worker or works for a newspaper and hasn't had the increase, we can't expect it.

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But on the average that is our goal. I don't know whether we are going to be able to attain it, but that is what we are aiming for. We have a number of cases where people are investing as much as a hundred percent where they have other members of their families who are working. That is what we aim to go after.

Q Mr. Secretary, you indicated in your letters to employers in connection with the withholding tax that you were somewhat concerned about the payroll deduction plan. Are you doing anything more than sending a letter out asking the employers themselves to--

A Well, as a whole I can't give you all the details, but I would be very glad to put you in touch with Mr. Sullivan, who is handling it, or the Commissioner. But there is a whole mass of publicity going out, both to the employers and the employees.

Q You are making--

A There is a tremendous amount of material, and it is available to you. You can see all of it if you would like to, out of Mr. Sullivan's office

or Commissioner Helvering's, wherever it is. But there is this mass of material which is going out through the press, through the employers, the labor unions, over the radio. If you care to look at it, we would be very glad to make it available to you.

Q Mr. Secretary, on that two and a half billion financing, can you clarify past statements on whether any of that will be for the public, or will it be only bank financing?

A No, it is going to be open to everybody.

Q Something that you said previous to your visit away from here caused some of us to think that there would be no more public offerings until September.

A No.

I am correct, am I not? This two and a half billion at the end of the month is open to everybody?

MR. BELL: That is right, it is a regular Treasury public offering.

- H.M. JR: But the important thing is it will be handled through the Federal Reserve Banks.
- Q Wholly?
- A Wholly and not through the War Finance organization. This goes entirely through the Federal Reserve Banks.
- Q Is there any significance to the group meetings that are now being held with the various monetary experts?
- A I hope so.
- Q I mean what is the significance, about to reach an agreement?
- A I hope that they are going to reach an agreement. According to Dr. White, they are making very good progress.
- Q Have you any idea when that hope may be realized?
- A I don't know, but if Dr. White has any information I will be glad to have him pass it on to you. But he seemed very much encouraged this morning when he was in here.
- Q Mr. Secretary, my memory isn't exact, but it seems to me that around this time of year, or

even before, in other times there has been a revised budget come out. There has not been any this year.

A Let me ask the former acting director of the Budget.

MR. BELL: I can't speak for the Bureau of the Budget, but I understand there will not be one for a while. At least there will not be one this month, I am sure. The reason I know that - and I say again I am not speaking for the Director of the Budget - is we didn't want it to conflict with our year-end statement which comes out on July 1, and we were told that there would be no statement before that time, on the revised budget.

H.M.JR: Miss Chauncey says that the other meeting here was June 3. (See page 7.) You haven't asked me and there has been quite a bit written in the papers about redemptions, so I asked Mr. Tickton to get out the figures. March 1 to 12, the previous tax period, they were 57.6 million dollars, and June 1 to 12 they were 58.3, or approximately the same. So I don't know

why there is all this excitement about this volume of redemptions.

MR. BELL: With a much higher volume outstanding, you might add.

H.M. JR: With a much higher volume outstanding.

Q Are those E bonds?

MR. TICKTON: All redemptions, E, F, and G.

H.M. JR: And since last March there must be several billion dollars more outstanding, aren't there?

MR. TICKTON: About three billion.

MR. BELL: More than that.

Q Did you see the Senator Byrd report asking for a reduction of three hundred thousand in the number of civilian employees?

In the report they took issue with the President, asserting that his figures of 40 percent of all civilian employees are engaged in war work is wrong, and that only forty-five - that is the same old argument they had last December. I notice the Secretary is on that committee, and I was just wondering whether he agrees with that. .

MR. BELL: We sent a letter telling them we did not agree with all of the recommendations, and I think if you will read that report very carefully, he has the word "production" after--

Q War production?

MR. BELL: "War production" instead of engaged in "war work." Now, we in the Treasury are certainly engaged in war work, but we are not engaged in war production. He confined it to shipyards, arsenals, Maritime Commission, and Panama Canal.

Q And TVA.

MR. BELL: That is probably true when you narrow it down, but not comparable with the figure the President used at all.

Q Could we have the text of the letter? It is going to be an important issue.

MR. BELL: As I understand it, the letter will be published in the report.

Q It wasn't in the report that I got last night.

MR. BELL: Was it published? I understood there was just a summary given out.

H.M. JR: But our letter is to be included in the report?

MR. BELL: That is right.

Q Thank you, Mr. Secretary.

A The only thing I have, which isn't true, is that sometimes someone will have the full details of the next financing for you.

Q Not today?

A No, we thought we would give it out sometime tomorrow - the complete story for Sunday's release.

Q Can you tell us what day that is? I hope it will be out early. Is it going to be tomorrow?

A Tomorrow for Sunday release.

Q Why Sunday, Mr. Secretary?

A We thought people would be home and they can read about it; it will give them a little extra time.

Q We are going to have three days this time instead of one day, which we normally have - not much people see.

A That time will be out tomorrow, Mr. Secretary.

Q Do you have any other information on the case and I would like to write it.

A What time are you going to?

SECRETARY MORGENTHAU'S

PRESS CONFERENCE

June 24, 1943

H.M.JR: The only thing I have, which isn't news, is that sometime tomorrow we will have the full details on the next financing for you.

Q Not today?

A No, we thought we would give it out sometime tomorrow - the complete story for Sunday's release.

Q One question comes up on that - I hope it will be out early. Oh, it is going to be tomorrow?

A Tomorrow for Sunday release.

Q Why Sunday, Mr. Secretary?

A We thought people would be home and they can read about it; it will give them a little extra time. We are going to have three days this time instead of one day, which we normally have - not rush people so.

Q What time will it be out tomorrow, Mr. Secretary, do you have any idea? I am going up to New York and I would like to write it.

A What time are you going up?

- Q On the eleven o'clock train.
- A That is early for us.
- Mr. BELL: Yes, a little early.
- H.M.JR: We will send it up to you. We thought we would get it out a little earlier; instead of giving it to you Saturday, give it to you Friday for the papers Sunday instead of Monday, and give everybody a little more time. That is about all I have to offer. I will be glad to answer any questions.
- Q Any new thoughts on taxes?
- A No, but the boys are working.
- Q Mr. Paul and his assistants?
- A Yes.
- Q Have they met with Mr. Stan yet? Are they working together, Mr. Secretary?
- A I don't know. I know they have met with Mr. Fred Vinson, but I don't know - I really don't know.
- Q Mr. Secretary, it is reported that this social security plan of Senator Wagner's and Mr. Dingell's - Congressman Dingell - probably will be the subject of hearings this fall. Do you expect to appear

prominently in that, sir - the Treasury?

A I don't know. I would be there modestly, not prominently. (Laughter) I don't know; it depends on the committee. I haven't been advised.

Q Of course I understand "modestly," but I meant in degree, as to whether you would sponsor it as you do a tax program.

A I don't know. I don't think we really have had a chance to study it. That doesn't mean that I am for it or against it. I mean, I have been for, as you people know, this program of an enlarged social security plan, but whether the one that was introduced which you refer to is the so-called Administration plan, I just don't know.

Q So-called cradle-to-the-grave plan - it takes about six billion instead of two billion.

A If that is what the President wants, I, frankly, don't know.

Q Mr. Secretary, have you made up your mind on the Patman bank holding company bill? I was talking to Congressman Voorhis yesterday, and he also commented

upon it. He was hoping that the Secretary of the Treasury would say that he is either for or against it, because he said the situation in California was very, very bad.

Mr. BELL: We haven't prepared a report on that bill yet, but we are studying it with a view to submitting a report.

Q Couldn't you say that you are for the bill that was once introduced, and which was also--

H.M.JR: I think you had better wait. We have discussed this thing. After we have made up our minds - he is drafting a report on the thing, so I think you had better wait until you get it.

Q Will you let me know what it is?

A Sure. Why not? At least I will tell you where you can get it. You are pretty good at that. (Laughter)

Q Make it easier for me, anyway.

A All right, I will make it easy. Bell and I have discussed the drafting of a report.

Q Have you any more occupation money ready, Mr. Secretary?

A Occupation what?

- Q Money - dollars such as you printed in North Africa - any ready for Sardinia, for instance?
- Q Corsica, Sicily, Italy?
- A If I answered you, the Office of Censorship wouldn't let you put it in, anyway.
- Q Incidentally, we never got our North African bills.
- Q Under the Censorship code, anything you say is O.K.
- A No, you are wrong. I had an early experience on that. We got out a story, particularly, that the State Department wanted on South America - worked on it very carefully. They asked us to get out a story, which we did - that was in the early days - and they proceeded to kill it. So I don't put much weight on it.
- Q We never got our North African bills, Mr. Secretary.
- A You never got your bills?
- MR. SCHWARZ: Most of the boys got them.
- Q We got the Hawaiian note.
- H.M.JR: Somebody has been short-changing you. (Laughter)
- Q I will get you a list, Mr. Secretary.
- A You give me a list.

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SPECIAL INVESTIGATION

MR. SCHWARZ: Some of them got North African bills.

H.M.JR: There is gross favoritism around here. (Laughter)
Give me a list and we will take care of it. We
will be delighted.

All right, what else?

Well, if there is nothing else, it is a beautiful
morning. (Laughter)

Q Thank you, Mr. Secretary.

SECRETARY MORGENTHAU'S
SPECIAL PRESS CONFERENCE

June 25, 1943

H.M.JR: Have you got a copy for each of these people?
(Copy of Press Service No. 37-24, copy attached)

MR. SCHWARZ: They have all read it, I believe.

H.M.JR: Anything you want us to answer or explain - or delete? (Laughter)

Q Delete the date line. Put it on Monday, it would suit us better. (Laughter)

A Are you bothered by Sunday, too?

Q We certainly are because the public drive, we could see that, but this is of more particular interest.

A Well, I am afraid it is too late now. What papers do you--

Q The Journal of Commerce - we don't publish Sunday.

A Well, your customers will read it on Monday. We wanted to get it in a little early. There are an awful lot of small banks that don't seem to get the notice, and all the rest of that stuff. The Journal of Commerce, they run it Monday and

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the people read it.

Q I think the way to have people read it on Sunday morning is to have something in the comic strips about it. That is where most people turn to first. (Laughter)

A I will give you something comic that I got a great kick out of. This is from Mr. Robert Sherwood, Director of Overseas Operations. He writes to me: "Dear Henry: Enclosed is a photostat of a German leaflet dropped on our troops in Tunisia. The outcome of the fighting in Tunisia will give you a pretty clear idea of just how effective this leaflet was. I know that this bit of publicity for you will give you pleasure." It is signed, "Robert Sherwood, Director of Overseas Operations, O.W.I." (Leaflet, reading as follows, exhibited: "Every shot you are firing now is a boost for Morgenthau.")

Q I wasn't aware of your part in that campaign. (Laughter)

A Isn't that wonderful? I got the greatest kick

out of that.

Q That is very good. You should be congratulated.

A Don't you think it is wonderful?

Q Yes.

A I think it is marvelous. I would show you the letter, but the other part of the letter is too personal - it just happens to be a little bit too complimentary.

Q Mr. Secretary, to come back to financing, is this an indication now that we are back to lower or more normal figures for usual financing - monthly financing?

A No. The thing is we simply can't run from now until September 9 without additional money, and therefore we have got to raise some money. So we propose to do it in this way.

Q Will this be the only one, then, until September 9, do you think?

A With the exception of this refunding, the RFC notes of three hundred and twenty-four million due 7/15/43.

Q How much is that again?

A Three hundred twenty-four million RFC notes, due 7/15/43. They are to be paid off in cash.

Q When will that be?

A On the date when they come due we will pay those in cash, and that is part of the money we are accumulating now.

Then there are one billion six hundred and nine million certificates, due on 8/1/43, and those will be refunded. And we will most likely take a little cash then, won't we?

MR. BELL: There is a possibility we will want a little additional cash.

H.M.JR: We may take a little additional cash, refund a billion six hundred and nine million of certificates which come due on the 1st of August; and depending upon how fast they spend, if we need any additional money we will take it at that time in connection with--

Q By selling those, you mean?

A No, there will be certificates.

Q New certificates?

A A billion six hundred and nine of certificates coming due. The chances are we will offer the holders of this another certificate, and if we should at that time think that we haven't enough money to last us until September 9 we will increase the amount of certificates by what we need. Is that right, Dan?

MR. BELL: May--

Q The RFC notes are not going to be refunded? They are going to be paid off?

H.M.JR: They are going to be paid off in cash.

MR. BELL: May I bring up a question as to whether they want to raise a question at this time on whether we are going to refund the certificates or whether we will offer another certificate to pay off the maturing certificates. You see, this gives them rights if we say refunding.

H.M.JR: How would you say it?

MR. BELL: I would just say we would offer another certificate for at least that much and might raise additional cash at that time.

H.M.JR: Does Bell make himself clear?

Q That is for the one billion six hundred nine million?

A Yes. Instead of offering them an exchange we may pay them off in cash and offer another certificate because, as Bell points out, if they thought they were not going to be paid off in cash and then--

MR. BELL: They have a right value.

Q We can say, then, that you may refund or you may do this - I mean, you do one or the other?

MR. BELL: I think we announced in the circular on this issue that there would be no right values, so I think the market is expecting it to be paid off in cash. I think it would be better if we just said that there would be another certificate offered at that time, the proceeds of which would be used to redeem the certificates.

H.M.JR: Does that Treasury note come in before the 9th, too?

MR. BELL: No, that comes in in the middle of September.

H.M.JR: Then this paper would explain to these good people everything that we might do from now until September 9?

MR. BELL: That is right.

H.M.JR: With the exception of the bills, you see - how many bills now?

MR. BELL: A billion dollars a week.

H.M.JR: A billion dollars a week.

Q There will be a billion a week all the time?

A We don't know whether we will increase it or not. I mean, you asked me - what I am trying to do is I am trying to explain to the public through you people what our plans are up to September 9.

I am going to go over it once more. We have an RFC note which comes due on 7/15/43. That will be paid off in cash. And on the 1st of August we have a certificate of one billion six hundred and nine million coming due, which the chances are will be paid off - that we will issue another certificate.

Now, if at that time we find we still need additional cash we may offer a certificate over and above a billion. We might offer two billion, you see, something like that, depending on how much we need.

The only other operation is our weekly bill operation, which is now running at the rate of a billion a week. We haven't yet decided whether we will increase that over and above a billion, again depending upon how fast they spend the money.

Those are our plans from now until the drive.

Have I made myself clear?

Q Will the drive start September 9?

A September 9.

Q And at that time there will be another big financing operation?

A Yes.

Q Then it is at least possible that you won't try to maintain a fixed amount of new money from the bills in the future? You might regard this

one billion as the top amount, depending on your financial situation?

A Depending upon how much cash we need, depending upon excess reserve situation. There are a number of factors which go into this picture. But I am just trying to tell you everything that I know as of this minute on what we propose to do to finance the war from now until September 9. Have I made it clear?

Q Yes.

Q Mr. Secretary, what are your weekly bill operations?

A Well, we have outstanding now a billion dollars' worth of bills, haven't we?

MR. BELL: No, it isn't a billion a week, but we are issuing a billion a week and that gives us at the present time two hundred million dollars of new money. We have outstanding at the present time about eleven and a half billion dollars of Treasury bills.

H.M.J.R: But how much comes due each week now?

MR. BELL: At the present time there are eight hundred million dollars coming due a week, and we are issuing a billion dollars. Now, on July 21 that eight hundred million maturity a week will increase to nine hundred million a week.

Q On what date?

MR. BELL: July 21.

H.M.JR: Could they have that table you have there?

MR. BELL: Yes. I don't know that it is in the form they want it, but I can give them all the information they want.

Q Mr. Secretary, how soon - on July 21 you would get, if you continued with one billion, a hundred million each week?

MR. BELL: Yes.

Q How soon would you catch up, then, so you would get nothing - it would take a billion each week to pay off the maturing issue that week? In other words, it would be three months from the time the first billion was out - I don't recall

when that was.

MR. BELL: September 16.

Q You would be--

MR. BELL: The maturities would equal the issues.

Q What date was that again?

MR. BELL: September 16. In other words, after September 16 you would have a billion dollars maturing and a billion-dollar issue, if it had not been increased in the meantime.

Q Mr. Secretary, on another phase--

H.M.JR: Let's make sure this is clear to everybody.

Q In other words, you are issuing an additional billion dollars every week in certificates?

A In bills. Every week we offer a billion dollars' worth of bills. At present it is eight hundred million, then nine hundred million. On September 16 we catch up with ourselves. For the time being we get two hundred million dollars a week extra, then we get a hundred million dollars a week extra, then we get to the point where we are just turning them over.

Q I understand there are some regulations coming in connection with the banks handling the tax withholding money. We have had a good many queries on the thing. I understand they haven't been signed - haven't come through your office - but are being held back. Can't we get them loose?

H.M.JR: Whose desk are they on? (Laughter)

MR. BELL: They are signed, Mr. Secretary, and they will be out the first of the week.

H.M.JR: Whose desk are they on?

MR. BELL: Mine. (Laughter) But there is a little more checking to be done before I release them.

Q Is it possible to get them loose today for Monday, or something?

MR. BELL: I don't know. I will see.

Q There are a lot of banks that are very anxious to get that.

MR. BELL: We might be able to get out a press statement tomorrow on it.

H.M.JR: What else?

Q Thank you, Mr. Secretary.

TREASURY DEPARTMENT
Washington

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FOR RELEASE, MORNING NEWSPAPERS,
Sunday, June 27, 1943.
6-25-43

Press Service
No. 37-24

Secretary of the Treasury Morgenthau today announced a regular Treasury offering designed to raise additional funds in advance of the Third War Loan Drive, which is scheduled to start in September. The securities being offered are 1-1/2 percent Treasury Notes of Series A-1947. They are offered, through the Federal Reserve Banks, for cash subscription at par and accrued interest, in the amount of \$2,500,000,000, or thereabouts. The books will be opened on Monday morning, June 28, for the receipt of subscriptions. There will be no restrictions as to the basis for subscribing for this issue.

The notes will be dated July 12, 1943, and will bear interest from that date at the rate of 1-1/2 percent per annum, payable on a semiannual basis on September 15, 1943, and thereafter on March 15 and September 15 in each year until they mature on September 15, 1947. 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 \$500, \$1,000, \$5,000, \$10,000, \$100,000 and \$1,000,000.

Pursuant to the provisions of the Public Debt Act of 1941, interest upon the notes now offered shall not have any exemption, as such, under Federal Tax Acts now or hereafter enacted. The full provisions relating to taxability are set forth in the official circular 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 2 percent of the amount of notes applied for.

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Subject to the usual reservations, subscriptions for amounts up to and including \$100,000 will be allotted in full, and subscriptions for amounts over \$100,000 will be allotted on an equal percentage basis, to be publicly announced. Payment for any notes allotted must be made or completed on or before July 12, 1943, or on later allotment.

The text of the official circular follows:

Dated and bearing interest from July 12, 1943 Due September 15, 1947

Interest payable March 15 and September 15

1943
Department Circular No. 716

Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT
Office of the Secretary
Washington, June 28, 1943.

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 A-1947. The amount of the offering is \$2,500,000,000, or thereabouts.

II. DESCRIPTION OF NOTES

1. The notes will be dated July 12, 1943, and will bear interest from that date at the rate of 1-1/2 percent per annum, payable on a semiannual basis on September 15, 1943, and thereafter on March 15 and September 15 in each year until the principal amount becomes payable. They will mature September 15, 1947, 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 moneys.

5. Bearer notes with interest coupons attached will be issued in denominations of \$500, \$1,000, \$5,000, \$10,000, \$100,000 and \$1,000,000. 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 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 2 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, subscriptions for amounts up to and including \$100,000 will be allotted in full, and subscriptions for amounts over \$100,000 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 notes allotted hereunder must be made or completed on or before July 12, 1943, or on later allotment. In every case where payment is not so completed, the payment with application up to 2 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 depository 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.

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 amendatory 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

July 1, 1948

- Q How did the financing go, Mr. Secretary?
- A Very well. Mr. Bell says that they will make allotments Monday morning.
- MR. BELL: Tuesday, July 6.
- Q Any intimation as to how much over?
- H.M.JR: No, it was very big.
- Q Substantially over the amount? The books are closed. It won't make any difference, anyway.
- A Mr. Bell told me just before you people came in that it was somewhere between nineteen and twenty billion. Is that right?
- MR. BELL: Yes, sir.
- Q You don't need any taxes at that rate, Mr. Secretary. (Laughter)
- H.M.JR: Now wait a minute, we only asked for two and a half.
- Q It is safe to speculate you won't accept any such amount?

A No, we will take two and a half. The most we have ever taken over is ten percent - I mean, the most we would ever take would be two hundred fifty. We might take up to two hundred fifty million over. That would be the most that we would take, but it has been quite a while since we have even taken that much.

So the financing will be between two and a half and two and three-quarter billions, somewhere in there. But it is very nice that so many people want to lend their money to the Government.

Q It was quite an attractive offering, wasn't it, generally speaking - fairly attractive?

A It was attractive. It was still a very reasonable rate at which to borrow.

Q Anything new on the tax front, Mr. Secretary?

A No. There will be the Treasury year-end report available to you people early tomorrow morning. When I say early I mean ten or eleven o'clock.

Q For immediate release?

MR. BELL: It is released with the daily.

H.M.JR: I didn't want to scare you when I said early.
(Laughter)

I wish I had something - kind of in the doldrums here between one year and another. (Laughter)

Q How about the auto tax, which many people are complaining about?

A I don't know.

Q It is being called a use tax for holders of A cards who cannot use the cars.

A I agree with you. I don't blame them.

Q You haven't any authority to revoke it, anyway?

A No. It is the same thing with people up in the community where I live. They have A cards and they think they shouldn't have to pay the full year for their automobile tag. But I don't know.

Q Do you think they should have to?

A Well, it is a State matter. I don't know, but I think anybody who can afford to own an automobile can afford to pay the Federal Government five dollars a year. I don't think that

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that is very excessive in wartime.

Q They might have made the stamp a little bit prettier. (Laughter)

A I hope we got the stickum on the right side this time. (Laughter)

Q Mr. Secretary, Mr. Paul yesterday made a speech in Newark in which he said he thought that the American public could bear thirty billion dollars of personal taxes - personal income taxes - compared with four collected in 1942 by the Government.

Does that mean anything in connection with the size of the coming tax program? It is a pretty big jump.

A Well, I guess he was just talking about what you said - what they could - but--

Q Do you think they will?

Q Isn't the Treasury interested in getting all the money that it can get?

A Thirty billion personal?

- Q Yes, that is what he said.
- A You have a little advantage over me. I am not saying this to stall. I honestly haven't read his speech. I suppose I should. I am not trying to duck the question.
- Q It is a good speech. I commend it to you.
(Laughter)
- A I will read it, but I have been a little bit - I should have read it, but I haven't. I really can't comment on it. I honestly haven't read it. I wouldn't even say I just read the headlines. (Laughter)
- Q How about forced savings? Are you still holding your own on that?
- A I will let you say. We are just sawing wood.
- Q I notice you are smiling, Mr. Secretary. It doesn't look like bad news.
- A No. I don't want to seem immodest, but I think as far as our selling of our War Bonds and all that, I think we are doing all right. When I

say "we", I mean the American people. I mean it isn't we here - it is the American people. They are doing everything we ask of them, so why shouldn't I be satisfied?

Q Are you apprehensive, Mr. Secretary, that the deductions for taxes from pay envelopes will cause much of a decline in your pay-roll allotment sales?

A They tell me that around the middle of July we will have an answer on that; and whatever the answer is we will be very glad to tell you people what it is. I don't know. There is no use guessing. But whatever the answer is, by the middle of July we will know and we will give you the facts.

Q If the answer should show a decrease in bond buying, might that affect your stand on forced savings in the future?

A What are you doing, pinch-hitting for Nick Gregory? (Laughter)

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Q You are taking measures, aren't you, suitable and appropriate measures, to prevent the decline as far as possible, such as contacting employers, and so on?

A They tell me that there are some thirty million pieces that have gone out on this withholding tax. They will go into everybody's pay envelope. There are also one-sheet posters going out to be put on the bulletin boards. If you are interested we will be very glad to give you people samples. Those have gone out, so everybody ought to have one sooner or later. If you would like to see one we will be very glad to send some down to the press room. They tell me that thirty million pieces have gone out to the factories, with the request that they be put in the pay envelopes, plus the poster to go on the bulletin board.

Q Is the withholding organization complete now so that the taxes will begin to come out of this week's pay? Will we feel it right away?

A I hope so.

Q It is all ready to go?

Q Taxes won't be collected until the next week's pay, will they?

MR. BELL: First complete pay period after July 1.

Q Are you concerned about the number of bonds that people are turning in to get refunds on?

H.M.JR: No. It is running - comparing the total number of bonds outstanding, it is running a little bit below four percent. It is not at all abnormal. It is just running about the way it has. I mean there is no indication of any particular number being turned in.

Q No increase?

A There is not any increase, no. If you haven't that, we have some up-to-the-minute figures we will be glad to send down. No, there is no particular surge - just about normal.

Q Mr. Secretary, I think the latest--

A Excuse me. Isn't that in the year-end statement, something on that?

MR. BELL: We will have that in the year-end statement.

H.M.JR: Can you wait until tomorrow on that? There will be something in the year-end statement which will bring you right up to the minute on the number of bonds turned in.

Q That would seem to conflict with the daily Treasury statement, which indicates about seven and a half percent being redeemed.

MR. SCHWARZ: The amount outstanding?

Q No, the amount sold during the past fiscal year.

MR. BELL: It is the amount outstanding.

H.M.JR: The amount outstanding is just a little under four percent, and there is nothing abnormal. We have the figures on the monthly basis. If you are interested we will send them down.

Q Very much.

H.M.JR: Why don't you let them have them?

MR. SCHWARZ: I will give them to them.

H.M.JR: We have them on a monthly basis. It runs - March was up a little bit, June up a little bit.

But looking at it over a period of six months, it is fairly constant. But we will give you the actual figures, which speak better than anything else. They are all available.

It is a good story in the sense that so far there is no indication that this withholding tax will make people cash in their bonds. If that is true, we will know by the middle of July; and if they continue to buy the same and continue to pay the thing, it ought to have a considerable effect on the inflation front. I mean it ought to be helpful. If it is coming out of the people's pay and they don't cash their bonds in - and that is the way it looks - it ought to be helpful.

Q Mr. Secretary, on the financing again, isn't that something of a record for the offering and the over-subscription?

MR. BELL: Yes.

H.M.JR: Yes, I would say so.

Q Would you say it was an all-time record?

SECRETARY MORGENTHAU'S
PRESS CONFERENCE

July 8, 1943

H.M.JR:

I want to ask you people's advice. Over in War Bonds they have a slogan. You helped me last time. See what you think of it. What they have written down is, "The more bonds and sweat, the less blood and tears." That is what they like for the third war loan drive. What do you think of it?

Q

It sort of leaves me cold.

Q

Do you think that is preferable to "A vote for Morgenthau is a vote against Hitler"? I think that might be better. (Laughter)

Q

It is good, but, Mr. Secretary, that blood, tears and sweat business has been run ragged. It is worn bare. It was wonderful when it came out a year and a half or two years ago.

A

We have sent this one out in the field. They all kind of liked it. But you boys and ladies don't like it?

Q

I think it is a little long, Mr. Secretary. I

think a slogan should be short and punchy.

A I tell you what you do. Think it over. We will hold this up. Why don't you send in some suggestions? We won't use this, anyway. You people have been very good. After all, we have to depend upon the papers. If it leaves you cold, what will it do to the American people?

Q Did you have a good time on the Hill yesterday?
(Discussion off the record.)

A Off the record, I went up there in connection with getting - just wanting to tell them what we were going to do in connection with supplying silver to some countries. I said to Mr. Thomas, the Chairman, "I don't want any publicity, please, until we have time to contact these countries."

He said, "I can assure you the meeting never took place." (Laughter)

So then I read in the paper about Pat McCarran and the rest of it.

But the situation is this. We have to do a little work with some of these countries, so I can't say

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just yet what we have done because there is some rather--

Q Is this on the record, that you have to do some work?

A No. I haven't said anything on the record. I am just telling you people. I mean I haven't even informed these countries yet.

(Discussion resumed on the record.)

Q Mr. Secretary, it is reported that Mexico has asked for a loan of silver for monetization purposes. Is that right?

(Discussion off the record.)

A Well, let me describe first what they want. This is just for you. They wanted to get some silver from us, and the argument was if they got it from us for monetary purposes then they could supply the American manufacturer with more silver. It just doesn't make sense. I mean, it would be just as sensible as though we made a loan of copper to Chile. And it just doesn't make sense. Tone the thing down, will you? I mean, I wouldn't even

consider the thing. For me to take your, the American taxpayers' money, to supply silver to Mexico would make as much sense as if I supplied nitrate of soda or copper to Chile. It just doesn't go, that is all, and I am not going to do it. But tone it down and attribute it to some high authority or something or other.

Q Do I understand it was not a loan for monetization purposes?

A They wanted silver for their own use.

Q Not monetary?

A Yes, monetary, so that they in turn could sell silver to our people.

Q Silver to our people?

A You see, they sell their newly-mined silver to our people for industrial uses, for the arts, and so forth.

Q But I understood that they were asking for some silver for their own monetary purposes.

A That is right, the excuse being - let's say we arranged to give them fifty million ounces of silver; then they said they could turn around and

sell to the United States users. But it doesn't make sense.

Q Sell a like amount to the United States users while they keep that?

A For themselves.

Q How would they propose to get the silver from us under that arrangement?

A They want it on a lend-lease basis. Incidentally, we have no lend-lease arrangement with Mexico, as far as I know. Tone the thing down.

MR. SCHWARZ: This is for background?

H.M.JR: For background.

Q Can we say you said that you are not going to agree to the Mexican proposal?

A That there was some such discussion but Mexico was discouraged in making the application.

Q We can say that?

A Yes, we discouraged them. How is that? Is that polite? (Laughter) They were discouraged by American authorities from pursuing the matter any further.

Q What was their idea, Mr. Secretary? Were they honest in saying they would send it back if they got it?

A It would be very nice from their standpoint if they could get some silver for monetary purposes and then turn around and sell the silver, maybe, for seventy-five cents or a dollar an ounce, or whatever it is worth. It would be very nice for them but hard for me to explain.

Q Were they to get this silver on the cuff, as it were, and sell their own silver for cash?

A Something like that.

Q Good business. (Laughter)

Q Was their request - Mexican request - favored by the ambassador to Mexico City?

A It was just told to me by one of our people, and I just brushed it aside. It was ridiculous, I said.

Q So you don't know--

A I don't know where it came from. It was brought to me by a Treasury official. I said I wouldn't

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even consider it.

Q The thing is completely dead?

A The way I would write it is that the American authorities discouraged Mexico from pursuing that any further. How is that for diplomatic language?
(Laughter)

Q Secretary Morgenthau said--

A No - American officials.

Q Treasury officials?

A Treasury officials.

Q Just when did it happen?

A Yesterday.

Q Fifty million ounces, Mr. Secretary?

A I don't know. They would take all they could get.

Q But you don't want any of this attributed to you?

A No. You can say Treasury officials. I mean, it was nice if they could get it, but we are not that soft yet.

Q Mr. Secretary, it was the impression on the Hill that perhaps the silver bloc in the Senate was a little nervous and wanted some reassurance that

the truce was still in effect.

A No, they weren't nervous.

Q You know that the Ways and Means Committee had reported the Celler bill for the repeal of the Silver Purchase Act.

A I don't think they were. One member was a little difficult to persuade.

Q Is the Treasury opposed to the Celler bill, Mr. Secretary?

A I don't know what the Celler bill is.

Q It repeals the Silver Purchase Act.

A No, I don't know.

(Discussion off the record.)

Off the record, what I went up for, they gave me their unofficial blessing. The whole thing is unofficial. I have got the authority, but I would much rather go up in advance and explain what I am doing and get their cooperation. And that is one of the reasons I am not being hauled up there all the time, because I tell them in advance what I am

going to do, and therefore our relations here with the Hill are very good.

Q They seemed very happy you were not going to press for more legislation.

A I think it is much better to tell them what we are going to do in advance.

Q Will you go by that same policy with the press with respect to your tax program?

Q Do you apply it to the Ways and Means Committee, Mr. Secretary?

A Yes, I do. I have been trying to apply it to everything. We are trying to do that. After all, they are making the laws, and I am just here to try to carry them out.

(Discussion resumed on the record.)

Q Mr. Secretary, do you have any views on the idea of the excess profits tax on individuals, so to speak?

A We have a lot of views here.

Q On that subject, Mr. Secretary?

A Well, on all phases.

Q I am sure the Treasury is famous for its views,

but I was wondering about that particular--

A No, that is just one of a hundred. Now, what happened was - the last thing was Mr. Doughton called me up yesterday, or the day before, and he said that before he left town he would like to get Mr. Paul and Mr. Stam together and get them working so that they would have something ready early in September. So they met yesterday afternoon. They leave town shortly, and Mr. Stam and his group and Mr. Paul and his group will be working this summer to work out a tax program.

Q Mr. Secretary, I didn't mean as to the mechanics of the idea. Perhaps it can't be done.

A But I am telling you something which is news, aren't I?

Q Yes, sir.

A I think that is news.

Q We just wondered, Mr. Secretary, whether you favored it, or have you any views yet?

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- A No, it is one of a hundred proposals. There will be rumors flying thick and fast all summer as you fellows get good leaks - or good leads. Which do you call it? (Laughter) You will have lots of fun all summer trying to find out what we are doing. We will try our best to discourage you. May the best man or woman win. (Laughter)
- Q Won't you guide us and help us with the correct information during the summer rather than see a flood of false rumors appear?
- A I will do the best I can - I will do the best I can to discourage you. (Laughter)
- Q Anything back of that Foreign Funds order regarding the checks and certified documents after August 23, I think it is?
- A Just to make it difficult. It is the same idea, to make it as difficult as possible for the Axis to get money out.
- Q Had you had any difficulties along that line, that it needed tightening up?

- A I imagine they wouldn't have gotten them out if they hadn't had. If you want anything special, Chick can get something from John Pehle for you. If there is a story there, get it for them.
- Q Mr. Secretary, is there any more news on the allocations?
- A Allocations?
- Q On the sales of securities.
- A No.
- Q Are you going to meet with British officials in any way soon on world monetary stabilization plans?
- A We are in contact with them all the time. There is nothing special.
- Q All right?
- A Thank you, Mr. Secretary.

SECRETARY MORGENTHAU'S
PRESS CONFERENCE
July 15, 1943

- H.M.JR: I hope you all liked my slogan "Back the Attack with War Bonds."
- Q Much better than the one you suggested.
- Q Pretty good.
- Q I was very much flattered by having somebody call up and ask my opinion of it before it was released.
- A I am glad you people stopped me from using the other because it wasn't very good.
- Well, I am at your service.
- Q Don't you want to tax with us a little this morning? (Laughter)
- A Tax with you?
- Q Yes.
- A I will rumba a little bit with you. (Laughter)
- Q They are talking about a sales tax. Mr. Gearhart says the Treasury is finally going to have to come to it as a last resort. Care to comment on that?

A No, sir.

Q Mr. Disney, on the other hand, says he doesn't think so.

Q Senator Willis, this morning, says he thinks you are going to have to come to it.

A We are going to have a lot of entries, aren't we? (Laughter) I am not going to get in on that.

Q Mr. Secretary, seriously, there have been suggestions made that perhaps the basis of the withholding tax exemption should be broadened to include such things as alimony payments, and charitable contributions, and State and local taxes.

A I love the combination - alimony, charity, and what else? (Laughter)

Q State and local taxes.

A Some combination. (Laughter)

Q They are no joke to the men who have to pay them, of course. I know of a man - I heard of a man with alimony payments very large.

Q We have a man on our staff who is paying three times as much in withholding tax as his tax bill is going to be.

A That isn't possible.

Q Alimony. He isn't able to deduct alimony.

A That is not one of my worries. It won't be, either. (Laughter)

Q Mr. Secretary, can you tell us something about the Treasury's anti-inflation program in North Africa in the occupied territories there?

A No.

Q There are a number of competing currencies there and it is my understanding that the Treasury has stabilized prices in that territory. I was wondering if you had any comment on that.

A No. If you want any information, Mr. Schwarz could arrange for you to talk with Mr. White about it. He has whatever information there is.

Q Coming back to the withholding, Mr. Secretary, would it not be possible, or would it be feasible to have some latitude there for the amount of exemption on withholding to cover such cases as were mentioned?

A I am not familiar with it. I really don't know. If that is a particular worry--

Q I understood some of the church organizations have made such a request of the Treasury.

A We can't do anything other than what Congress has directed us to do.

Q I was wondering if you intended to suggest that.

A It is a long way off. I mean, September 15 will be here before Congress does anything about a tax bill. When is it they convene?

Q The Committee gets together on the 8th, and they come back on the 14th.

Q Is the withholding showing up yet? Are you able to form any opinion?

A I have had no report yet. I have it in mind, and as soon as I get one I will tell you people. I have received nothing yet.

Q It showed up on the Wall Street Journal checks this morning. (Laughter)

A Did it? What effect did it have on you?

Q Well, you don't see me looking glum. (Laughter)

Q Have you had any other instances similar to your Bethesda affair out here; in which people didn't understand the withholding tax - the

laundry out here, when the laundry workers complained and they called on the Treasury to have somebody tell them about it?

A No.

Q How do you get the information, Mr. Secretary? Is it from collectors or employers, or do you have a sampling process? Are you familiar with those details?

A No, I am not. I know I have called for it, and I take it - do you know how they are doing it?

MR. SCHWARZ: They take a sample in the factories.

H.M.JR: Internal Revenue people?

MR. SCHWARZ: And the War Bond people.

Q Mr. Secretary, anything new on your international currency stabilization program?

H.M.JR: Excuse me. I think we have some of these poll people doing something.

MR. SCHWARZ: We have had them doing some things. I will check on this.

H.M.JR: Do you know, Fred?

MR. SMITH: The operation in Buffalo is going to check that.

Q Is that on withholding?

H.M.JR: The whole business.

MR. SMITH: Withholding will be a part of it.

Q How extensive is the sampling, Mr. Secretary?

H.M.JR: I really don't know. When we get the report we will lay the whole thing out.

Q A public opinion type of poll?

A We will lay it all out for you.

Q When are you going to set the goal for the new bond drive?

A I hope between now and the first of August - sometime between now and the first of August.

Q Have you made any plans yet, Mr. Secretary, for the type of issues?

A We are working very hard on it.

Q You haven't reached any decision yet?

A No. We hope within the next ten days we will have the thing all set.

Q Will there be an announcement then?

A I think so - yes.

- Q That is for the September drive?
- A Yes. We ought to have it cleaned up by then - within ten days.
- Q How was the opening date - how did they happen to select that date, Mr. Secretary? It is just a week before the September 15 income-tax payment. (Discussion off the record.)
- A For your information - I don't think you want to use it, because it wouldn't help - we wanted to go later, but the War Chest people, what was formerly the Community Chest--
- MR. SCHWARZ: National War Fund.
- H.M.JR: ... of which Mr. Aldrich I think is the head - we wanted to go later, and they had been allotted October by the President. Of course they were willing to give way, but they had everything much further along than we imagined and they pleaded with us to please get out of the way. Well now, it is a very worthy cause, and we were very much influenced by that. So we made it earlier. We couldn't go before Labor Day and

so we made it a couple of days after. We still didn't want to get into October. To get out of the way of what was formerly the Community Chest we set it just a couple of days after Labor Day. That is how we arrived at it.

Q That is just before the September 15 installment of the income tax. Don't you think that will be an obstacle?

A We don't think so. We just can't help it. We would have gone later if it hadn't been for the pleadings of the War Chest drive people who want October.

Q Thanks for tipping us off. (Laughter)

A But that is how we arrived at it. I don't think you want to run it. It wouldn't help us or them to run it. We are perfectly friendly, but they put up quite a fight. I thought it was reasonable, so we wanted to cooperate. And, as a matter of fact, most of these volunteers who work for them will work for us.

(Discussion resumed on the record.)

Q I see you have three international stabilization plans, Mr. Secretary. Do you expect any more?

A I wouldn't be surprised - a lot of ingenuity, a lot of good people thinking about it. The more plans and the more people who think about it, maybe we will get a good plan when we get through.

Q Do you expect to finish that work this year and complete a plan before the end of this year?

A I hope so. I certainly hope so. I would feel very badly if we didn't.

Q What do you think of the Canadian plan, Mr. Secretary?

A I haven't had time to study it. Right now I am concentrating on getting this so-called basket, or, the securities that we are going to use and the quotas, and everything else. All the time I have is going into getting this--

Q So-called what?

A What they call the basket. I mean they get all these securities, and they say they put them in a basket. When we get these six or seven

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securities we are going to offer they call it a basket around here. I don't know why.

We are concentrating on that and the quotas and the terms and all the rest of that, and it is a full-time job.

Q You say you are going to issue six or seven types?

A I used that. I mean a number of types. That is what I am working on and, as I say, it is a full-time job.

Q I see the Federal Reserve Bulletin seems to commend you lightly.

A Lightly, or politely? (Laughter)

Q Both.

A Well, all favors are welcome these days.

Q Isn't that surprising sometimes?

A No, it is all right. A pat on the back is welcome. We can use it.

Q Mr. Secretary, is the Treasury looking into John L. Lewis' income tax?

A Can I answer your question in my own way?

Q

Yes.

A

I take it you refer to the story which was brought to my attention which was in the Chicago Daily News of July 10, and all I can say to you gentlemen is that the investigation which we have made and which was referred to in that article has been forwarded to the Attorney General for such action as he sees fit.

Q

You have, then, made an investigation of Mr. Lewis' income tax?

A

I didn't say that. I said there has been an investigation made of United Mine Workers and the relation of the so-called B Mine.

Q

United Mine Workers' relation?

A

Their relation to the mine known as the B Mine, which I think is located near Springfield, Illinois, and Mr. Lewis' relationship to it.

Q

Is that a privately owned mine?

A

Yes.

Q

I mean, is it in the hands of--

A

As far as I know. If you haven't a copy of

that article, I will furnish you a copy of the article. It is easier to refer to the article. (Discussion off the record.)

Let me say off the record that I can't under the law discuss income-tax matters. You know that. If you put the question - I know you don't like to refer to a competitor - you can write it your own way - if you ask, "Have you forwarded this investigation to the Department of Justice?" I can legally say yes.

Q Suppose we should ask you if you had made some recommendations to that department, could you say yes?

A The thing has been forwarded to the Department of Justice for such action as they see fit. Now, off the record, I can tell you gentlemen that that story is correct, but you can't quote me because I might go to jail. If you want me to go to jail, quote me. But I can tell you I don't know where he got the story, and that is honest. I don't know where he got the story.

He did not get it out of the Treasury, I can tell you that. But if you say, "Is the story correct", I can tell you, very much off the record. If you say, "Have I forwarded it to the Department of Justice?" I can say yes.

Q You mean there are no leaks in the Treasury, Mr. Secretary?

A On important matters I don't think so.

Q That wasn't my understanding.

A You think there are?

Q Yes - well, there have been, let me put it that way.

A Not on important matters.

MR. SCHWARTZ: Not on income-tax investigations.

Q Perhaps not.

H.M.JR: I don't think there have been on income-tax investigations.

Q Don't try to plug what leaks there are, Mr. Secretary.

A I don't think there have been any on the income tax. From time to time, sure, there

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have been leaks. You boys and ladies have been too good.

Q What are newspapermen for, after all?

A That is right. I say you boys and ladies have been too good. I am trying to be helpful. Have I been helpful?

Q Very.

A As a matter of fact, again off the record, I understand the thing was put up to the Department of Justice yesterday and they admitted, I am told, that the investigation is over there with them. Now please don't -- treat me right, because I am trying to treat you right.

Q We try to take care of our friends, Mr. Secretary.

A It is a very ticklish matter. As I say, there is a distinct law that I can say to you people - you say, "Is this report over there?" and I can say yes. What did I do? I simply sent it over. What is in it I can't say. Now, what the Department of Justice does, that is their business.

But I also can tell you I am confident that that story did not come out of the Treasury.

Q Thank you, Mr. Secretary.

A Mr. Secretary, that was an awfully late announcement last night.

Q It was an awfully hard day's work, too.

Q Did it have to go out last night?

A Yes.

Q Was it spot news?

A Yes. We had to refund a billion six in two days.

Q Not the first one. I mean the last one - the fifteen billion.

A Yes, we wanted it all off.

Q Some of the papers didn't even get it.

A I can't help it. I never worked harder in my life than in the last ten days.

Q We understand you might be giving it out today rather than--

A No. It doesn't happen very often. You get it by seven o'clock, didn't you?

SECRETARY MORGENTHAU'S
PRESS CONFERENCE

July 22, 1948

- Q Mr. Secretary, that was an awfully late announcement last night.
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- A No. It doesn't happen very often. You got it by seven o'clock, didn't you?

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- Q Yes, but it was awfully late to give it good treatment.
- A Anyway, it was one of those things we had to do, and I put ten days of real hard work on it.
- Q It was a mighty good statement when we did get it.
- A There is no apology. We just worked our heads off on the thing, and I wanted it out this morning. After all, it is the biggest financing that any government ever undertook, and everybody worked terribly hard. There were an awful lot of people to consult - an awful lot of people we wanted to be happy about the statement. It had to be shown and suggestions made - the combined front of the administration and the advisors to it - so when it went out it was as near, I should say, the combined effort of Washington and the States and the financial communities that anybody could get. I think everybody is happy about it.
- Q Mr. Secretary, it recalls old times. I have

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been here at the Treasury for a long time. In this room some twenty-six years ago, I think, I talked with another Secretary of the Treasury, Mr. McAdoo, and he gave out a statement on the first liberty loan at that time, which was one-fifth of the amount that you are seeking to raise. As I recall it, Mr. Secretary, I think his statement came out about seven o'clock, too.
(Laughter)

A I hope that there won't be any necessity for the rest of your life and mine, after we have won this war, to get one out - or twenty-six years from now.

Q Mr. Secretary, have you made your survey of the pay-roll allotment plan?

A No, unfortunately. We have been asking, and I hoped to have something for you. I haven't anything worth giving out, but if we do get something we will give it to you. But what we have is not any good, I am sorry to say - I mean in the sense of news.

Q I just wondered if you cared to go into any more detail on your statement carried last night on the basket.

A No. I haven't seen a copy of the American Banker, but the New York and Washington papers treated us very well. So I am very much pleased. As I say, the only papers I have seen are New York and Washington, and I think we had fine treatment. I am delighted.

Q Is there going to be available, Mr. Secretary, in one release a full description of each one of these offerings in detail?

MR. BELL: Yes, later on. There will be the usual release, plus the official circulars.

Q That is not available now?

MR. BELL: No, it will be another week or ten days.

Q Mr. Morgenthau, you stated some time ago that you had to raise forty-five billion in bonds or taxes by the end of the year. Now, where will this fifteen billion leave you in that picture?

MR. BELL: I think fifty billion from July 1 to January 1, and about fifteen billion of that will be taxes.

Q You mean taxes and securities?

H.M.JR: Rather than try to do it by memory, why don't I ask Mr. Bell to get up a little statement for you within the hour and send it down.

Q So we can see where we stand with respect to that figure which was previously released.

A Right. He will get it down to you within the hour. And let me have a copy of it, too.

(Laughter)

Q Do I recall that a press conference or two ago you said you wouldn't have to ask for any more new money until - with the exception of the bills - September 9?

A I don't remember saying that.

Q I have the impression you said that. In connection with that, I was puzzled about this nine hundred million.

MR. SCHWARZ: You told them, Mr. Secretary, that on the certificates you probably would ask for some

new money.

Q That is right.

H.M.JR: The gang is against you. (Laughter)

Q I am in error, apparently.

Q Do you contemplate this will be the last drive of 1943?

A No, I can't say that. There may be one in December.

Q A public drive?

A A public drive. There are two factors. The principal factor is how fast they are going to spend the money. That is the principal factor. The other is how much they over-subscribe to the Third War Loan.

Q I see that you are printing a lot more occupation dollars, Mr. Secretary, according to the papers.

(Discussion off the record.)

A Well, the story on that - very much off the record, because it is censored, anyway - is that we have asked the War Department to

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release the story, and after you people leave I will call up Mr. McCloy myself and ask him again if he will please release the story today. I will put the heat on him for you.

Q That release will come from the War Department or the Treasury?

A Would it be a joint statement?

MR. SCHWARZ: It may be a joint statement through OWI or the War Department.

H.M.JR: I will let you know what his answer is. I will send word down to you. We think the story should have been released two days ago. I am not trying to blame anybody. They may have military reasons which I very well may not be aware of. But, anyway, I will try to get you the story. I would like to have it out.

(Discussion resumed on the record.)

Q I think it was a month ago today in a letter you sent out regarding this drive that you said invasion of Europe probably would help things along. It was a letter, I think, to the State

War Finance chairmen.

A I don't remember exactly what I said, but I think that the success we are meeting with all over the world can't help but help our financing. I am glad to say that. I feel that way.

Q I believe that letter definitely mentioned the invasion of Europe.

MR. BELL: I think it said something about the second front, right after the President's and Churchill's statement.

H.M.JR: Tell me what you want me to say, and I will see if I can say it. (Laughter)

Q Is there still going to be an invasion of Europe before September 9? (Laughter)

A I can't help out on that.

Q Mr. Secretary, do you expect to increase the size of your bill offerings?

A I don't think so. I think we will run along now for a while at a billion a week, which is a tidy sum.

- Q The question of increasing before, say, the end of the year is not completely decided yet?
- A No. The bill thing is on a week-to-week basis. For the immediate future I think they will stay around a billion. But that doesn't mean that I can't change my mind next week. I reserve that right.
- Q Anything about taxes, Mr. Secretary?
- A No.
- Q Mr. Paul and Mr. Stam haven't reached a disagreement yet? (Laughter)
- A I will give you a double negative on that. (Laughter)
- Q I understood they were in disagreement when they started, Mr. Secretary. (Laughter)
- A I am not going to help you out one bit. (Laughter)
- Q I mean pleasant disagreements. (Laughter)
- A Not that I know of.
- O.K.?
- Q Thank you, Mr. Secretary.

SECRETARY MORGENTHAU'S
PRESS CONFERENCE

July 29, 1943

H.M.JR: I saw by the papers that Senator Taft had quite a lot to say yesterday about the informal conference that took place on the Hill.

Q Pension trusts?

A Yes, and the honor of the Treasury was more or less criticized. So I asked Mr. Surrey, who is entirely familiar with what happened, to give you people our side of the story.

Will you explain to them first, Surrey, the background, just what happened?

MR. SURREY: Senator Taft stated that the regulations were issued in direct defiance of an opinion given to the Treasury by the Senate Finance Committee. What really happened was this: In the preparation of our regulations, which was a very long and difficult job because it is one of the most difficult sections of the revenue laws, we came to some problems where we thought it might be helpful to take up with a special committee of

the Senate Finance Committee. This committee had considered the matter at length last year, 1942, when this question was gone into.

It was so important that the Senate Finance Committee had itself set up a subcommittee in 1942, and since that was a little out of the ordinary we thought it would be advisable, since we had a difficult problem, to consult with the special subcommittee but not the entire Senate Finance Committee.

The members were Senator George, Senator Radcliffe, Senator Taft, and Senator Vandenberg.

It was an informal discussion, and Senator Taft is quite right in saying that in his opinion he thought the regulations were contrary to the statute, although I might go on to say, in view of the statement, that he thought there was merit in the regulations and the viewpoint taken in the regulations but that he thought that viewpoint could not be taken because of the express language in the statute.

Senator Vandenberg thought that the position taken by the Treasury was legally valid; that the Treasury could take that position as a matter of policy but the question was simply whether it was a desirable policy to take in view of the freedom we had to decide the matter either way under the statute.

I do not believe the other Senators present expressed any opinion that the position taken by the Treasury was contrary to the statute. They did say that the matter had not been discussed, as far as they knew, when the statute was adopted, and consequently they had no opinion on it at all from the discussion that took place in 1942. So the Treasury regulations were certainly not issued in any defiance of any opinion of the particular Senators present. If anything, my impression was that as a matter of law the regulations were valid, that it was just a question of policy.

It may sound a little surprising that you can go either way, but the pension trust provisions

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of the statute delegate a great deal of authority to the Commissioner of Internal Revenue and the Secretary of the Treasury in that pension trusts are entitled to the special tax benefits which the statute gives. The benefits are very beneficial, and only those trusts which the Commissioner of Internal Revenue finds do not discriminate against certain classes of employees are entitled to these benefits. Consequently, the real question is, what policy should the Commissioner of Internal Revenue take in ascertaining whether a trust discriminates against certain classes of people. Now, that is a major policy question, and the Commissioner can go several ways on that, depending on which he believes is the right way under the spirit of the statute set forth by the Congress.

The statute expressly says that the Commissioner can only give the tax benefits which the statute

gives to those trusts which he finds do not discriminate in favor of highly paid employees and supervisory employees.

The particular question that Senator Taft was interested in dealt with pension trusts which are set up by an employer to cover only those employees in his plant earning more than three thousand dollars a year. You know how salaries run in those plants generally, and we have found that on the average the number of employees over three thousand dollars a year comes to only four percent of all the employees. That is on an average. It may vary in different plants. And we have found that most of those earning over three thousand dollars a year are supervisory people. Consequently, those trusts would be discriminatory trusts.

The reason, however, that they exclude those earning less than three thousand is that those people are covered by social security, which stops at three thousand; and these trusts came

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into existence around 1939, 1940, and 1941 to supplement social security for the higher paid people.

Treasury regulations take the position that these trusts are all right if the benefits they give to the few people, the supervisory people and the higher paid people, over three thousand dollars, are not greater than the benefits which the people - ninety-six percent of the employees - under three thousand dollars get under the social security.

That is the very reason for cutting them out of the pension plan, that they are adequately taken care of under social security and that those over three thousand dollars are not taken care of because social security stops at three thousand. The Treasury regulations take the position that the very essence of the dividing line is to supplement the social security benefits for those over three thousand dollars, and therefore the regulations state that the private plans must

be integrated with social security plans so that when the two are put together nobody in the factory is discriminated against. The position taken, we feel, is the only one that could be taken under the law and under the spirit of the amendments in the 1942 act.

If that position were not taken, there would be a terrific loophole in the statute, and employers would be allowed to set up pension trusts which would cost them hardly anything because ninety percent of what they contribute to the trusts is paid by the Government. In view of the fact that it is deductible from the income and excess profits tax, it wouldn't cost the employer anything, and the benefits would go to a very small class in the particular plan.

Those benefits would be paid for by everybody else because the amount of tax saving would be enormous. It would run into millions of dollars. Unless this position were taken, there would be a tremendous pension trust loophole; and the

entire question was gone into in 1942 solely to close pension trust loopholes, and any position contrary to the Treasury regulations would make the amendments of 1942 just largely nugatory and would nullify those amendments. So the Treasury believes that under the law it is the only position that can be taken within the spirit of the amendments made in 1942.

Q Mr. Surrey, when you say that the benefits for these higher paid employees above three thousand dollars must not be greater than the benefits for those below three thousand dollars, do you mean in the aggregate?

MR. SURREY: Proportionate to salary. In other words, a man earning three thousand dollars gets a certain annuity when he retires under social security. It varies, but let's use an average, which I think is about thirty-three percent of his salary each year. The Treasury regulations state that the private plan can give a man earning ten thousand dollars thirty-three percent benefits

but it can't give him a retirement annuity at fifty or sixty percent of his salary, because then the higher paid people would be getting retirement benefits of fifty percent of their salary and the men excluded from the plan, which are the great bulk of the employees, would get retirement benefits at only thirty-three percent. Now, this must be said - and this is important - that the question is very technical and complex and involves in large part a number of actuarial computations of how to integrate plans of social security; and the Treasury regulations when they were issued were accompanied by a press release stating that there is no set formula which has to be followed and that each case is judged on the facts.

We in fact invited employers to come into the Treasury with their pension plans, sit down and talk it over with the Bureau and see whether the plans were in harmony with the regulations and the statute.

Now, until that is done no particular employer can really say that his plan is invalid; and consequently the statement of the Senator that the regulations will nullify tax exemption for employee pension trusts of many large companies is a little premature because they haven't yet come in to talk over their plans.

These are very complex matters - pension trust plans - and our actuaries and officials intend to sit down with the employers and work through these matters and see whether the plan was not in harmony with the particular provision of the regulation of the statute.

There was no desire to outlaw pension trust plans, or anything of that sort. Any talk of legislation is a little premature until employers actually find what the requirements are when they talk it over, because these plans differ very remarkably.

H.M.JR: Have we turned any company down?

MR. SURREY: No. I checked with the Bureau, Mr. Secretary.

They have started to come in. They are studying the regulations, and they are starting to come in informally. All the comment has been that the regulations are very fair and reasonable.

H.M.JR: But no company has been turned down?

MR. SURREY: No. They have until the end of the year to qualify.

Q May I ask, Mr. Surrey, if, as you say, this tremendous loophole would occur if this interpretation were not given under the law - when the legislation was under consideration wasn't the loophole contemplated?

MR. SURREY: This particular aspect was not foreseen at the time. In other words, the loophole was contemplated that you should not be able to set up pension trusts by picking out only a few employees and giving them the benefits of pension trusts at the exclusion of everybody else. You can set up any kind of pension trust that you want. The Treasury is not concerned with that, and the Congress is not concerned with that.

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But certain trusts get very considerable tax benefits because the trust income is exempt from tax. Employees do not pay tax at the particular time; and the position of the Congress and the Treasury was that these extreme tax benefits should only be given to trusts which are non-discriminatory trusts. The desire was to prevent these tax benefits from being given to a few employees in the company, generally the supervisory and key officials.

It was not particularly seen how the effect of this three thousand and over dividing line would work out.

In actual practice it apparently would work out to still keep the benefits in a very small group because the number of people getting over three thousand is really a very small group proportionately.

Before the regulations were issued we examined about six hundred pension plans in conjunction with a large number of the insurance companies .

that write these plans, and the whole matter was talked over at an all-day conference with representatives of practically all points of view in the pension trust field before the regulations were issued. So all the information the Treasury could possibly have gotten on the subject was obtained, and the conclusion was reached that in actual practice if employers were permitted to set up trusts for the benefit of those earning over three thousand dollars - only those - the enormous tax benefits which would be given would be concentrated in the hands of a distinctly minority group, about four percent of the employees.

Q

Then the law, as I understand it, does not set up any limit to the amount - any percentage limit to the amount as regards salaries which should be paid in these trusts, but the regulation has the effect of establishing the thirty-three-percent limit, is that correct?

MR. SURREY: No. The regulation with respect to a pension trust plan that covers all employees says there are no particular limits as to the amount of pension except that you cannot pay unreasonable salaries.

In our study we found out that about eighty percent of the pension plans cover all the employees in a particular company and are non-discriminatory.

The particular ones that Senator Taft refers to concern about, I think, seventeen percent of existing pension plans, those that split at three thousand dollars. We found that most of those plans were set up in 1940 and '41, which, as you all know, is the era when tax rates started to go up and when deductions came to be worth something.

It was these particular plans that caused the trouble. The other plans did not discriminate, and all the benefits of the statute were given to everybody in the particular factory. These

plans concentrated the benefits in the hands of a few people at the top, that is, generally the supervisory people.

You will find some of the pension trust plans set up were for the benefit of the supervisory employees. The statute says the Congressional policy is that the Commissioner cannot give the tax benefits to those plans which he finds discriminatory in favor of supervisory employees; and that is a direct instruction to the Commissioner.

Now, if he picks up a three thousand and over plan and sees it expressly states it is for the benefit of supervisory people, he has no choice in the matter.

H.M.JR:

I think Senator Taft's criticism was entirely uncalled for and unjust.

If you are satisfied on that, would you like to ask me any questions?

Q

Mr. Secretary, there have been stories printed

to the effect that some small employers are absorbing the twenty percent withholding tax for their employees in order to keep them.

A I have read about it, and I have inquired, and we have not had an answer. If we have an answer, Schwarz will give it to you. I mean I don't know whether it is true or not.

Q We would all very much like to know.

A We will give it to all of you simultaneously. I just don't know what the answer is. When Schwarz gets it, he will give it to you. I am interested, too.

Q Mr. Secretary, what is the straight dope on the published reports that the Treasury is abandoning its spendings tax idea?

A Well, don't take any reports on the Treasury's position on new taxes unless you get it from me, as far as the Treasury is concerned. I have nothing to say on any Treasury plans, so don't believe what you read in the papers - unless you write it yourself. (Laughter)

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Unless you get it right from me - everything is in the study stage. Everything is fluid.

Q In other words, you haven't taken a stand one way or the other?

A No, I am not going to say that. Everything is fluid. I will leave it that way. I like to be helped out, but not on this one. (Laughter)

Q Mr. Secretary, are you going to have a story pretty soon on the new money for Sicily, the occupation money?

A I think you people asked me that a week or ten days ago, and the Army is not willing to release the story. We will just have to wait until they are. They are not willing to release it or to have us release it.

Q They haven't given you any indication when?

A The only indication is that it will be some time. I don't know what the reason is. I would say it is not imminent and they don't want it released. They are very positive about it.

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(Discussion off the record.)

For your information, confidentially, they did consult General Eisenhower, and he does not want it released. In fact, he is sitting on it, so until he "unsits"-- (Laughter)

Q Some more bribery going on, perhaps, Mr. Secretary?

A Off the record, I don't see why we should bribe them. They are surrendering too fast. It would be money wasted. (Laughter)

(Discussion resumed on the record.)

Q Mr. Secretary, have you any further results on the poll that you were taking in regard to the withholding tax and buying of bonds?

A No. Have we?

MR. SCHWARZ: We have no further results yet.

H.M.JR: No. I am not withholding news on the withholding tax, so I will give it to you. (Laughter)

MR. SCHWARZ: All the reports we have so far are good. They are still scattered.

(Discussion off the record.)

H.M. JR: What about Mr. Tripp, who was going to give us a story on the Gannett papers?

MR. SMITH: He never turned up with that. He wanted to cover all the newspaper industry. He did not want to give us just that. He had very good luck with it himself, but he thought all the newspapers hadn't and he wanted to round up the whole business.

H.M. JR: Off the record, Mr. Tripp was in yesterday on this Allied Newspaper Council to help us on the War Bond business, and he made the statement - he is going to get it from all the newspapers - that the Gannett papers have not only under the withholding not lost but that since the withholding it has gone up - Gannett newspapers has increased. I asked him if he would give me that. I thought I would have it for today. Evidently he is now going to try to get it from the whole newspaper industry. I thought it was a nice story. I thought I might be able to do something for you.

Now he is evidently going to try to get it from the whole industry. But there is another indication.

He evidently didn't want to use that particular group of papers - I don't know, nineteen or twenty papers. Their War Bonds has increased.

MR. SMITH: They claim over in Pay-Roll Savings that every place where they have used the withholding as a sales promotion operation they have increased sales of War Bonds considerably in plants.

H.M. JR: I think we had better wait and get something concrete.

(Discussion resumed on the record.)

Q Any new developments on the next War Bond drive?

A Nothing other than what is coming out constantly.

Q Good reports in?

A Everything that is coming in is on the good side.

Q Prospects look good?

A A powerful campaign in the making.

Q What sort of an invasion are you going to stage in order to make that really go over? You are

going to have some kind of an offensive, aren't you?

A They will be feeding it to you. I hope they will feed it to you faster than you can take it. I hope they again designate various people covering the Treasury the way they did last time. I imagine they will. When Mr. Tripp gets going, I imagine they will designate certain people to spend all their time on it, because he is all enthused. He said that the thing is going so well he hasn't even had to call his committee meeting yet. (Laughter)

Q In regard to the President's speech last night, has he consulted you at all on any demobilization plans or where the money for the veterans' postwar plans is coming from?

A I think you had better ask Steve Early that question. (Laughter)

Q He has talked to you, you should know.

A Yes, but that is Mr. Roosevelt's business. I think you had better get it across the street, I am sorry.

Q Thank you, Mr. Secretary.

CHAIRMAN DOUGHTON'S
PRESS CONFERENCE

August 3, 1943

MR. DOUGHTON: I have issued a statement here dealing with, just in a general way, the subject of the work of the Committee on Ways and Means with the Treasury and other interested parties with respect to the tax bill which we propose to take up some time in September.

We said when Congress adjourned that it would begin to work on the tax bill about the 8th, which is approximately a week before Congress reconvenes.

I have a statement I am giving to the Press. I have had a satisfactory conference with the Secretary of the Treasury and his staff. The statement speaks for itself. (Copy of Press Service No. 37-93 attached.)

It may be that tomorrow I will make some statement about - I am not certain - I may issue some statement tomorrow about the details

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of the work of our Committee. I am not ready to do that today. If I do, I will give it to you.

Q You mean what you have done to date?

A No. This (indicating statement) is what we have done to date. I said about the work of the Committee, when we would begin and what phase of the tax subject we might discuss first, that I may have a statement about that tomorrow. There is no change so far.

This is just a general statement on the subject of our work - my own statement, after conferring with the Secretary of the Treasury, Mr. Paul, and members of his staff.

You always expect something in the papers.

While I don't write tax laws alone - that is the work of my Committee, in cooperation with the Treasury Department and the staff of the Joint Committee on Internal Revenue Taxation - I want to let you know that it is on our minds. We

are working on it, thinking about it, and getting ready to go to work on it in a general way. This statement speaks for itself.

Q Does this "fundamental issues" include the amount of money that you have to raise?

A Have you read it all?

Q Yes. You say you have agreed on the fundamental issues.

MR. SMITH: There is another statement about that.

MR. DOUGHTON: Read it all. The statement interprets itself.

It doesn't need any interpretation more than what is contained in the statement. It is so easy to read between the lines, something that perhaps we don't think about or don't intend or don't mean. That refers to the statement - it will be all I say, and anything else - I hope it won't be guessed at, and maybe some wrong interpretation made of my position about taxes.

I don't know of anything further.

Q Mr. Doughton, I don't quite understand the distinction between a program and a revenue-

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raising bill. Would you make that a little clearer? You say, "I believe that the new revenue bill should be a program to do two things: to raise revenue and to combat inflation. It should be more than just a revenue-raising bill."

A You have to take into consideration the inflation business. It has to be worked out by provisions which we will get out in the Committee. But everybody knows that at least something must be done to combat inflation. We all know that. I don't think anybody disputes that.

Q No.

A The more taxes we can properly raise and equitably raise, the better we will get along towards combating inflation. But in combating inflation, we don't want, as far as I am concerned, unbearable tax burdens. We have to keep the two subjects together.
I think that is enough for me to say.

TREASURY DEPARTMENT
Washington

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FOR IMMEDIATE RELEASE,
Tuesday, August 3, 1943.

Press Service
No. 37-93

After conferring with Secretary Morgenthau today, Chairman Doughton of the House Committee on Ways and Means made the following statement:

After a discussion in the Treasury this afternoon, I can safely state that we appear to be in agreement on most of the fundamental issues concerning the need for increased Government revenue to pay a larger share of the war costs, and that with rates rising we should look for ways of protecting taxpayers whose working and living conditions subject them to special burdens.

I do not mean by this that we are at this time in complete agreement as to the amount of revenue to be sought, because that is a decision which could only be made in full Committee.

However, it is safe enough to say that the amount of revenue which eventually will be sought, by whatever method is determined upon, will be within the limitations of taxpayers to pay. The belief that we should obtain more of the war costs from current income than we are getting now is almost universally held.

It is my feeling that we face considerations in the coming revenue bill which have not been as vitally important before. For example:

- (1) I believe that the new revenue bill should be a program to do two things: to raise revenue and to combat inflation. It should be more than just a revenue-raising bill.
- (2) The burden of any tax or anti-inflation proposal should be as equitably distributed as possible, not only between upper and lower income groups, but by recognizing that in any income group there may be people who need to be protected against the full impact of tax increases. I am encouraged by the results of our talk.

SECRETARY MORGENTHAU'S
PRESS AND RADIO CONFERENCE

August 5, 1948

- H.M.JR: I have nothing. Have you anything?
- Q Mr. Secretary, can you tell us anything more about the invasion money and what is back of it - what sort of securities are back of it?
- A No. All we can say is what was in the press release.
- (Discussion off the record.)
- And, quite frankly, that is all we have been allowed to say.
- Q By whom?
- A United States Army. My remarks about by whom are just for the Wall Street Journal - exclusive. That is an off-the-record remark.
- (Discussion resumed on the record.)
- Q Mr. Secretary, you saw Dr. Spahr's statement in connection with that, didn't you?
- A I am afraid I did.
- Q He raised some points that are interesting. We would appreciate some statement.

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- A I can't do it. If you noticed, the release originally came out of General Eisenhower's headquarters. It is distinctly a part of the military operation, and I think that General Eisenhower should--
- Q If some release could be prepared in answer to those questions with the Army, we would appreciate it.
- A I know what you want to know, and there is an answer. When they are ready, we are ready. But they have good reasons. I am with them. I think they have good reasons, and in good time they will be explained. I think you people have to be a little patient. After all, they are in the midst of a fight.
(Discussion off the record.)
- Q Mr. Secretary, you didn't mean when you said the United States Army that that was off the record, did you?
- A Yes. He asked me who said--

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Q You said that was all you had been authorized--

A You said, "By whom?" I said, "The Army."

Let me go on the record.

(Discussion resumed on the record.)

A You people asked me for an explanation. At this time I can't give any additional information. I don't want to blame the Army. I will just say I can't give you any additional information for military reasons.

Q Can we add to that that later on you will make an explanation?

Q You said it would be explained in good time.

A That is right.

Q Can we add that?

A Yes, that is all right. Don't ask me how long is "in good time." (Laughter)

Q Mr. Secretary, do you expect the renegotiation question to hold up the tax bill appreciably?

A No.

(Discussion off the record.)

Very much off the record, I will give you the whole story because you people are all interested. You have been helpful on the thing. This is off the record, just so that you know.

Mr. Doughton calls his committee together on the eighth, and they all get together and everybody has a tax bill, and we go on the air the night of the eighth opening the Third War Loan and asking for fifteen billion dollars. Everybody gets upset. They don't know what they are going to have, whether it is going to be forced savings, the volunteer plan, or what, and here we are asking forty million people to loan their Government each seventy-five dollars. So I explained that to Doughton, and Doughton said he would do anything I wanted to help us. So we asked him quite frankly if he would stall on it for a week to get us started, because if we get a week's head start we are all right. He said he would, and therefore he is going to do renegotiations first, which gives us a week's head start. Those are the facts.

Q There is no harm in that, either, because renegotiations is so closely tied into your taxes.

A That is right. But to have them all come back - there are twenty-six members, and every one of them will have a different tax bill. It will get the people all confused and get their minds on that instead of loaning their Government some money. He did not hesitate a minute. He said he would do anything we wanted. So those are the cold facts.

Q That story came off the Hill yesterday afternoon. A.P. had just about that same story.

(Discussion resumed on the record.)

Q Do you think they will have to do anything on the renegotiations other than just fuss around for a week or two?

A No, we will go up - the Treasury will go up and is ready to discuss it with the committee.

Q Renegotiations?

A Yes.

- Q You will appear on that subject?
- A No. I think it will be Mr. Paul or Mr. Joe O'Connell - one or the other or both. No, I will not.
- Q Could you discuss the progress of tax discussions in the Administration?
- A Did I, or would I?
- Q I said, could you.
- A Nothing other than what Mr. Doughton said formally the other day. We are all working very hard here, and I feel we are making good progress. We are in almost daily conference with Mr. Stam, who heads up their staff up there, and I feel the work they have done so far is all to the good.
- Q Do you report your progress to Mr. Vinson as you go along, Mr. Secretary? (Laughter)
- A I was expecting it, but not in that form. (Laughter)
- I will answer it in my own way. We are going ahead with preparation of a tax bill, and I

think it is very fortunate that we have a man with Mr. Vinson's long experience on the Ways and Means Committee attached to the Executive end of the Government. We have been in frequent consultation with Mr. Vinson and his advice has been most helpful, and we have been in consultation with other members of the Government who are interested in the tax program.

Q Does that mean Mr. Byrnes?

A No, I don't mean Mr. Byrnes.

Q Members of his staff?

A No, I was thinking more of Federal Reserve, OPA, the Director of the Budget. Those are the people that we have in the past--

Q You will submit the program?

A I mean, those are the people we have in the past consulted. In the past in the preparation of a tax program we have asked anybody who works for Mr. Roosevelt, including Mr. Roosevelt, whether they have any tax ideas; and out of that we have in the past arranged an Administration

program which in the final analysis goes to Mr. Roosevelt for his approval before we submit it. Now, we are following exactly the same procedure this time.

Q How about social security?

A On social security, we have always worked very closely with Mr. Altmeyer on any program that he has had.

Q After the thing has been submitted to Roosevelt, then you will take it to Capitol Hill?

A As we have in the past. We are following exactly the same procedure that we have every other year, and we are getting good cooperation. After all, a lot of people in the Administration want to be heard, have a right to be heard, and we want to hear from them. We are following exactly the same procedure we did last year and the year before, and the year before that.

Q There was a story in the paper the other day to the effect that Judge Vinson had indicated his opposition to a spendings tax proposal. Will you comment on that?

- A That was not a direct quote from Mr. Vinson, was it?
- Q No, it was a report.
- A Well, you know, an old newspaperman--
- Q Yes, but they are right some of the time, sir.
(Laughter)
- A Well, I am not going to comment on a dope story written by a newspaperman - I don't know who it is.
- Q Written by a dope, probably. (Laughter)
- A I didn't say that. I said a dope story. It seems to me the only person that could answer that would be Mr. Vinson.
- Q Mr. Secretary, in the President's budget he didn't mention any specific figure as the tax objective, and I wondered if there was any particular reason for that.
- A No.
- Q I mean, that twelve billion remains?
- A Remember how I explained it, dividing it on a monthly basis? I mean, if the tax bill passes

late this fall, we cannot get twelve billion dollars in this fiscal year, but we hope to get a billion dollars a month through taxes.

Q For a full year's operation?

A For a full year's operation.

Q Mr. Secretary, how is the bond redemption picture looking now after a month of pay-as-you-go?

A Very healthy. It has levelled off. Frank Tripp sent me this from his own paper (indicating clipping from the Binghamton Press dated July 26, 1943, copy attached).

The thing has struck a level. I don't want to guess it. We will give you the figures. It seems to have struck a level, and the War Bond people, Internal Revenue, and everybody that we have talked to seem to think that whatever is going to happen has happened and it seems to be on the plus side.

What else?

Q Thank you, Mr. Secretary.

Pay-Go Tax Brought Loud Groans At First but 'Pain' Is Forgotten Now

Industrial Executives Say Most Everybody Is Happy

By GEORGE W. TETMERLY
Binghamton Press Staff Writer

Low whistles and loud groans evoked by the new withholding tax were the order of the day for days not so long ago when Uncle Sam's tax-digging steamshovel started working on John Q. Public's wage check on a weekly 20 per cent basis.

Percent resolutions were heard the length and breadth of the Valley of Opportunity that promised curtailment of the purchase of everything from chewing gum to War Savings Bonds.

Like having a row of teeth pulled, however, the public "got used to it" after Uncle Sam as dentist pulled dollars from subsequent pays.

Grumbling Dies

It appears that the grumbling has died down, that most weekly wage-earners, after noting the deductions on their wage checks, three pay days in a row, have come to terms with the idea.

Maybe pay-as-you-go isn't very different from paying in four installments after all. They feel, after they've stopped to think, it's the same old tax they used to pay in from one to four installments.

And they don't appear to be thinking about cutting down on the purchase of War Bonds.

Complaints apparently came chiefly from those employees who were overpaying their taxes or slightly because their wages fell in the lower portion of a withholding bracket. An extreme example was this attributed to a weekly wage-earner:

"My salary gets into a higher bracket by just a few cents. As a result, I'm paying the Government \$89 a year too much. Of course, I get credit on my taxes at the end of the year, but I can't get credit. I want my money."

Credits Next March

Nevertheless, the tax collector has observed, the wage earner will be glad to have those credits next March, particularly if his income is to be higher this year than it was in 1942.

Aside from this point, however, most seem to be satisfied.

Take it from officials of Triple A industries and the general public.

Official:
JAMES L. BARTON, IMA, Chairman of the War Production Advisory Committee (which has under its supervision a subcommittee on bond purchases)—Generally, the 20 per cent withholding tax has no effect on bond purchases. We feel that our employees are aware of the withholding tax in budgeting their expense and that it is a much improved method in comparison with the annual quarterly payments. As definite proof of this IMA employees are investing more than 10 per cent of their gross pay each week and 25 per cent of the payroll allotment plan.

GEORGE W. JOHNSON, president, Endicot Johnson Corp.—I think the plan is O. K. with our people. There might have been some grumbling at first but I believe now the taxes are accepted as a "must." Our people here have accepted it in the same good grace as everybody else. They realize "taxes" must be heavy and are acting accordingly. As far as I know, bond sales have not been affected and I believe they're going to continue to go over with a bang.

CLARENCE HOTCHKISS, president, Slow Manufacturing Co.—There were a few who at first didn't understand the plan but now that it's in operation, I think they like the new method of tax collecting. I haven't heard any complaints.

PAUL TITCHENER, president, E. W. Titchener Co.—The reaction to the plan has been favorable here. There were some questions because of some of the confusing provisions of the tax law, and because it's so entirely different. There has been no effect on bond sales as yet.

JAMES A. McGARRITY, treasurer, Van Ballou Press—Workers here have accepted the new tax as a matter of course. Our bond sales here haven't fallen off—in fact they went into effect before the tax.

Spokesmen for two plants said: AGFA-ANSCO DIVISION—There has been no complaint about the new tax here. Very, very few cancellations of bonds purchased under the payroll deduction plan have been reported.

LINK AVIATION DEVICES, INC.—We have heard no complaint concerning the pay-as-you-go tax plan, quite the deductions.

Here are some typical comments from the men and women who are hit by the tax as they were selected at random by the interviewer:

JOHN H. WILKINS, mechanic, 51 St. John Avenue—I feel I can stand it if it helps the war effort. It doesn't make much difference although it doesn't take the new way makes it easier to pay. I think I will be freer most very low. Those people whose wages are

MRS. F. D. SILVERNAIL, clerk, 112 Mitchell Avenue—I feel we

It takes what we get... but I don't mind it. I've heard it over again last March—it's so complicated. Why don't they collect the tax and do with it? Yes, I'll continue to purchase the same amount in bonds as before.

GARFIELD P. McGINNIE, war work center, 180 South Washington St.—I think it's a good plan if it helps on the war. I've heard no complaints and I don't believe the sale of bonds will be affected. I know it won't cut down on my purchase of them.

GLEN L. HOOVER, City of Binghamton Fire Marshal, 10 Stone Street—I don't think there's any difference how the tax will be collected. I think, however, that the sale of bonds had not been affected by the other hand I believe they won't be caused in pay quarterly income taxes and for that matter they buy them from now on will hang on to them.

MRS. ROBERT CLEARWATER, 134 Clinton Street, war worker—I guess it's all the same when you get it all figured out by your agent in favor of the old way of collecting. I've always regarded income tax as a bill and planned accordingly. Now when the pay check comes in it looks awfully small. I don't believe the tax will affect bond sales except those whose incomes are small. I've heard their insurance because of the new tax.

E. F. GARNES, policeman, 10 Peck Street—It's O. K. with me. After a couple of weeks I don't know it's gone. I've heard no serious complaints and I don't believe it'll cut down on the sale of bonds. I know it won't with me.

FRED O. BLACK, shop foreman, 4 Ambury Street—It's all right. But hat's good and bad points. I understand the new plan by the time really know what you have. If we don't need more pay, we're concerned. I guess everyone will be concerned in it. As far as bonds are concerned, they're smart will keep on buying them. After all, more than they are the government.

FRANK M. DEWEY, Binghamton Savings Bank secretary, 43 Davis Street—I think most of us feel the new plan is a good idea. It'll allow on less, but it seems to get most everyone will get used to the idea and approve and it's better than having to pay out on a heavy bond tax. As far as bonds are concerned, I believe the war effort is going to get behind the war effort and believe that bonds are the best investment of them all because there's nothing to worry about.

SECRETARY MORGENTHAU'S
PRESS AND RADIO CONFERENCE

August 12, 1943

- Q Mr. Secretary, on behalf of the Press Associations, I would like to thank you for the announcement we had yesterday about the meeting. We liked the way it was handled very much, just being called upstairs and told.
- A On behalf of the Treasury Department, these two gentlemen (Mr. Smith and Mr. Shaeffer) will have to take the bow. It doesn't belong to me.
- Q We appreciate it a lot.
- A Confession is good for the soul. When I saw it on the ticker I sent for them. I said, "Who gave this story out?" They said, "We did." So I said, "All right." (Laughter) So I can't take any credit for it.
- Did you like it?
- Q I hope you will instruct them to do it again.
- Q All we need now is a transcript of the meeting.
(Laughter)
- Q We will just take the highlights, Mr. Secretary.
(Laughter)

A Anyway, I am glad you are pleased.

Q Could you tell us anything further about the meeting, Mr. Secretary?

A I think that the Press Room - my Press Room, as we call it - did a good job. I think they told you everything they should have told you.

Q And?

A Period. (Laughter)

Q Are you going to hold another such conference soon?

A Yes, I think we will have another one, most likely next week.

Q The same group?

A The same people will be asked. If they were not bored, they may come again. I don't know.

Q Do you feel you made progress on the last one?

A Yes.

Q Did you go into the various different ideas on a tax program, Mr. Secretary, of what, say, Vinson might have to offer and what Nelson might have to offer, and so forth?

A I think the boys told you everything that you

should know.

Q We hear that there was a gross tax discussion, and it has alarmed a lot of people. Could you deny that?

A No, I am not going to - that would open the door.

Q Well, that is what we are endeavoring to do, Mr. Secretary. (Laughter)

A I am not going to help you. (Laughter)

We have done this thing before. Do you remember when you ran into me on the stairs last year when we had one like this?

Q Yes. That was a luncheon I wasn't invited to attend. (Laughter)

A That was a supper. (Laughter) This is not new. We did it last year. We had a couple of those meetings last year except that we had them in the evening.

Q Did you have War and Navy last year, Mr. Secretary?

A I don't know whether we had them, but we talked with them last year as we went along because they are interested from two standpoints. First is

the corporations tax. They don't want to get it beyond the point where the corporation is not interested. We consulted with them last year as to how high we should go in the excess profits tax, and we arrived at a figure after consulting with them and with Mr. Nelson. Then also they are very much interested in the incentive payment, or whatever they call it, to increase individual production. They have a real interest in the personal income tax, that that will be within the realms of equity and still the man will have the incentive to go forward and produce. So they have a vital interest in this thing. They were glad to be there.

Q Does the War Production Board viewpoint kind of jibe? I mean, their same interest in production, too.

A There is Mr. Nelson and his organization, and there are the Army and the Navy; and I want to get the benefit of their advice. They were very glad to sit in on it while the Administration

is getting together a tax program.

Q Does not the renegotiation program strike them, too, Mr. Secretary?

A Not necessarily. It is a more highly specialized matter. I mean that that really gets down pretty much to the Army and the Navy and Maritime Commission and ourselves. I think those are the four agencies that are particularly involved.

Q What would be Mr. Jones' place in the picture - Secretary Jones?

A Well, after all, as the Secretary of Commerce he is interested in these matters.

Q Does it tie in with the Government corporations, like Defense Plants?

A It could. What we tried to do was invite anybody that could contribute his advice, and I think we had about everybody there who - I have not heard of anybody whose feelings were hurt by not being there, so I think everybody was there who could help the Treasury in formulating a tax policy. That was the idea.

We wanted everybody there who could help us formulate a tax policy.

Q Did it deal with taxes, also, as applied to the postwar planning and reconversion, things of that kind?

A No, this is looking forward to the next tax bill.

Q Well, it could very easily include allowances for that. There have been a lot of arguments for some kind of a fund for corporations for reconversion purposes.

A Well, this conference, I repeat, was looking toward formulating an Administration tax program and what the Administration would recommend.

Q When do you expect to complete the drafting of the program?

A It will have to be ready in time - by the middle of September, or sooner. Let's say, early in September.

Q Do you really contemplate that they will finish the renegotiation hearings in that time, sir?

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(Discussion off the record.)

A For background, no, but I explained to you why they were doing renegotiation first.

Q I know. The purpose would be accomplished, as I understood, in about a week or ten days' time from your point of view.

A I should think they would. I should think there would be time. I don't want to be quoted on it. I don't see why, if they have hearings on renegotiations for a week or ten days, they shouldn't be able to go on to the next thing, but I don't know; that is purely a matter for Congress.

(Discussion resumed on the record.)

Q You are still contemplating having this program in the form of alternative suggestions rather than one, two, three, four?

A I would rather not answer that. I will answer I don't know.

Q Mr. Secretary, Chairman George said that in connection with simplification it might be smart to abolish the excess profits tax immediately on termination of the war. Do you have any comment

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to make on that?

A I am not going to help you out.

Q You won't comment on Senator George?

A No, I am not going to--

Q That is all right.

A In a very gentle, but a very positive voice - I am afraid of you, you see. You ask me this question and that, and I may slip, so I am just going to say no. I don't want to find that I slipped. Your questions are too good for me. (Laughter)

Q I will help you out by changing the subject, Mr. Secretary. (Laughter)

A Thank you so much. That is what is known as Lend-Lease in Reverse? (Laughter)

Q He is going to back into it, Mr. Secretary. (Laughter)

Q Anything more about occupation money?

A Yes, there is something that we are working on, and they ought to have a statement clarifying the thing - it ought to be ready in a day or so.

Q This week, do you think?

- A Do you know?
- MR. SMITH: They expect it to be this week.
- H.M.JR: I understand from Harry White that he has something in the mill, and it ought to be ready now any day.
- Q Does that deal with the exchange?
- A It will clear up the whole thing, I hope. At least that is what we are going to try to do.
- Q Did the Army authorize you to do this, Mr. Secretary? (Laughter)
- A It will be in cooperation with the Army. (Laughter) They will give it its blessing and approval.
- Q Mr. Secretary, are you ready to tell us the individual goals on the Third War Loan drive yet?
- A I know they are all out in the field, even the counties. Now, when they will be ready I don't know, but the boys will ask Ted Gamble that. I know they are all out in the field. If he is going to give them out or not, I don't know, but they will ask Ted Gamble.
- Q And there has no date been set yet for the closing of the drive?

A No, just the opening.

Q Mr. Secretary, would the institution of compulsory savings change your tax goals any?

A Well, I think that would come under - that would open the door a little bit. I don't think I had better answer that, if you don't mind.

Q Is there complete accord on the twelve-billion-dollar figure, Mr. Secretary, among all the interested Administration officials?

A Well, I can't answer that, but I can say this.
(Discussion off the record.)

You cannot quote me, but as between the President and the Treasury it was sixteen billion dollars less four, which we got through the withholding tax; so it is still twelve. As between the White House and the Treasury it is still twelve. If everybody else has agreed to it, I don't know.

Q But Roosevelt and Morgenthau agree?

A Yes. (Laughter) And I think you can include the Bureau of the Budget in that. I don't know.
But as between the White House and the Treasury -

I don't want a direct quote on that.

(Discussion resumed on the record.)

Q Mr. Secretary, you referred to the Army being interested in incentive taxes, that is, taxes that would stimulate production.

A Not taxes, but compensation to people.

Q That is, some allowances?

A No, no. I mean, at various plants they are paying bonuses for increased production, and I simply said the Army and Navy would be interested in the personal income tax - that it should not be too high so it would interfere with the personal incentive to produce more.

Q So that in effect if they got a bonus for increased efficiency, then it would not all be taken away from them in taxes?

A That is it.

Q That gives rise to the question of whether the twelve-billion-dollar program would interfere with that.

A That is the next thing that - I would be disclosing my hand.

Q No, you have mentioned both these subjects, and I was just wondering if they clashed, that is all.

A I won't repeat myself. I might bore somebody.
(Laughter)

Q It wouldn't bore me at all. (Laughter)

Q Do you expect to see Senator George any time soon, Mr. Secretary?

(Discussion off the record.)

A I understand that he is terribly cut up over this loss of his son. We were in contact with him yesterday, and I am not going to bother the man until he feels better. But, strictly off the record, I had John Sullivan go up to call on him, and the man is all upset and does not want to be bothered until next week about anything.

I don't blame him. That is just personal.

(Discussion resumed on the record.)

Q Have you any views on the alleged Army and Navy extravagance, Mr. Secretary?

A I don't know anything about it.

Q Senator Byrd--

A I know nothing about it.

Q In that connection, Mr. Secretary, there are some people on the Hill who would like you to make some suggestions for economizing when you go up there. I wondered if you had anything ready to give them on that, or would have.

Q Repeal of the Silver Purchase Act, for instance?

Q Is there a truce still in effect on that?

A I don't want to - we have made some headway through the Green bill.

Q You told us there was a truce, you remember, sometime ago.

A Well, I think that we have made some - the Congress has made some progress through passing the Green bill and untied our hands to that extent. At least we can let silver go to the essential war industries that need it. To that extent they made some progress.

Q Thank you, Mr. Secretary.

SECRETARY'S PRESS CONFERENCE

August 18, 1943

6:00 p.m.

- A On this impromptu press conference, which I didn't seek -
Press and Radio Conference -
- Q We are always glad to have it. We have to speculate
around a lot. I think it is a good idea.
- A I hope you won't be too disappointed because, as I
pointed out the other day when I was being pressed
rather hard, until we present the tax bill on the Hill,
we can't go into details. But to give you something to
write about, it was a very good meeting - very good
spirit, very cooperative spirit. We sent out a memorandum
in advance which we discussed. The principal discussion
is the amount of taxes, and from the standpoint of
revenue, and the impact on inflation, and also what
affect it will have on production. The Treasury can
get the advice of these other agencies, and it is
extremely useful to us in formulating an Administration
tax program. The chances are that we will have another
meeting. That is about all I can volunteer.
- Q Has there been any agreement as to how much new
revenue you are going to ask for?
- A No, we are still using the figure of \$12 billion.

Q Any alternatives in this memorandum to that?

A Well, alternatives as to how to arrive at it - yes.

Q I meant a program based on \$12 billion or something else.

A Well, they're talking about 12 billion and the effect 12 billion would have, and general discussion about the amount.

Q Well, Mr. Secretary, is that 12 billion in straight taxes or taxes plus savings?

A The figure \$12 billion was taxes.

Q Would you consider a lesser figure?

A Yes, a lesser figure and even a higher figure.

Q Mr. Byrnes mentioned \$20 billion.

A Mr. Paul has pointed out that that figure includes individual and corporate taxes and excise taxes.

Q What were the lesser and higher figures?

A I would rather not say at this stage. It is clear now that the \$12 billion is made up of individual, corporate and excise taxes.

Q Can't you give us the general figures on that?

A No, I would rather not.

Q Mr. Secretary, War Mobilization Byrnes spoke about enforced savings in his message as if it was an established policy of the Government. Since he is

handling domestic policies of the Government,
what do you have to say in reply to that?

DISCUSSION OFF THE RECORD

- A All I have is the President's Proclamation on the Third War Loan - what the President has said himself on the subject. It was brought up at his press conference twice within a week in June, as you will remember.
- Q Are you still opposed to forced savings?
- A Well, I will tell you what I think. I think that any talk now at this time about enforced savings, all it can do is just to undermine the success of our Third War Loan. You can't get it now and there's no sense in talking about it.
- Q When you say "You can't get it now," you mean the mechanical process of getting it through Congress?
- A That's right, and any discussion of it at this time simply -- well, now that gets me into a public discussion of controversial issues, and so I am not going to - I am going to ask you - I am not going to get into a public controversy with Byrnes.
- Q With Mr. Byrnes?
- A With Mr. Byrnes. So you will have to strike that off.

Q You don't necessarily have to connect it up with Mr. Byrnes.

A Well, that's the way the question was asked. No, you will have to strike that all off.

Q Mr. Secretary, your statement that this would undermine the success of the Third War Loan, that's all off?

A That all has to be off the record. Now you fellows have handled this all right right along, and I'll have to depend on you to play ball with me this time. I'll tell you a little story for background. The Wall Street Journal had a little squib saying there only were three people in favor of the voluntary plan - the President, Mrs. Roosevelt and myself. I sent it to the President and told him I was pleased with the company they put me in.

Q All right.

A Now do we understand each other - all that has to be off the record.

Q Yes.

DISCUSSION ON THE RECORD RESUMED

A All I can say to you - and all this will serve as background - I am directly responsible to the President, and as far as I know there has been no change - I have

had no intimation of any kind from the President of any change in the volunteer War Bond Program - quite the contrary.

Q That's for background?

A That's for background.

Q Mr. Secretary, have you reached any conclusion on the amount of revenue to be raised - any decision on the amount of the program?

A The official figures - it goes back to the President's original figure - \$16 billion of taxes and savings. Then we got \$4 billion additional revenue through withholding tax, so we arrived at the figure of \$12 billion, and we in the Treasury have interpreted the figure \$12 billion as a billion a month through revenue exclusively. At these meetings, we have discussed the thing up and down hill, and we are getting a lot of good advice and we are going to have some more meetings. These meetings are very helpful.

Q Mr. Secretary, I get the impression that this 12 billion figure is in a tentative state and subject to change. Is that correct?

A Nothing is final - nothing is final. I mean, if that was a milestone which couldn't be changed, there wouldn't be any sense in having these meetings.

Q The time is getting pretty short to get the program changed, isn't it?

A No, we have till the middle of September, and we could - if we had to make up our mind, we could make it up at any time and we could go up on the Hill and present it. We are talking all the time. You see it affects lots of people, and as you go up it gets more and more difficult to know how to do it.

Q Are you going to consider spendings tax again?

A We have considered that and lots of other things.

Q Individual excess profits tax?

A That hasn't been mentioned in the Treasury. It has been mentioned, but we are not considering it.

Q How about a withholding tax on gross income instead of on net income after exemptions?

A What do you mean by that?

Q Have a percentage based on gross income instead of having 20% over exemptions?

A Do you mean as an alternative method or a substitute method?

Q Substitute method.

A That has been discussed but no decision was reached. It is a highly technical point, and would have to be left largely to the convenience of the employer.

Q Are you considering any means of simplifying the withholding tax provisions for the employer?

A Yes, yes. If there is any way of doing it, we are for it.

Q Would you consider a graduated withholding tax?

A I am afraid we are getting into too much. I have talked too much as it is. I am doing just what I said I wouldn't do.

Q Mr. Secretary, this is a general question. Did you get to the subject of renegotiation of contracts?

A Not today.

Q Do you expect to sometime?

A Yes, I expect to discuss it.

Q Could you tell us who was present at the meeting?

A Yes.

Q That question just before the last one - that question on gross income after the exemptions?

Paul Mr. Dickson knows all about that. He can explain that - he seems to have it thoroughly in mind. I will be glad to at a later point but I don't want to take the time now. The question was whether we would change the withholding tax from a percentage on net income after exemptions and dependency credits to some sort of varying percentage on the gross income and not reduced by exemptions. It is merely a technical question related to the way of accomplishing results.

The following were present:

Judge Vinson

Jesse Jones

Marriner Eccles

Donald Nelson
Ralph Bard
Gerhard Colm of Budget
C. S. Williams, WPB from Arthur Whiteside's office.
Captain Strauss of the Navy
General Greenbaum, War Department.
O. B. Wells, from Agriculture.
Sam Clark, Assistant Attorney General, Justice.
Arthur Altmeyer, Social Security
Genson Purcell, SEC
Richard Gilbert, OPA
Stacy May, WPB

Q And from the Treasury?

A Secretary Morgenthau
Mr. Bell
Mr. Sullivan
Mr. Smith
Commissioner Helvering
Mr. Blough
Mr. Surrey
Mr. Shere, Mr. Blough's Assistant.
Harry White
Henry Murphy
Carl Shoup
and myself (Paul)

Q Mr. Secretary, when are you going to call your monetary conference?

A Well, you got a press release on that today, haven't you?

Q No.

A Well, it's being cleared. You'll have a press release for tomorrow morning.

Q Mr. Secretary, one question - are you going to have a simplification program - I mean with regard to the withholding tax?

A We are working on that all the time. Mr. Paul is, and we hope to have some recommendations. We are very much interested in this.

Q You will have various things to suggest?

A We are studying various things, and we realize that as the tax burden gets heavier it becomes more and more difficult for individuals and companies to make it out. We are constantly studying it to try to make it easier for both corporations and individuals. Sure, we will have some recommendations along those lines.

Q Mr. Secretary, am I correct in assuming that no decision has been reached as to any one method of raising it?

A No. Just as long as we have these conferences, we

will keep the door open and, as I say, if we had to go up tomorrow we could naturally make up our mind, but we benefit greatly from these conferences, and the people who come seem to be pleased to come, and we will keep conferring up until the last minute.

Q When will the next conference be held?

A It hasn't been set.

Q Has the general tone of the conference been that 12 billion can be raised without hampering production?

A I would rather not answer that.

Q Is there any sentiment seem to be congealing toward any one phase of taxes?

A I will say this - if our mind was made up here, we wouldn't ask them to come around, and you can deduct from that that the door is open. You don't ask people like Nelson and the Army men to sit here a couple of hours if anything had been decided.

Q Mr. Secretary, would it be possible that you will present alternative plans to Congress? Your memorandum contained alternative plans?

A It is perfectly possible.

Q Thank you, Mr. Secretary.

SECRETARY MORGENTHAU'S
PRESS AND RADIO CONFERENCE

August 19, 1943

H.M.JR: May I compliment the press on how it handled that story of last night. It was most pleasing to me, and I thought you people were all swell. It was a nice job, and it will be very helpful to us in our war finance program. I appreciate it.

When you go out you will be given a copy of the booklet, and then Mr. White will be available at three o'clock for a press conference. You will have a chance to study it. (Copy of booklet attached.) I don't know what arrangements - you can decide whether you want it for Friday morning release or Saturday morning release, whichever is better for you people.

MR. SCHWARZ: It is marked for Friday.

H.M.JR: If they would rather have it for Saturday, give them their chance. It is pretty complicated.

Q I think we can handle it for Friday morning, Mr. Secretary, unless you want to make it

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Saturday.

- A No. It is marked for Friday. We will leave it that way.
- Q Is there a comparison in that between the old and the new plans?
- A Wait until you go through it, and then I think you will find that between that and the three o'clock - I mean, you can pile up your questions on White. I am begging off. (Laughter)
- Q Mr. Secretary, does this represent agreement of the British, or is it our revision?
- A It is our revision, and with suggestions from all the countries which were consulted.
- Q Particularly Canada?
- A I wouldn't say particularly.
- Q I noticed that Times story early in the week which said that it generally follows the Canadian plan rather than the United States.
- A No, I am not familiar with the story, but a lot of people have good suggestions. As between the first one we gave you people and this, there has been real progress made.

(Discussion off the record.)

I think you will find after you have read it and after you have talked with White that the differences - this is just for your information, not for quotation - I think you will find the differences between the English and ourselves are now boiled down to, really, how much gold. That is about what it amounts to, but I don't want to be quoted on that. But the differences have been ironed out so that they are not insurmountable.

(Discussion resumed on the record.)

Q Is that plan going up to the Hill before any of the committees up there?

A We either have or will send this up. I think we have sent it already. Then when Congress meets I am again going to ask for an opportunity to carry out what I said I would - come up with our people and go over this thing with those same committees.

- Q That you met with before?
- A We promised to go up, and I am going to ask for an opportunity to go up, and explain it to those same committees.
- Q You have already sent the plan to Mr. Doughton and Mr. George, haven't you?
- A I think we sent it to all the members, if I am not mistaken.
- Q Does that go up to Somers?
- A Yes, to about four committees in both the House and the Senate, as I remember, and this has been mailed out to them.
- I think I am right, am I not?
- MR. SMITH: Yes, that is in the release, anyway.
- Q This would require legislation, Mr. Secretary?
- H.M.JR: Yes.
- Q Do you expect to take that up before the tax program, Mr. Secretary?
- A No.
- Q After the taxes are out of the way?
- A Well, I don't think it would go to the same committees.

Q Coinage, Weights, and Measures, and Banking and Currency?

A But it wouldn't go before Ways and Means. My guess is that we would appear before the Ways and Means first.

Q So that the two can proceed simultaneously?

A That is the idea. There is no reason why, if they wanted, we couldn't appear the same week on the same thing. It would go through different committees.

Q Do you have a legislative draft that would carry out the program as it now stands?

A I am not sure. I don't know.

Q You are working on something?

A I am sure it is either ready or in the process. If it isn't, somebody ought to get fired.

(Laughter)

Q From the development thus far it is pretty certain to go into effect, that is, depending on the enactment of legislation, between the United States and the British countries?

A I am confident that England and ourselves will get together. I am confident of that.

Q Can we quote you on that?

A Yes. Yes, I am confident we will get together. The differences are now reduced to one or two, and I am confident we can get together.

Q In other words, a monetary plan involving this country and the British countries is pretty much of a certainty now?

A No, it is a plan for a Stabilization Fund, of which all United Nations, certainly, will be members, and then I suppose - at least all the United Nations. So it is not just the English and the United States.

(Discussion off the record.)

That would be bad. Don't quote me as saying that would be bad.

(Discussion resumed on the record.)

A This is something we hope every member of the United Nations will become a member of.

Q It would not be necessary to make it a treaty, apparently?

A

I don't think so. I don't think it would take that form. It would go through the same sort of process as the present Stabilization Fund. It is just an enlargement of the original tripartite agreement except that time where there were three countries and afterwards we invited others as sort of junior members, this time it is going to be a tripartite agreement for all of the United Nations, plus such neutrals as want to join. The whole thing is an outgrowth of the original tripartite agreement. I mean, we got our experience from that.

This idea that any one country can simply go out and depreciate its currency independent of its neighbors is the thing which we hope will be a thing of the past once we have this International Stabilization Fund.

Q

Mr. Secretary, did all the countries who were invited to send representatives send them?

A

I am not sure. You can ask Mr. White. I am not trying to avoid it. I don't know.

Q Mr. Secretary, do you want your remarks concerning this matter released for Friday morning or--

A I would rather have it all tied up for Friday morning. Thanks. That is a good point. It is much better to tie it up for Friday morning.

Q Mr. Secretary, on an old angle of taxes, you remember they had this special group that you appointed and they had a seven-volume report that was well thought of. What has happened to that? Is there any progress on that?

A The last I heard, the Joint Committee on Taxation in the Senate and House was going to publish it.

Q They have not, though.

MR. SCHWARZ: It is almost ready.

Q Were your reactions sustained? They were very good at first.

H.M.JR: I think everybody is very much interested, and the fact that they are printing it shows that they are interested, I think.

You say it is almost ready?

MR. SCHWARZ: It is almost ready.

H.M.JR: You might find out how soon it is going to be ready.

MR. SCHWARZ: I know that the galley proof is ready.

Q Mr. Secretary, are you doing any special post-war study work aside from strictly taxes?

H.M.JR: That boy gets around. (Laughter) Nothing I want to talk about just now.

Q We hear that you have been delegated to do some coordinating work.

A No, that is not correct.

Q We hear that you are doing some coordinating work. (Laughter)

A I am not ready to talk about it. I don't know where you got your tip. It is something that has to be coordinated - should be coordinated. I am not it.

(Discussion off the record.)

Q Could you say, off the record, whether or not any work is being done towards coordinating these different plans? The reason I asked this is because Congress abolished the National Resources Planning Board, and unless something is being

done it is all scattered around and overlapping. I just wondered if you could say off the record--

A Very much off the record, I have made the suggestion - I don't know where you got it on the rebound, but this is just in the family - I have made the suggestion across the street that something should be done, and we did send a list of the various agencies and the personnel which are working on it. The President was impressed and has now asked somebody to tie up the ends and make recommendations to him. I suppose you ran into that somewhere.

Q Yes, sir.

A But he does not want it discussed yet because he has not had a chance to do anything on it. You know, when we are doing something for the White House I like them to do the talking. But that is what happened as far as I am concerned. All we did was to send a list of the agencies and the people, and when the President saw that he was shocked.

- Q Is it a hundred and fifty different studies? It isn't that many, is it?
- A I think there are eleven different agencies doing work on it.
- Q Some of them are doing two or three studies?
- A Oh, yes, but I mean eleven is ten too many. I think something will come out of it. You ran into it. That is the truth.
- Q I appreciate that.
- A That is my part in it.
- Q You mean eleven are doing one thing - one kind of study?
- A No. Eleven different people are interested in how you are going to get plants converted from war to peace, and I, personally - the reason I am interested in it is that going into the field - this is all off the record - I believe that if management and labor knew that we had a plan, something like the President gave for the soldiers, they would settle down and work a good deal harder and stop worrying. And right now they are worried, and they have a right to worry. If they would

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settle down and say, "Let's get the thing over with" - I am afraid that now a lot of these people say, "The longer we make this last, the longer our jobs last." That is the thing that I found in Buffalo. If they knew that there was a plan they would say, "Let's get this thing over and get it over fast" - if they were sure of what was going to happen to them when the armistice comes.

I want to get it over and get it over fast. That is where I come into the picture. This is just a little family talk.

Q Have you any assurance that the White House is going to act soon on something of that sort?

A It struck fire.

Q You say that someone was delegated to do the job?

A Yes, that is right.

Q Could you tell us, for background, who?

A No. I can talk to you about what I have done, but the rest is--

Q I can only use it if I can get somebody to comment?

(Laughter)

A That is right. You go back where you got it.

(Laughter)

But it is a very important thing in getting the war over and the production, and so forth and so on, and for the peace of mind of the people.

(Discussion resumed on the record.)

Q Anything new on financing?

A I don't know what the War Finance people are doing, but they must have a volume of stuff ready to shoot.

Q Did you get any reports on that survey you told us about on taxes - on the withholding tax?

A Everything on that is good. I mean, everything that we hear, everywhere we go, the withholding tax is all right. There is no problem there.

Q It is not interfering with War Bond purchases?

A No. The Army told me only yesterday - the Army said that every check they made on the withholding tax is good. We haven't a really bonafide complaint on that.

Q The Treasury statement, Mr. Secretary, shows that

you are running ahead of last year.

A On what?

Q U. S. Savings Bond sales. That is for the month of August, and the month of July, too, I believe.

A Good.

Q Would not that indicate that the withholding tax is not going to slow you down at all?

A All the checks - everybody we have talked to says the thing is going ahead well, that it is being handled well by business. The people are getting adjusted to it rapidly, and there is a minimum of friction.

Q Your redemptions are pretty high since the first of the fiscal year, Mr. Secretary. To what do you attribute that?

A As you get more and more, but you have to keep using the amount of redemptions as compared to the total outstanding.

Q Not to the total sales?

A Not to the monthly sales.

Q They run about twenty-five percent of the monthly sales in July.

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- A But you have to compare it to the total now outstanding.
- Q You are satisfied with that situation?
- A I am, on the amount of bonds outstanding.
- Q Anything more on taxes, Mr. Secretary?
- A No. We had sort of a late afternoon conference last night that I am satisfied with. I think I will let it ride on that one.
- Q When will your next meeting be, sir?
- A It has not been set.
- Q Same crowd?
- A Yes, a good crowd.
- Q You had some additions yesterday, OPA and Agriculture?
- A No, OPA was here last time. We invited Mr. Brown. Evidently he is out of town. Then Mr. Bowles - I don't know what happened to him. So they have sort of given it to Dick Gilbert to represent them. He was at the previous meeting.
- The only addition this time was SEC. That was the only addition.

Q What angle do they get in on, Mr. Secretary?

A They are interested. They have been doing some work for us, too, on this tax program. They have been doing some investigating.

Q Inflation or revenue?

A No, they have been doing some work - I don't know whether they want us to say, but they have been doing some special work. Schwarz might ask Paul, and if they don't mind he can tell you. I don't want to say.

Q Thank you, Mr. Secretary.

TREASURY DEPARTMENT

Washington

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To be held in STRICT CONFIDENCE and no portion, synopsis, or intimation to be published or printed until the morning papers of FRIDAY, AUGUST 20, 1943.

Charles Schwarz,
Director of Public Relations.

*Preliminary Draft Outline
Of a Proposal for*

AN INTERNATIONAL STABILIZATION FUND
OF THE
UNITED AND ASSOCIATED NATIONS

Revised July 10, 1943



U.S. TREASURY

WASHINGTON, D. C.

FOREWORD

By HENRY MORGENTHAU, Jr., *Secretary of the Treasury*

The plan for post-war international currency stability set forth in this pamphlet is a revision of the preliminary draft outline of a proposal for an International Stabilization Fund of the United and Associated Nations made public by the Secretary of the Treasury on April 7, 1948.

The preliminary draft was sent by the Secretary of the Treasury to the finance ministers of the United Nations and the countries associated with them with a request that it be studied by their technical experts. The finance ministers were also invited to send representatives to Washington for informal discussions with the experts of this Government.

Such informal discussions have been held with nearly 30 countries. On the basis of these discussions, the experts of the Treasury with the cooperation of experts of other Departments of this Government have revised the preliminary draft proposal for an international stabilization fund. While suggestions of the representatives of other countries have been included in the revised draft, it does not necessarily reflect the views of the experts of any other country.

This revised draft is in every sense still a preliminary document representing the views of the technical experts of the Treasury and of other Departments of this Government. It has not received the official approval either of the Treasury or this Government.

When the United Nations have brought this war to a successful conclusion, they will be faced with many urgent international economic and financial problems. Some of these are new problems arising directly from this war; others are continuing consequences of failure to solve the problems that have been with us since the last war. The solution of these problems is essential to the development of a sound economic foundation for world peace and prosperity.

All of the important international economic and financial problems are closely interrelated. Monetary stabilization, commercial policy, the provision of long-term international credit, promotion of stability in the prices of primary products, and arrangements for relief and rehabilitation are problems that join at innumerable points. Nevertheless, because of their complexity, they must be taken up separately, although each in turn must be integrated with the rest.

It is generally recognized that monetary stability and protection against discriminatory currency practices are essential bases for the revival of international commerce and finance. For this reason, an appropriate starting point might well be the consideration of post-war international monetary problems. Success in dealing with international monetary problems in the post-war period will contribute toward final solution of the other international financial and economic problems. Despite the technical difficulties involved, the common interest which all countries have in the solution of post-war monetary problems provides a basis for agreement.

It is still too soon to know the precise form and magnitude of post-war monetary problems. But it is certain that we shall be confronted with three inseparable monetary tasks: to prevent the disruption of foreign exchanges, to avoid the collapse of monetary systems, and to facilitate the restoration and balanced growth of international trade. Clearly, such formidable problems can be successfully handled only through international action.

The creation of instrumentalities adequate to deal with the inevitable post-war monetary problems should not be postponed until the end of hostilities. It would be ill-advised, if not dangerous, to leave ourselves unprepared at the end of the war for the difficult task of international monetary cooperation. Specific and practical proposals

must be formulated by the experts and must be carefully considered by the policy-shaping officials of the various countries. In each country acceptance of a definitive plan can follow only upon legislative or executive action. And even when a plan is finally adopted, much time will be consumed in preparation before an international institution for monetary cooperation can begin effective work.

There is another important reason for initiating now concrete discussions of specific proposals. A plan for international monetary cooperation can be a factor in winning the war. It has been suggested, and with much cogency, that the task of assuring the defeat of the Axis powers would be made easier if the victims of aggression could have greater assurance that a victory of the United Nations will not mean in the economic sphere a repetition of the exchange instability and monetary collapse that followed the last war. The people in all of the United Nations must be given some assurance that there will not again be two decades of post-war economic disruption. The people must know that we at last recognize the fundamental truth that the prosperity of each country is closely linked to the prosperity of other countries.

One of the appropriate agencies to deal with international economic and monetary problems would be an international stabilization fund with resources and powers adequate to the task of helping to achieve monetary stability and of facilitating the restoration and balanced growth of international trade. A proposal along these lines was drafted by American technical experts and made public on April 7, 1943. There have been informal discussions on this draft in which nearly thirty countries have participated. These discussions have shown that all countries think joint action in this field is necessary for the reconstruction of the world economy.

It is recognized that an international stabilization fund is only one of the instrumentalities which may be needed in the field of international economic cooperation. Other agencies may be needed to provide long-term international credit for post-war reconstruction and development, to provide funds for rehabilitation and relief, and to promote stability in the prices of primary international commodities. There is a strong inclination on the part of some to entrust to a single agency the responsibility for dealing with these and other international economic problems. We believe, however, that an international economic institution can operate most effectively if it is not burdened with diverse duties of a specialized character.

Although an international stabilization fund can provide the facilities for cooperation on monetary questions, the establishment of such an institution would not of itself assure the solution of these difficult problems. The operations of such a fund can be successful only if

the powers and resources of the fund are used wisely, and if member countries cooperate with the fund's endeavors to maintain international equilibrium at a high level of international trade. Such cooperation must include commercial policies designed to reduce trade barriers and to terminate discriminatory practices that have in the past hampered the balanced growth of international trade. The nations of this world can be prosperous only if they are good neighbors in their economic as well as their political relations.

The draft proposals that have been put forward on a tentative basis have received wide publicity in the United States, the United Kingdom, Canada, and in other countries. It is in the best democratic tradition that the people should have the fullest opportunity to express their views and to shape the policies of their Governments on the important problems affecting national well-being. And it is an extension of this tradition that all the United Nations should have an opportunity to participate in the formulation of a program for international monetary cooperation.

This revised draft is published with the hope that it will call forth further comments and constructive suggestions. It aims to present only the essential elements of a workable international stabilization fund, and its provisions are in every sense tentative. Obviously, there are many details that have been omitted and that can be better formulated after there is agreement on the more important points. We believe that a workable and acceptable plan can emerge only from the joint efforts of the United Nations supported by enlightened public opinion.

PRELIMINARY DRAFT OUTLINE OF A PROPOSAL FOR
AN INTERNATIONAL STABILIZATION FUND
OF THE
UNITED AND ASSOCIATED NATIONS

Preamble

1. There is a growing recognition that progress toward establishment of a functioning democratic world in the post-war period will depend on the ability of free peoples to work together in solving their economic problems. Not the least of these is the problem of how to prevent a widespread breakdown of currencies with resultant international economic disorder. We must assure a troubled world that the free countries will solve these perplexing problems, and that they will not resort to competitive exchange depreciation, multiple currency practices, discriminatory bilateral clearing, or other destructive foreign exchange devices.

2. These are not transitory problems of the immediate postwar period affecting only a few countries. The history of the past two decades shows that they are continuing problems of vital interest to all countries. There must be a general realization that world prosperity, like world peace, is indivisible. Nations must act together to restore multilateral international trade, and to provide orderly procedure for the maintenance of balanced economic growth. Only through international cooperation will it be possible for countries successfully to apply measures directed toward attaining and maintaining a high level of employment and income which must be the primary objective of economic policy.

3. The International Stabilization Fund of the United and Associated Nations is proposed as a permanent institution for international monetary cooperation. The re-

sources of this Fund would be available under adequate safeguards to maintain currency stability, while giving member countries time to correct maladjustments in their balance of payments without resorting to extreme measures destructive of international prosperity. The resources of the Fund would not be used to prolong a basically unbalanced international position. On the contrary, the Fund would be influential in inducing countries to pursue policies making for an orderly return to equilibrium.

4. The Fund would deal only with member governments and their fiscal agents, and would not intrude in the customary channels for conducting international commerce and finance. The Fund is intended to provide supplemental facilities for the successful functioning of the established foreign exchange institutions and to free international commerce from harmful restrictions.

5. The success of the Fund must ultimately depend upon the willingness of nations to act together on their common problems. International monetary cooperation should not be regarded as a matter of generosity. All countries have a vital interest in the maintenance of international monetary stability, and in the balanced growth of multilateral international trade.

I. Purposes of the Fund

The United Nations and the countries associated with them recognize, as declared in the Atlantic Charter, the need for the fullest cooperation among nations with the object of securing economic advancement and rising standards of living for all. They believe that attainment of these objectives will be facilitated by international monetary cooperation. Therefore, it is proposed that there be established an International Stabilization Fund with the following purposes:

1. To help stabilize the foreign exchange rates of the currencies of the United Nations and the countries associated with them.

2. To shorten the periods and lessen the degree of disequilibrium in the international balance of payments of member countries.

3. To help create conditions under which the smooth flow of foreign trade and of productive capital among the member countries will be fostered.

4. To facilitate the effective utilization of the blocked foreign balances accumulating in some countries as a consequence of the war situation.

5. To reduce the use of such foreign exchange restrictions, bilateral clearing arrangements, multiple currency devices, and discriminatory foreign exchange practices as hamper world trade and the international flow of productive capital.

II. Composition of the Fund

1. The Fund shall consist of gold and the currencies and securities of member governments.

2. Each of the member countries shall subscribe a specified amount, to be called its *quota*. The aggregate of quotas of the member countries shall be the equivalent of at least \$5 billion.

3. Each member country shall meet its quota contribution in full on or before the date set by the Board of Directors for the Fund's operations to begin.

(a) A country shall pay in gold not less than an amount determined as follows. If its gold and free foreign exchange holdings are:

(i) In excess of three times its quota, it shall pay in gold 50 percent of its quota.

(ii) More than two but less than three times its quota, it shall pay in gold 40 percent of its quota plus 10 percent of its holdings in excess of twice its quota.

(iii) More than its quota but less than twice its quota, it shall pay in gold 30 percent of its quota plus 10 percent of its holdings in excess of its quota.

(iv) Less than its quota, it shall pay in gold 30 per cent of its holdings.

The gold payment required of a member country substantial parts of whose home areas have been wholly or partly occupied by the enemy, shall be only three-fourths of the above. (For other gold provisions, Cf. v-2-a and v-6, 7.)

A member country may include in the legal reserve account and in the published statement of the reserves of gold and foreign exchange in its Treasury or Central Bank, an amount not to exceed its gold contribution to the Fund, minus its net purchases of foreign exchange from the Fund paid for with local currency.

(b) It shall pay the remainder of its quota in local currency, except that a member country may substitute government securities (redeemable at par) for local currency up to 50 percent of its quota.

4. A quota for each member country shall be computed by an agreed upon formula which gives due weight to the important relevant factors, *e. g.*, a country's holdings of gold and free foreign exchange, the magnitude and the fluctuations of its balance of international payments, its national income, *etc.*

Before computing individual quotas on the basis of the agreed upon formula, there shall be reserved an amount equal to 10 percent of aggregate quotas to be used as a special allotment for the equitable adjustment of quotas. Where the initial quota of a member country as computed by the formula is clearly inequitable, the quota may be increased from this special allotment.

5. Quotas shall be adjusted on the basis of the most recent data 3 years after the establishment of the Fund, and at intervals of 5 years thereafter, in accordance with the agreed upon formula. In the period between adjustment of quotas, the Fund may increase the quota of a country, where it is clearly inequitable, out of the special allotment reserved for the equitable adjustment of quotas.

6. Any changes in the formula by which the quotas of member countries are determined shall be made only with the approval of a four-fifths vote of the Board.

7. No increase shall be made in the quota of a member country under 2-4, 5 or 6 without the consent of the representative of the country concerned.

8. The resources of the Fund shall be used exclusively for the benefit of the member countries.

III. Monetary Unit of the Fund

1. The monetary unit of the Fund shall be the *unitas* (~~unit~~) equal in value to 137 $\frac{1}{4}$ grains of fine gold (equivalent to \$10). No change in the gold value of the unitas shall be made except with the approval of 85 percent of the member votes. When such change is made, the gain or loss sustained by the Fund on its holdings of gold shall be distributed equitably among the members of the Fund.

The accounts of the Fund shall be kept and published in terms of unitas.

2. The value of the currency of each member country shall be established in terms of unitas and may not be altered except as provided in iv-5, below. (Cf. iv-1, 2, below.)

No member country shall purchase or acquire gold, directly or indirectly, at a price in terms of its national currency in excess of the parity which corresponds to the value of its currency in terms of unitas and to the value of unitas in terms of gold; nor shall any member country sell or dispose of gold, directly or indirectly, at a price in terms of its national currency below the parity which corresponds to the value of its currency in terms of unitas and to the value of unitas in terms of gold. (Cf. vii-1.)

3. No change in the value of the currencies of member countries shall be permitted to alter the value in unitas of the assets of the Fund. Whenever the currency of a

member country has depreciated to a significant extent, that country must deliver to the Fund when requested an amount of its local currency or securities equal to the decrease in the unitas value of the Fund's holdings of the local currency and securities of the country. Likewise, if the currency of a member country should appreciate to a significant extent, the Fund must return to that country an amount (in the currency or securities of that country) equal to the resulting increase in the unitas value of the Fund's holdings.

IV. Exchange Rates

1. The rates at which the Fund will buy and sell one member currency for another and at which the Fund will buy and sell gold for local currency shall be established in accordance with the provisions below. (Cf. also III-2 and V-2.)

2. The initial rates of exchange for member countries' currencies shall be determined as follows:

(a) For any country which becomes a member prior to the date on which the Fund's operations begin, the rates initially used by the Fund shall be based upon the value of the currency in terms of United States dollars which prevailed on July 1, 1943.

If, in the judgment of either the member country or the Fund, the above rate is clearly inappropriate, the initial rate shall be determined by consultation between the member country and the Fund. No operations in such currency shall be undertaken by the Fund until a rate has been established which has the approval of the Fund and of the member country in question.

(b) For any member country which has been occupied by the enemy, the Fund shall use the exchange rate fixed by the government of the liberated country in consultation with the Fund and acceptable to the Fund. Prior to the fixing of a definitive rate, operations in

such currency may be undertaken by the Fund with the approval of the Board at a tentative rate of exchange fixed by the member country in consultation with the Board. No operations shall be continued under this provision for more than 3 months after the liberation of the country or when the local currency holdings of the Fund exceed the quota of the country, except that under special circumstances the period and the amount of such operations may be extended by the Fund.

3. The Fund shall not come into operation until agreement has been reached on the exchange rates for currencies of countries representing a majority of the aggregate quotas.

4. The Fund shall determine the range within which the rates of exchange of member currencies shall be permitted to fluctuate. (Cf. VII-1.)

5. Changes in the exchange value of the currency of a member country shall be considered only when essential to the correction of fundamental disequilibrium in its balance of payments, and shall be made only with the approval of three-fourths of the member votes including the representative of the country concerned.

Because of the extreme uncertainties of the immediate post-war period, the following exceptional provisions may be used during the first 3 years of the Fund's operations:

(a) When the existing rate of exchange of a member country is clearly inconsistent with the maintenance of a balanced international payments position for that country, changes from the established rate may be made at the special request of that country and with the approval of a majority of the member votes.

(b) A member country may change the established rate for its currency by not more than 10 percent provided that the member country shall notify the Fund of its intention and shall consult with the Fund on the advisability of its action.

V. Powers and Operations

The Fund shall have the following powers:

1. To buy, sell and hold gold, currencies, and government securities of member countries; to earmark and transfer gold; to issue its own obligations, and to offer them for discount or sale in member countries.

The Fund shall purchase for local currency or needed foreign exchange any member currency in good standing acquired by another member country in settlement of a balance of payments on current account, where such currency cannot be disposed of in the foreign exchange markets within the range established by the Fund.

2. To sell to the Treasury of any member country (or Stabilization Fund or Central Bank acting as its agent) at the accepted rate of exchange, currency of any member country which the Fund holds, provided that:

(a) The foreign exchange demanded from the Fund is required to meet an adverse balance of payments predominantly on current account with any member country. (Cf. v-3, for capital transfers.)

When the gold and free foreign exchange holdings of a member country exceed 50 percent of its quota, the Fund in selling foreign exchange to such member country shall require that one-half of such exchange shall be paid for with gold or foreign exchange acceptable to the Fund. (Cf. v-6, 7; on gold collateral, see v-2-c.)

(b) The Fund's total holdings of the currency and securities of any member country shall not exceed the quota of such country by more than 50 percent during the first year of operation of the Fund, and thereafter shall not exceed such quota by more than 100 percent (except as otherwise provided below). The total holdings thus permitted are termed the *permissible quota* of a country. When the Fund's holdings of local currency and securities are equal to the permissible quota of a country, the Fund may sell foreign ex-

change for such additional local currency only with the specific approval of the Board of Directors (cf. vi-3-a, below), and provided that at least one of the following two conditions is met:

(i) In the judgment of the Fund satisfactory measures are being or will be taken by the country whose currency is acquired by the Fund, to correct the disequilibrium in the country's balance of payments; or

(ii) It is believed that the balance of payments of the country whose currency is acquired by the Fund will be such as to warrant the expectation that the excess currency holdings of the Fund can be disposed of within a reasonable time;

Provided further, that when the Fund's holdings of the currency of any member country or countries fall below 20 percent of their respective quotas, the sale shall also require the approval of the representatives of these countries.

(c) When the Fund's holdings of local currency and securities exceed the permissible quota of a country, the Board may require the member country to deposit collateral in accordance with regulations prescribed by the Board. Such collateral shall take the form of gold, foreign or domestic currency or Government bonds, or other suitable collateral within the capacity of the member country.

(d) When, in the judgment of the Fund, a member country, whose currency and securities held by the Fund exceed its quota, is exhausting its permissible quota more rapidly than is warranted, or is using its permissible quota in a manner that clearly has the effect of preventing or unduly delaying the establishment of a sound balance in its international accounts, the Fund may place such conditions upon additional sales of Foreign exchange to that country as it deems to be in the general interest of the Fund.

3. The Fund may sell foreign exchange to a member country, under conditions prescribed by the Fund, to facilitate a transfer of capital, or repayment or adjustment of foreign debts, when in the judgment of the Board such a transfer is desirable from the point of view of the general international economic situation, provided the Fund's holdings of the currency and securities of the member country do not exceed 150 percent of the quota of that country. When the Fund's holdings of the local currency and securities of a member country exceed 150 percent of the quota of that country, the Fund may, in exceptional circumstances, sell foreign exchange to the member country for the above purposes with the approval of three-fourths of the member votes. (Cf. V-2-a, above; on voting, VI-3-a, below.)

4. When the Fund's holdings of the currency and securities of a member country become excessively small in relation to prospective acquisitions and needs for that currency, the Fund shall render a report to that country. The report shall embody an analysis of the causes of the depletion of the Fund's holdings of that currency, a forecast of the prospective balance of payments in the absence of special measures, and finally, recommendations designed to increase the Fund's holdings of that currency. The representative of the country in question shall be a member of the Fund committee appointed to draft the report. This report shall be sent to all member countries and, if deemed desirable, be made public. Member countries agree that they will give immediate and careful attention to recommendations made by the Fund.

5. Whenever it becomes evident to the Board of Directors that the anticipated demand for any particular currency may soon exhaust the Fund's holdings of that currency, the Fund shall inform the member countries of the probable supply of the currency and of a proposed method for its equitable distribution, together with suggestions for helping to equate the anticipated demand for and supply of that currency.

The Fund shall make every effort to increase the supply of the scarce currency by acquiring that currency from the foreign balances of member countries. The Fund may make special arrangements with any member country for the purpose of providing an emergency supply under appropriate conditions which are acceptable to both the Fund and the member country.

To facilitate appropriate adjustment in the balance of payments position of member countries, and to help correct the distortions in the pattern of trade balances, the Fund shall apportion its sales of such scarce currency. In such apportionment, it shall be guided by the principle of satisfying the most urgent needs from the point of view of the general international economic situation. It shall also consider the special needs and resources of the particular countries making the request for the scarce currency.

The right of any member country to acquire an amount of other currencies equal to its permissible quota shall be limited by the necessity of assuring an appropriate distribution among the various members of any currency the supply of which is scarce.

6. In order to promote the most effective use of the available and accumulating supply of foreign exchange resources of member countries, each member country agrees that it will offer to sell to the Fund, for its local currency or for foreign currencies which the member country needs, one-half of the foreign exchange resources and gold it acquires in excess of its official holdings at the time it became a member of the Fund, but no country need sell gold or foreign exchange under this provision unless its official holdings (i. e., Treasury, Central Bank, Stabilization Fund, etc.) are in excess of 25 percent of its quota. For the purpose of this provision, only free and liquid foreign exchange resources and gold shall be considered. The Fund may accept or reject the offer. (Cf. II-3-a, V-2-a, and V-7.)

To help achieve this objective each member country agrees to discourage the excessive accumulation of foreign exchange resources and gold by its nationals. The Fund shall inform any member country when, in its opinion, any further growth of privately held foreign exchange resources and gold appears unwarranted.

7. When the Fund's holdings of the local currency and securities of a member country exceed the quota of that country, the Fund shall, upon request of the member country, resell to the member country the Fund's excess holdings of the currency of that country for gold or acceptable foreign exchange. (Cl. V-14, for charges on holdings in excess of quota.)

8. To buy from the governments of member countries, blocked foreign balances held in other member countries, provided all the following conditions are met:

- (a) The blocked balances are held in member countries and are reported as such (for the purpose of this provision) by the member governments and are verified by the Fund.
- (b) The member country selling the blocked balances to the Fund agrees to transfer these balances to the Fund and to repurchase from the Fund 40 percent of them (at the same price) with gold or such free currencies as the Fund may wish to accept, at the rate of 2 percent of the transferred balances each year for 20 years beginning not later than 3 years after the date of transfer.
- (c) The country in which the blocked balances are held agrees to transfer to the Fund the balances described in (b) above, and to repurchase from the Fund 40 percent of them (at the same price) with gold or such free currencies as the Fund may wish to accept, at the rate of 2 percent of the transferred balances each year for 20 years beginning not later than 3 years after the date of transfer.

- (d) A charge of 1 percent on the amount of blocked balances sold to the Fund, payable in gold, shall be levied against the country selling its blocked balances and against the country in which the balances are held. In addition a charge of not less than one percent, payable in gold, shall be levied annually against each country on the amount of such balances remaining to be purchased by it.
- (e) If the country selling blocked balances to the Fund asks for foreign exchange rather than local currency, the request will not be granted unless the country needs the foreign exchange for the purpose of meeting an adverse balance of payments not arising from the acquisition of gold, the accumulation of foreign balances, or other capital transactions.
- (f) Either country may, at its option, increase the amount it repurchases annually. But, in the case of the country selling blocked balances to the Fund, not more than 2 percent per annum of the original sum taken over by the Fund shall become free, and only after 3 years shall have elapsed since the sale of the balances to the Fund.
- (g) The Fund has the privilege of disposing of any of its holdings of blocked balances as free funds after the 23-year period is passed, or sooner under the following conditions:
 - (i) Its holdings of the free funds of the country in which the balances are held fall below 20 percent of its quota; or
 - (ii) The approval is obtained of the country in which the balances are held.
- (h) The country in which the blocked balances are held agrees not to impose any restrictions on the use of the installments of the 40 percent portion gradually repurchased by the country which sold the balances to the Fund.
- (i) The Fund agrees not to sell the blocked balances acquired under the above authority, except with the

permission or at the request of the country in which the balances are being held. The Fund may invest these balances in the ordinary or special government securities of that country. The Fund shall be free to sell such securities in any country under the provisions of v-11, below.

- (j) The Fund shall determine from time to time the maximum proportion of the blocked balances it will purchase under this provision.

Provided, however, that during the first 2 years of its operation, blocked balances purchased by the Fund shall not exceed in the aggregate 10 percent of the quotas of all member countries. At the end of 2 years of operation, the Fund shall propose a plan for the gradual further liquidation of blocked balances still outstanding indicating the proportion of the blocked balances which the Board considers the Fund can appropriately purchase.

Blocked balances acquired under this provision shall not be included either in computing the amount of foreign exchange available to member countries under their quotas (cf. v-2, 3), or in computing charges on balances of local currency in excess of the quotas (cf. v-14).

9. To buy and sell currencies of non-member countries but shall not acquire more than \$10 million of the currency of any one non-member country nor hold such currencies beyond 60 days after date of purchase except with the approval of the Board.

10. To borrow the currency of any member country provided the additional amount is needed by the Fund and provided the representative of that country approves.

11. To sell member-country obligations owned by the Fund provided that the representatives of the country issuing the securities and of the country in which the securities are to be sold approve, except that the approval of the representative of the issuing country shall not be necessary if the obligations are to be sold in its own market.

To use its holdings to obtain rediscounts or advances from the Central Bank of any country whose currency the Fund needs.

12. To invest any of its currency holdings in government securities of the country of that currency provided that the representative of the country approves.

13. To lend to any member country its local currency from the Fund for 1 year or less up to 75 percent of the currency of that country held by the Fund, provided the local currency holdings of the Fund are not reduced below 20 percent of the quota.

14. To make a service charge on all gold and exchange transactions.

To levy a charge uniform to all countries, at a rate not less than 1 percent per annum, payable in gold, against any country on the amount of its currency held by the Fund in excess of the quota of that country. An additional charge, payable in gold, shall be levied by the Fund against any member country on the Fund's holdings of its currency in excess of the permissible quota of that country.

In case the Fund finds it necessary to borrow currency to meet the demands of its members, an additional charge, payable in gold, shall be made by the Fund sufficient to cover the cost of the borrowing.

15. To levy upon member countries a *pro rata* share of the expenses of operating the Fund, payable in local currency, not to exceed one-tenth percent per annum of the quota of each country. The levy may be made only to the extent that the earnings of the Fund are inadequate to meet its current expenses.

16. The Fund shall deal only with or through:

- (a) The Treasuries, Stabilization Funds, or Central Banks acting as fiscal agents of member governments.
- (b) Any international banks owned predominantly by member governments.

The Fund may, nevertheless, with the approval of the representatives of the governments of the countries concerned, sell its own securities, or securities it holds, directly to the public or to institutions of member countries.

VI. Management

1. The administration of the Fund shall be vested in a Board of Directors. Each government shall appoint a director and an alternate, in a manner determined by it, who shall serve for a period of 5 years, subject to the pleasure of their government. Directors and alternates may be reappointed.

2. In all voting by the Board, the director or alternate of each member country shall be entitled to cast an agreed upon number of votes.

The distribution of *basic votes* shall be closely related to the quotas of member countries, although not in precise proportion to the quotas. An appropriate distribution of basic voting power would seem to be the following: Each country shall have 100 votes, plus 1 vote for the equivalent of each 100,000 units (\$1 million) of its quota.

No country shall be entitled to cast more than one-fifth of the aggregate basic votes, regardless of its quota.

3. All voting shall be according to basic votes except as follows:

- (a) In voting on proposals to authorize the sale of foreign exchange, each country shall cast a number of votes modified from its basic vote:
- (i) By the addition of one vote for each \$2 million of net sales of its currency by the Fund (adjusted for its net transactions in gold), and
 - (ii) By the subtraction of one vote for each \$2 million of its net purchases of foreign exchange from the Fund (adjusted for its net transactions in gold).
- (b) In voting on proposals to suspend or restore membership, each member country shall cast one vote, as provided in VI-11, below.

4. All decisions, except where specifically provided otherwise, shall be made by a majority of the member votes.

5. The Board of Directors shall select a Managing Director of the Fund and one or more assistants. The Managing Director shall become an *ex officio* member of the Board and shall be chief of the operating staff of the Fund. The operating staff shall be selected in accordance with regulations established by the Board of Directors.

6. The Board of Directors shall appoint from among its members an Executive Committee of not less than 11 members. The Chairman of the Board shall be Chairman of the Executive Committee, and the Managing Director of the Fund shall be an *ex officio* member of the Executive Committee.

The Executive Committee shall be continuously available at the head office of the Fund and shall exercise the authority delegated to it by the Board. In the absence of any member of the Executive Committee, his alternate shall act in his place. Members of the Executive Committee shall receive appropriate remuneration.

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

8. The Board of Directors may at any meeting authorize any officers or committees of the Fund to exercise any specified powers of the Board not requiring more than a majority vote.

The Board may delegate any authority to the Executive Committee, provided that the delegation of powers requiring more than a majority of the member votes can be authorized only by a majority (of the Board) of the same size as specified, and can be exercised by the Executive Committee only by like majority.

Delegated powers shall be exercised only until the next meeting of the Board, and in a manner consistent with the general policies and practices of the Board.

9. The Board of Directors may establish procedural regulations governing the operations of the Fund. The officers and committees of the Fund shall be bound by such regulations.

10. The Board of Directors shall hold an annual meeting and such other meetings as it may be desirable to convene. The annual meeting shall be held in places designated by the Executive Committee, but not more than one annual meeting in any 5-year period shall be held within the same member country.

On request of member countries casting one-fourth of the votes, the Chairman shall call a meeting of the Board for the purpose of considering any matters placed before it.

11. A country failing to meet its obligations to the Fund may be suspended provided a majority of the member countries so decides. While under suspension, the country shall be denied the privileges of membership but shall be subject to the same obligations as any other member of the Fund. At the end of 1 year the country shall be automatically dropped from membership unless it has been restored to good standing by a majority of the member countries.

Any country may withdraw from the Fund by giving notice, and its withdrawal will take effect 1 year from the date of such notice. During the interval between notice of withdrawal and the taking effect of the notice, such country shall be subject to the same obligations as any other member of the Fund.

A country which is dropped or which withdraws from the Fund shall have returned to it an amount in its own currency equal to its contributed quota, plus other obligations of the Fund to the country, and minus any sum owed by that country to the Fund. Any losses of the

Fund may be deducted *pro rata* from the contributed quota to be returned to the country that has been dropped or has withdrawn from membership. Local currency holdings of the Fund in excess of the above shall be repurchased by that country with gold or foreign exchange acceptable to the Fund.

When any country is dropped or withdraws from membership, the rights of the Fund shall be fully safeguarded. The obligations of a country to the Fund shall become due at the time it is dropped or withdraws from membership; but the Fund shall have 5 years within which to liquidate its obligations to such country.

12. Net profits earned by the Fund shall be distributed in the following manner:

- (a) Fifty percent to reserves until the reserves are equal to 10 percent of the aggregate quotas of the Fund.
- (b) Fifty percent to be divided each year among the members in proportion to their quotas. Dividends distributed to each country shall be paid in its own currency or in gold at the discretion of the Fund.

VII. Policies of Member Countries

Each member country of the Fund undertakes the following:

1. To maintain by appropriate action exchange rates established by the Fund on the currencies of other countries, and not to alter exchange rates except as provided in IV-5, above.

Exchange rates of member countries may be permitted to fluctuate within the specified range fixed by the Fund.

2. Not to engage in exchange dealings with member or non-member countries that will undermine stability of exchange rates established by the Fund.

3. To abandon, as soon as the member country decides that conditions permit, all restrictions (other than those involving capital transfers) over foreign exchange trans-

actions with other member countries, and not to impose any additional restrictions (except upon capital transfers) without the approval of the Fund.

The Fund may make representations to member countries that conditions are favorable for the abandonment of restrictions over foreign exchange transactions, and each member country shall give consideration to such representations.

All member countries agree that all of the local currency holdings of the Fund shall be free from any restrictions as to their use. This provision does not apply to blocked foreign balances acquired by the Fund in accordance with the provisions of v-s, above.

4. To cooperate effectively with other member countries when such countries, with the approval of the Fund, adopt or continue controls for the purpose of regulating international movements of capital. Cooperation shall include, upon recommendation by the Fund, measures that can appropriately be taken, such as:

- (a) Not to accept or permit acquisition of deposits, securities, or investments by nationals of any member country imposing restrictions on the export of capital except with the permission of the government of that country and the Fund;
- (b) To make available to the Fund or to the government of any member country such information as the Fund considers necessary on property in the form of deposits, securities and investments of the nationals of the member country imposing the restrictions.

5. Not to enter upon any new bilateral clearing arrangements, nor engage in multiple currency practices, which in the judgment of the Fund would retard the growth of world trade or the international flow of productive capital.

6. To give consideration to the views of the Fund on any existing or proposed monetary or economic policy,

the effect of which would be to bring about sooner or later a serious disequilibrium in the balance of payments of other countries.

7. To furnish the Fund with all information it needs for its operations and to furnish such reports as the Fund may require in the form and at the times requested by the Fund.

8. To adopt appropriate legislation or decrees to carry out its undertakings to the Fund.

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SECRETARY MORGENTHAU'S
PRESS AND RADIO CONFERENCE

August 26, 1943

H.M.JR: I thought that with only fourteen days to go until the Third War Loan you would like to hear a little bit about the preparations. I think that we are in much better shape and much further along than we were on either the First or the Second. So I have asked Mr. Gamble to come in and give you some of the facts as to where we are at present. Mr. Gamble, the Press and Radio Conference is yours.

MR. GAMBLE: I think by way of background I might tell you that we started out on this campaign by bringing leaders here from all sections of the country: Newspaper people, the radio industry, the motion picture industry, the outdoor advertising agencies, War Advertising Council, and the War Activities Committee, and a group of idea men, to discuss plans for the Third War Loan. After discussing fully the job that we had before us, the best means to use, and the best use we

could make of the media in supporting the organization in the field, we prepared our Third War Loan Campaign.

Then we brought in from our fifty-one field offices all of our State leaders. We started by bringing in the top ten States, working down in importance, and covered the full problem with these men. We revealed to them the source of funds, the establishment of the quotas for their States and counties, how these quotas were established - boxed the compass for them on the whole job.

We followed that by bringing in all of the advertising and promotion men from those States. We met with them here over a period of several days and outlined to them the campaign we were going to lay down nationally to support their program and the necessity of their picking it up at the State and community level and carrying it on.

Q You said fifty-one offices?

MR. GAMBLE: Yes. There is an office in each State, and California is divided into Northern and Southern

California; Kentucky is divided, and the District of Columbia, which makes the fifty-one offices. As you men all know, the War Finance Committee was reorganized since the Second War Loan, and we have perhaps the most impressive array of leaders of business and finance and industry that has ever been set up in a national program of this kind. I have for you, which you can get from Mr. Shaeffer, a complete roster of the State organization. The Secretary started this reorganization job himself and inspected the organization in New York, as you know, in New Jersey, Michigan, Indiana, and Illinois, and then we subsequently visited all of the States of the Union and set up these new organizations. The men are all volunteers. We will give you the full list. These men have come in knowing this is the biggest undertaking since the war on the home front, and they have recruited their field forces to do that job. There are upwards of three million volunteers trained to do this job starting September 9.

We know from reports coming back from the field that they are fired with enthusiasm and set for the job.

I made notes on two things I want to touch on just briefly. The first is the national campaign, and second, the reports coming back from the field on the things that they are doing.

We will have the biggest radio, newspaper, outdoor advertising, and motion picture campaign that has ever been conducted.

You know something about the details of the caravan - the two caravans that are going to tour the Nation, one with Hollywood stars, and the second is going to visit about fifty cities, with war heroes and Hollywood personalities.

We will have one out of every two billboards in America that will contain some copy on the Third War Loan.

Sixteen thousand motion picture screens will use for a period of five weeks - two weeks before the drive and a three-week period during the drive -

special subjects prepared for the Third War Loan.

Q How many screens did you say?

MR. GAMBLE: Sixteen thousand - just slightly over sixteen thousand.

Q Did you say one out of two billboards in America?

MR. GAMBLE: One out of two billboards in America will have some mention of the Third War Loan.

H.M. JR: I think you might mention the volume of the paid advertising in the newspapers.

MR. GAMBLE: In the Second War Loan we had in April over seventy-two thousand ads that were run - sponsored ads used throughout the United States. In value, it was a little over four million dollars in paid lines.

The campaign this time has been very thoroughly gone into by the War Advertising Council, by the Allied Newspaper Council, which is headed by Frank Tripp, and they have done some preliminary work in the field to ascertain what we can expect in the way of sponsored advertising in the Third War Loan. It looks as though we would have a

minimum of twenty-five percent increase over what we had in the Second War Loan, even with the paper shortage, because there is tremendous enthusiasm for this campaign on the part of retailers everywhere.

There are two organizations which are going to have special campaigns in their two industries. The retailers industry has set a quota of two hundred dollars for every sales person employed in retail establishments. There are five million people employed in these retail establishments, so if they obtain this goal it will be, roughly, a billion dollars.

H.M.JR:

They told me last night that the Greek Americans of this country have set a quota for themselves of a hundred million dollars.

I want to add to what Gamble has said that I spent the greater part of Friday - Friday morning - at the headquarters in New York of the War Finance Committee.

I was tremendously impressed with the organization

they have got there, how smoothly it was running. They think we have the best liaison between Washington and the State organizations that we have ever had. It is nice to go into a place like that and only hear kind words about Washington. (Laughter)

Q Very unusual, isn't it? (Laughter)

A Not for the Treasury. (Laughter) It was unusual. But the thing is, we are way ahead; and while we have taken on this very, very difficult task every place you touch it looks encouraging.

Q You don't have the confidence you had two weeks before the Second Loan, do you, as to its success?

A I am more confident.

Q More confident this will go over?

A At this time.

Q That this will go over the fifteen billion than that the other would exceed the quota?

A I have no doubt as to the success of the Third War Loan. We have raised the height of the jumps on ourselves, and we have eliminated the banks, but notwithstanding all of that--

Q It is a tax payment month, too.

A Notwithstanding the tax payment month and everything else, which I don't have to list, that people are worried about, I still think that the country - they tie us up so closely with winning the war that that gives me confidence to believe that it will go over well.

Q How about the farming districts, Mr. Secretary? Last time they were the hardest places, I think.

A We are better organized in places like Illinois, Iowa, the Corn Belt, and all those places - in much, much better shape.

Q Better organized?

A Much better organized. If we don't learn by experience, we ought to get fired.

Q Do you figure that what you take in in this September drive will finish you for this year on any major--

A The way we feel now is - maybe because the boys are getting a little worn down - we hope that

this will take care of us for the rest of this calendar year.

Q Do you have anything to show, for example, how much you expect to bring in, including the fifteen billion, from now until December 31 in revenues, and so forth, and how much you estimate will have to be paid out in war expenditures?

A Diān't we give you that?

Q No. We would like to have it.

A If Mr. Bell is agreeable - it is up to Mr. Bell. If he thinks it is wise, I don't see why we can't give you a little schedule from September 1 to January 1, intake and outgo.

Q That covers everything - withholding?

A Everything, sure. I don't see why you should not have it. There may be some reason, but I don't know of any. You will have to give them a day or two on that.

Q Maybe we could get it for Monday.

A I should think so.

Q Mr. Secretary, there is some suggestion about

releasing the State quotas to us, and I understand that they were held up. I wonder if Mr. Gamble can tell us about that.

MR. GAMBLE: I think we can release them today.

H.M.JR: There is a news story for you. I couldn't have gotten it out of him - I haven't gotten it out of him. (Laughter)

Q Mr. Gamble, you mentioned that there would be two special campaigns.

MR. GAMBLE: By industries, yes, the retail, and the other is the motion picture campaign.

They had set up until last night as a part of their campaign eighteen hundred War Bond premieres to be held the first week of the drive in eighteen hundred communities in the country. They expect it will run about twenty-five hundred theaters. The industry is making available without charge to the theaters - any theater that wants to have it - a War Bond premiere, the top new picture, "This is the Army" or "For Whom the Bell Tolls." They get the full run of any pictures that are on the market.

That was highly successful last September when they tried that in just a few hundred theaters.

H.M.JR: You have to buy a bond to get into the theater.

MR. GAMBLE: Eighteen seventy-five and up.

Q In addition to your admission?

H.M.JR: I don't think so.

MR. GAMBLE: No, no admission.

H.M.JR: They will not be charged for the picture.

MR. GAMBLE: The theater pays the cost of the show, and the motion picture producers--

H.M.JR: ... donate the picture.

Q Getting back to the State quota, it seems to me I have seen in some localities that these quotas have been made public.

MR. GAMBLE: The States have been given their quotas and the background of their quotas, and a few of the States have announced their quotas. But the quotas of the forty-eight States have not been given out.

Q In New York there is a story saying they are going to have buttons for everybody that buys one. Is that general?

MR. GAMBLE: There are probably fifteen States that are doing that, having some kind of insignia they are giving.

It will be interesting to know that in all of the forty-eight States there will be some point-to-point contact made to people, either through a house-to-house canvass or a canvass of the person at his source of income.

H.M.JR: Anything else?

Q Anything new on taxes, Mr. Secretary?

A No, except we are working very hard at it.

Q We have seen reports in the papers that Congressional tax leaders are a little hurt by the failure of you to invite the Joint Committee boys up.

A What papers should I have read? (Laughter)

Q I saw it in the Post - and in the Wall Street Journal. (Laughter)

A Well, not for direct quotation, but there is a very good explanation for it. What we are trying to do here is to get an agreement, if possible,

amongst the Executive departments; and only people were there who were, you might say, Presidential appointees or their representatives.

Q Does that mean you don't need to get an agreement from--

A Wait, I haven't seen your story so I don't know what I am doing here. (Laughter) You can use this. I don't know how you will write it, but I don't want it to be attributed to me.

Q Treasury officials will be all right?

A Something like that. After we have gotten that, my understanding with the President for over a month is that I will lay the thing before him for his consideration; and then after that he expects to sit down with the Congressional leaders and discuss it - and with myself. I have had that understanding with the President for over a month, which I think makes sense. I mean, there is no use at this time sitting down with Mr. Stam until we have gotten some kind of agreement here. When we get that, have shown it to the President,

gotten his criticism and suggestion, and finally his approval, he, himself, expects to sit down with the leaders and discuss it. I think that is the program. If anybody's feelings have been hurt in the meantime, it is too bad.

Q When are you to have another meeting?

A That has not been settled - and that is the truth.
(Discussion off the record.)

Does that, off the record, to you make sense?

Q Sure, that is all right. I am not defending these people on the Hill. I was just wondering - there has been a lot of talk about conflict between one group and the other.

A I think Paul and Stam meet on the average of two or three times a week.

Q So that he would--

A And if Stam was sore, why didn't he tell Paul? If he had, Paul would have reported it.

(Discussion resumed on the record.)

A But that is a perfectly, orderly, sensible way, I think, to proceed; and there is no use, until

we can get some kind of agreement, until the President has seen it, to take his time or take the time of the Congressional leaders.

Q You mean that although they have had these conferences Stam is not informed on what the Treasury's tentative plans are?

A No. We are sort of going forward on two fronts. While we have been doing this, Paul and Stam and our staff and Stam's have been in constant exchange of information.

Q So that he is completely informed on what you are doing, then?

A I can't answer that truthfully because I haven't sat in on these meetings. I would like to say yes, but it might not be the truth. I don't know.

(Discussion off the record.)

This is off the record. Right now, this morning, there is a meeting between Paul and Stam and Vinson. They met somewhere this morning, the three of them.

Q And Vinson?

A And Vinson.

Q But the purpose is to come together on types of taxes?

A I can't tell you whether Stam is completely informed or not. Don't write the story that he isn't, but if I find that he is I will let you know. I will get word to the Press Room. We have been giving him our ideas as fast as we have formulated them, as far as I know. But I don't want to say whether he knows everything because I don't know whether it is a fact.

(Discussion resumed on the record.)

A We have been working with Mr. Vinson - Mr. Paul has - outside of these meetings, consulting with him and getting his advice, just the way I said we would.

Q And keeping him informed?

A And keeping him informed. As to Mr. Vinson, I can say he knows everything that we are doing. I can't tell you whether Mr. Stam does or not. I don't think that we have been holding out.

Q The stuff isn't being cleared through Mr. Vinson?
A No. We consult with him, get his ideas. We tell him what we are doing, and we are in consultation with him.

Q Will he accompany you to the Hill on the tax presentation?

A I doubt it. There has been no indication of any desire on his part to do so. I doubt that.

Q Have you revised your twelve-billion-dollar figure? Do you still stand on that?

A Well, I will stand by what I said the other night, which was, I thought, pretty good. At least the way I read it, it was all right. I think we will leave it that way. I might mess it up.
(Laughter)

Q Mr. Secretary, is there anything further you can tell us on the postwar coordination?

A The Times had a story this morning. I refer to Mr. MacCormac. He had it all fixed for next week. I thought I might interview him and find out.
(Laughter)

SECRETARY OF DEFENSE'S
PRESS AND RADIO CONFERENCE

Q I would be very glad to tell anybody about it,
Mr. Secretary.

A For background, on the record, and so forth?

(Laughter)

No, I have nothing.

Q Thank you, Mr. Secretary.

Great Britain No. 11-39 attached.

Of course I am naturally very much pleased that
we are going to do this. It will help us enormously
if it is being released simultaneously over at the
White House. On the details, and so forth and so
on, I would like Mr. Daniels to elaborate.

W. DANIELS: This show is going out on all four networks. It

is an hour's show, from 8:30 to 9:00, Eastern
War Time, on the evening of the 6th.

The first forty-two minutes of the show will
originate in Hollywood, where dramatic bits and
sequences of the show will come from Pearl Harbor down
to the present. This will be given by the people
of the entertainment world and motion picture

SECRETARY MORGENTHAU'S
PRESS AND RADIO CONFERENCE

September 2, 1943

H.M.JR: Our story for you people today is the story about President Roosevelt going on the air on the night of September 8 at 9:40 and opening the War Bond drive. We have a formal release. (Copy of Press Service No. 38-39 attached.)

Of course I am naturally very much pleased that he is going to do this. It will help us enormously. It is being released simultaneously over at the White House. On the details, and so forth and so on, I would like Mr. Gamble to elaborate.

MR. GAMBLE: This show is going out on all four networks. It is an hour's show, from 9:00 to 10:00, Eastern War Time, on the evening of the 8th. The first forty-odd minutes of the show will originate in Hollywood, where dramatic bits and sequences of the whole war from Pearl Harbor down to the present time will be given by top people of the entertainment world and motion picture

people.

(Discussion off the record.)

The show will cut - you can't use this - to the White House. The White House is the only part you can't use. They never announce in advance where the President is going to speak from. That is why we have had to take that out of our release.

(Discussion resumed on the record.)

James Cagney will officially turn over to the Secretary of the Treasury this Hollywood Cavalcade which is going to tour the country on behalf of the motion picture industry and tell briefly what the industry is prepared to do that night.

The Secretary will acknowledge that and thank all of the thousands of Americans who are participating from every walk of life in this show, not only the motion picture industry but cover all the groups participating in the Third War Loan.

He will then present the President, who will speak for some ten or twelve minutes and launch the Third War Loan.

In addition to this being used by the four networks, it is being offered to all of the independent radio stations in America; and dozens of them have already indicated a willingness to use it and a desire to use it. We cover that in the story to point out to you what the size of the listener audience is likely to be.

It is also going to be broadcast overseas by OWI, the hour show. We think it is going to be one of the most important hour's broadcast that has ever been heard in this country.

Some of the top radio production people have gone to Hollywood to sit down to tie this show together. It isn't going to just be a light show, but it will include the top entertainment people; and it is going to be toned to the Third War Loan, the invasion theme, and the war up to now.

H.M. JR: Real show business. (Laughter)

Q Old Liberty Loan days.

A And some. (Laughter)

(Discussion off the record.)

It will turn this country up on its head and shake all the money out of their pockets. That is not for quotes.

Q It would make a nice box. (Laughter)

A Too nice. (Laughter)
(Discussion resumed on the record.)

MR. GAMBLE: We have covered most of this for you in the story.

Q Mr. Secretary, would you care to indicate about how much you are going to ask from the commercial banks on the end of this business?

H.M.JR: No, we don't know.

Q How many million dollars' worth of talent have you got on that show?

MR. GAMBLE: Well, this show is very easy to cast. The producers who are putting this show together just sat down and covered the whole field for the best person to do a particular job on the program.

H.M.JR: He is asking for headlines. He wants to know, is it a ten-million-dollar show, or something like that?

MR. GAMBLE: It is a multimillion-dollar show.

- H.M.JR: Give him a figure.
- MR. GAMBLE: I can do that for you. I will get it together - the story - to give you an idea.
- H.M.JR: Give him a guess. He wants to be helpful.
- MR. GAMBLE: It is a twenty-million-dollar show.
- Q "America's twenty-million-dollar hour" - there is our headlines, Mr. Secretary.
- Q Talent and radio time combined?
- MR. GAMBLE: Yes, that is talent and radio time, and the attendant cost; for example, the Paramount Studio is being closed next Monday afternoon to permit their people to get in sufficient rehearsal time to do a good job.
- H.M.JR: Paramount Studio?
- MR. GAMBLE: Paramount Studio is being closed. They wired us yesterday.
- H.M.JR: When you are through - I thought this was an awfully good story: what they are doing in Indiana - on the night of the 8th they are having a state-wide blackout - the whole State is being blacked out - and then on the morning of the 9th the whole State will be alert. Everything that can shriek or ring will be tooted and rung about eight o'clock in the morning, and that will be the signal for the

volunteer workers to go--

Q They might wake up during the blackout and find all their money had disappeared. (Laughter)

A That would make it easier. (Laughter) But that is the kind of enthusiasm that is going to be demonstrated.

Of course we would never think of offering a bribe or inducement, but if I get a good story I might even bring Charlie McCarthy down to the News Room. (Laughter)

Q I think we have one or two down there already, Mr. Secretary. (Laughter)

MR. GAMBLE: Or Kedy Lamarr. (Laughter)

H.M.JR: For the ladies we might bring Gary Cooper, or somebody like that. (Laughter)

MR. GAMBLE: Or Walter Pidgeon. (Laughter) We have prepared a round-up of some of the important highlights. We are in a complete state of readiness for the drive, so that these men could have--

H.M.JR: Got something more for them?

MR. GAMBLE: Yes, sir, and we can give it to Mr. Schwarz.

Q It sounds as if you mean business, Mr. Secretary.

H.M.JR: We do. We couldn't do all of this if all of the business interests, all of Labor, and everybody in this whole country weren't putting their backs to this and weren't coming across a hundred percent.

Q Mr. Secretary, the Federal Reserve Bank of New York got out a rather comprehensive folder which you probably have seen, and in that it stated, I believe, that all Series E bond sales in the month of September would be included in the bond drive total. I don't think the Treasury has announced that, do you?

A I don't know. Do you (Gamble)?

MR. GAMBLE: Yes, Mr. Secretary.

H.M.Jk: Will you explain that?

MR. GAMBLE: Yes, sir. There is, as you know, some time lag. There are two reasons for including that figure; one, the time lag, and the other, if the first ten days' sale of E Bonds was not credited to the drive, it would never officially or publicly be credited to any period.

The second reason for doing it is that no matter how much - I don't think you should use this, it might discourage the workers - but to explain it to you, no matter how much we try, or how well oiled our machinery is for counting and reporting these sales - in the Second War Loan, as an example, there was over a hundred million dollars of sales

actually made in the Second War Loan that were never credited to the Second War Loan. It just isn't possible. That is the reason we had the two billion-dollar months in a row of the savings bonds because it isn't possible to get them all in and get them counted. But giving them the credit for the first ten days of normal sales gives them a chance to do several things. It gives them a chance to do a little pre-campaign work and feel they are going to get credit for it. It compensates the organizations to some extent for the credit they are not going to get because of the time delay in reporting the sales.

Q Does that include the other two series?

MR. GAMBLE: E, F, and G.

Q Mr. Secretary, are you continuing your tax conferences?

H.M.JK: Continuing studying here, yes.

Q Having any other meetings?

A Not yet.

Q Do you expect to have some soon?

A There most likely will be one more.

Q Before you take it up on the Hill?

A Most likely one more, yes.

Q Is that one of the interdepartmental meetings such as you had before, Mr. Secretary?

A Yes.

Q The date isn't set?

A I am not going to make it easy for you. If we have one and you don't find out about it - we will do it the way we did in the first one; we will tell you about it afterwards.

Q Same crowd, Mr. Secretary?

A Same people.

Q Do you expect to see Mr. Doughton and Senator George?

(Discussion off the record.)

A You remember last time I think I told you off the record how we were going to proceed, and that plan is still on. And we will see the President. I mean, it is just the way I said then. After that it will be up to him. The next one he will call. I explained to you how we are moving. Somebody asked me why we didn't have people like Stam

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and those people down. But there is no change in the plans.

Q

Mr. Secretary, sometime back you said that before any plan was presented to the Hill there would be an agreement between you and Judge Vinson and others interested in the taxes here. Will you expect to reach an agreement of that sort before you go to the White House?

A

Well, at least we will have a plan and we will be able to tell the President who is for it and who is against it. Then once he decides - you can't use this - after all, you and I can sit down and just talk about the next move in the war, and at least we will know what we agree on and what we don't, and what we think is going to happen.

We go to the President and give him the pros and cons, and that will become an Administration program. Then everybody, I take it, at this end will be for it once he has the pros and cons; and then what he will do I don't know.

After all, we sit here and have staff conferences and we argue about it, and not everybody is in

agreement. But once it is settled that that is the Treasury policy, that is the Treasury policy. Mr. Secretary, you have been very helpful on several occasions in steering us by your off-the-record talks about disagreements, telling us what was what so we wouldn't go off on a limb.

I have heard that there is considerable disagreement between the Treasury and Mr. Vinson on some of these details. Will that be taken - this is off the record - to the White House?

This is all off the record. Mr. Paul has been doing most of the seeing of Mr. Vinson, and he has not reported any important disagreements up to this time to me.

I heard the spendings tax was much in dispute.

I don't want to get into individual things, but certainly Paul has seen Vinson, as I say, very frequently, and he hasn't reported any major differences.

Another thing, off the record, Mr. Secretary, for guidance, if you don't object, we also hear on the Hill that there is quite a disagreement

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between the two sets of tax experts over the Treasury's alleged backwardness in submitting consumption data on excise taxes and things. Do you know of that, sir?

A No, I don't.

Q I have been told from very good quarters that there has been some discussion among members of Mr. Stam's group and several Senators as to this situation and that it has been proposed that subpoenas be issued to get that material from the Treasury if they can't get it any other way. The Treasury is not denying it, as I get the picture, but just is not producing it.

A As you people know - this is all off the record and for your guidance -- I think you got half the story.

Q I am here for the other half, sir.

A I will give it all to you. They have this thing under the law that Mr. Stam can send down, not only to us but to every other department down here, and ask for information.

I thought it was wrong at the time. I think it is unconstitutional, and it certainly is bad organization.

The Hill is all the time talking about why doesn't the Administration get together, see? But if Mr. Stam sends word down to some clerk in Mr. Helvering's office and by-passes me and Mr. Helvering, it is bad organization.

As I pointed out to them, if I get a letter from - let's be a little practical for a moment - say, Senator Vandenberg or Congressman Knutson and they want information and I didn't let either Senator George or Mr. Doughton know what I was feeding these people; and then they get into a debate on the floor, and suddenly either Senator Vandenberg or Mr. Knutson flashes a letter from the Secretary of the Treasury and the majority party does not know anything about it, that would cause confusion on the Hill.

Q

Certainly.

A

And I don't play the game that way. Now, we put

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this whole thing before Senator George. He knows all about it. We put it to him. And the thing, pending hearing, sort of, from him, the whole thing at present is kind of stymied.

Now, Mr. Stam doesn't like it, but Senator George knows all about it and Mr. Doughton knows all about it. I am waiting to hear, sort of, from them.

But under the law they can - and also, very frankly, Mr. Stam, whom I don't think is too broad-gauged a man or too smart a fellow - I think that is one of the troubles - when he writes a letter to Mr. Helvering for information I have followed the practice that I have answered it and I have given it to him; and he doesn't like that.

Q More a question of channeling his request?

A Sure. I don't mind if Senator George - as a matter of fact, there has never been any time that they have wanted any information that we haven't given it to them. But Stam has just made our fellows crazy with all this stuff. Let's be perfectly

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frank. He doesn't know what to give them, so he wants to know what we have and then he takes it and twists it the way he wants.

We may have fifty different things we are studying, and forty-nine of them may be thrown out. He wants everything in the study stage to post himself so he can take it and do something with it because he hasn't the ability or the staff to do it. So he wants everything that we have got.

Now, if he got everything that we have, I most likely wouldn't see two-thirds of it; and the first thing I know that is the Treasury plan, which it isn't. But it is the job of these people to study a hundred plans so that if we want something it is ready.

Now, he wants every single thing that is in the works, not only from me but he has written the same letter to Harold Smith, the Director of the Budget, who turned him down. He has written the same thing to Eccles; he has written the thing

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to OPA; he has written all over town. The Hill is causing complete confusion down here. If it were not for the fact that these gentlemen he is writing to all come to me and see me and say, "We have got this. Is it all right with you?" - so we have good team play at this end. Everybody is playing ball with me at this end, but the Hill is causing complete confusion - if we would let them have their way. I am not letting them have their way because the President has given me this responsibility. I am trying to keep the thing together for him.

I have been successful so far up to the point that he said it is his responsibility, he is President and Commander in Chief - "This is what I want." I am his hired man. And when the time comes he will then consult with the leaders on the Hill. Now, I think that is a good procedure. But here you have a little two-by-four like Stam who hasn't got the ability, and if left to run wild would throw the whole administrative

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machinery into complete chaos.

Now, I am holding the fort, and Senator George and Mr. Doughton know exactly what I am doing and I have asked for their help.

They say they are sympathetic because I could do this thing in reverse - I wouldn't do it - by supplying minority people with special information and not telling them about it. Then these fellows go on the Hill, and they flash a letter in the middle of the debate. What would it do to them? It works both ways.

Now, that is the whole story.

Q To sum up and see if I have it right, the major difficulties are channeling the requests, and you want him to be more specific and detailed in what he asks instead of asking for the whole works.

A He is on a fishing expedition because he doesn't know what he wants himself.

Q How long has this been going on, Mr. Secretary?

A Almost a year.

Q Has it reached an acute stage now?

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A Not from my standpoint because the Administration forces are all playing ball with me, and they will continue to play ball with me.

And I don't know that I will, but it may get to a point that I may have to take it to the courts; and in the courts I would win. It is completely unconstitutional because it is taking over the Executive functions by the Legislative, and I don't believe they would have a chance in the courts.

If it gets to a point - they may push me to a point that I may have to go to the courts and let myself be subpoenaed.

Q You would prefer not to, of course, for the effect of the thing?

A No, no, but it is all wrong, and if there was a big person up there we wouldn't have any trouble. Of course we give them the material to help them. We always have.

I mean, I put myself in the same position as the Library of Congress. The Library of Congress is

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there to furnish material, to be helpful to Congress. I am here to serve a hundred and thirty million people, of which Congress is a part. Why shouldn't I serve them?

Q I just wanted to make it clear, Mr. Secretary, that this is all off the record.

A Very much off the record.

Q And it is very helpful.

A Certainly my remarks about Mr. Stam are.

Q Mr. Secretary, may I ask this. I understood, however, that the purpose in passing that provision of the law in any event was that they would not have to channel their requests through the Treasury. as I understand it, your position is that they should do just that. Now, what would the purpose of the law be?

A Well, that is secondary. I don't give a hoot - I am perfectly willing to have them write to Mr. Helvering because Mr. Helvering is a subordinate and always plays ball. But it is this thing of Stam as an individual - has to lobby this thing

through - of wanting to go out on a fishing expedition all the time to see what we have. After all, take a newspaper, they may write ten editorials and publish two of them. Supposing they had to show every editorial which was written before it went before an editorial board. It would be very embarrassing. And certainly it must be every day that editorials are turned down by an editorial board that never appear. Now, this fellow wants everything that is in my shop. I say no. But I say that anything that is helpful to them in doing their job, yes. Now, whether it channels through me, that is just a secondary matter. That is just being used as an excuse.

Q Mr. Secretary, may any of this be used without linking it with the Treasury?

A I wish you wouldn't, no.

Q I think it is breaking on the Hill, Mr. Secretary. I just wanted to get the Treasury's standpoint.

A Let it come from up there then. You fellows know

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how to handle it.

Q I told you I had some knowledge of it, and some others have, too.

A That is all right, it doesn't bother me. It has nothing to do with winning the war.

Q As a matter of fact, I was told that a subpoena probably would be issued in the course of the next forty-eight hours.

A So it is very unimportant. What we are trying to do is be helpful in selling these bonds, and some unimportant person comes up to build himself up - Mr. Stam. What has it got to do with winning the war? He is unimportant; I am unimportant. But the War Bond drive is very important, and I am not going to let my mind be sidetracked by unimportant things. I am not. I am not going to let Mr. Stam or anybody else get me off on the side track.

Q I wasn't trying to sidetrack you.

A No, no, but you should know. I am trying my best to keep my eye on the important things, and right now the important thing from the standpoint of

the Treasury and the country is to make a success of this drive, which we are going to do. And Mr. Stam is a good illustration of the kind of thing that does not interest me.

Q

Thank you, Mr. Secretary.

TREASURY DEPARTMENT
Washington

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FOR IMMEDIATE RELEASE,
Thursday, September 2, 1943.

Press Service
No. 38-39

President Roosevelt, broadcasting ~~from the White House~~ shortly after 9:40 PM, EDT, September 8, will officially launch the Third War Loan drive. He is expected to call for a rededication of America to the war aims of the United Nations and for maximum sacrifice to hasten an early and decisive victory.

The broadcast, which will be carried by all four networks, is expected to reach 70 million people, and will "stop the show" in hundreds of theaters across the country.

Secretary of the Treasury, Henry Morgenthau, Jr., who is directing the drive -- the largest money raising campaign in the history of the world -- will introduce the President.

The ~~White House~~ broadcast will come as a climax to an hour's program, the first forty-five minutes of which will originate in California.

From Hollywood, beginning at 9 PM, EDT, a program sponsored by the War Activities Committee, will bring the voices of Bing Crosby, Gary Cooper, Burns and Allen, Dinah Shore, Edgar Bergen and Charlie McCarthy, Humphrey Bogart, Robert Young, Don Ameche, Jimmy Durante, Charles Boyer, George Murphy, Ronald Colman and Akim Tamiroff. Kay Kyser's Band will supply the musical setting.

Using as the theme the slogan of the Third War Loan, "Back the Attack!", the stars will present a series of dramatic sketches, recalling the highlights of the war to date, from the first numbing shock of Pearl Harbor, through the slow shift from peace to war, from struggling defense to powerful offense. In anticipation of an imminent invasion of the European continent and the relentless pursuit of the Japanese aggressors from the South Pacific, the Hollywood program will also carry a gayer note, reflecting the battle songs of the services.

Government officials here estimate that approximately 17,500,000 of the country's 28,838,000 radio families, with a possible listening audience of more than 70,000,000 persons, will be tuned to the broadcast. Virtually all of the 567 outlets of the four major networks as well as most of the 324 independent radio stations will carry the feature.

Hundreds of motion picture theaters have signified their intention to halt their performance and tune into the President's message.

From Hollywood, the program will switch quickly to the White House where James Cagney, as president of the Screen Actors Guild, will place the Hollywood Bond Cavalcade of top-flight stars and all the resources of the Motion Picture Industry at the disposal of Secretary Morgenthau. After a brief acknowledgment, the Secretary will introduce President Roosevelt who is expected to speak for approximately 10 minutes.

With the President and the Secretary ~~_____~~ will be members of the "cavalcade", including: Greer Garson, Judy Garland, Fred Astaire, Lucille Ball, Olivia DeHaviland, Kathryn Grayson, Walter Pidgeon, Harpo Marx, Jose Iturbi, Dick Powell, Betty Hutton and Mickey Rooney.

From Washington, the film group proceeds for War Bond shows and demonstrations to Philadelphia, September 9; Boston, September 10; New York City, September 11; Pittsburgh, September 12; Cleveland, September 13; Detroit, September 14; Cincinnati, September 15; Chicago, September 16; Minneapolis, September 17; St. Louis, September 18; New Orleans, September 19; Dallas, September 20; San Francisco, September 23 and Los Angeles, September 24.

Throughout this period, 215 of the bigtime network programs with an estimated listening audience of 600,000,000 persons are to present the message of the Third War Loan - the purchase of at least one \$100 war savings bond in addition to present commitments.

More than 800 local programs have been built around high-ranking Army, Navy and Air Force officers, while special short-wave pickups will enable military leaders, commentators and men on the actual battlefronts to report to the American people on the progress of the war.

In addition to the screen personalities on the Cavalcade tour, there will be other stars touring some sixty

cities as an "Armada of War Veterans." From Los Angeles, Dallas, Chicago, Atlanta and New York, Army and Navy transport planes will leave September 9, carrying groups of Army, Navy, Marine Corps, Coast Guard and Merchant Marine returned veterans, each group accompanied by a Hollywood star who will act as master or mistress of ceremonies at Bond rallies inspired by the young war heroes.

-oOo-

SECRETARY MORGENTHAU'S
PRESS AND RADIO CONFERENCE

September 9, 1943

- H.M.JR: We got off to a good start, thanks to the newspapers, the radio, President Roosevelt's address--
- Q Your own?
- A And Badoglio's good judgment. Everything is favorable. Now it means a lot of hard work for a couple of million volunteers.
- Q Had any real big subscriptions from insurance companies so far?
- A I don't think they will go that way this time.
- Q Sometimes they whisper in advance, you know, what they are going to do.
- A No. Certainly the stage could not be set better for the War Bonds than it is right now. We will see as we go along.
- Q You are not raising your estimate of the amount that is going to be taken in, are you, Mr. Secretary?
- A A little early - it is only September 9. (Laughter)
- Q Have you set a termination date for the drive, Mr. Secretary?

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A No. That is about all, unless Mr. Gamble would like to say something, and I am sure he would.

MR. GAMBLE: As you said, Mr. Secretary, the stage is all set for this drive. Organization-wise and promotion-wise we could not be in better shape.

I suspect these gentlemen have seen these papers from around the country this morning. There is the New York Herald-Tribune, in which all the newspaper columnists have written the ads for us. Every ad in the paper is on War Bonds.

Here is the first banner line in forty-five years on the Philadelphia Evening Bulletin, on War Bonds. The New York Times is similar to the Herald-Tribune, all of the ads being written by the columnists.

Q Are they pretty good ad writers? (Laughter)

MR. GAMBLE: They are excellent ad writers. Surprisingly, many of them have a new twist.

Q Most newspapermen are not.

MR. GAMBLE: These are very good. You would enjoy reading all of them, I am sure.

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At the eleventh hour we have changed some of our copy as a result of the Italian surrender. The Secretary being his own best idea man, he gave us an idea yesterday which we got into seventeen hundred daily newspapers and on nine hundred radio stations by late last night.

Here is a new ad that was written here yesterday on the fall of Italy (indicating advertisement in Washington Post.)

Q That is run at advertising rates, and we run it perfectly free for you in the news columns, Mr. Gamble. (Laughter)

Mr. GAMBLE: . That is right. Well, it is a double shot. Here are the Philadelphia papers and the Wall Street Journal. Here is the Post, and I suspect you have all seen that this morning. Here are the Baltimore papers.

We feel that everything has been done - if the people don't accept this Italian surrender - as the Secretary said yesterday, it is only the end of round one.

- H.M.JR: We have just nicely gotten started. That is about all we have on that unless you want to ask some questions.
- Q Mr. Secretary, have you sent your tax program to the White House yet? That is a very leading question, I know.
- A It is too leading. (Laughter) I am not going to answer it, if you don't mind. I can't answer it.
- Q Are you through with your conferences?
- A As somebody said, give me a break today, will you? (Laughter) I promise you that just as soon as I have something on taxes I will send for you.
- Q Will you give us any indication whether that is going to be early or late?
- A No, but the minute I have anything that I can talk about or give you off the record, I will give it to you.
- Q That is fine.
- Q That will precede your appearance before the committee, I assume?

A I don't want to make a promise, but the chances are yes. On the record or off the record, the minute I have something I can talk about--

Q I don't like to come in here and ask you disagreeable questions.

A You are not. That is your business. It doesn't bother me a bit. I ought to be used to it now. (Laughter) I know when people are doing it to be unfriendly and when they are just asking for "Information Please", and I put you in the latter category. (Laughter)

Q Thank you, sir. I was going to plead not guilty to the indictment if it were the other. (Laughter)

A The Treasury press people, as far as I am concerned, treat me swell. I have no complaints.

Q Thank you, Mr. Secretary. That is mutual.

A Thank you.

Q As far as I am concerned, I say, and I think the other fellows feel the same way.

Q We second that.

A Very nice get-together - we ought to have a drink. Or is it too early? (Laughter)

- Q Let's buy a Bond. (Laughter)
- Q We talk it over down in the Press Room sometimes, and without intending any offense the crowd down there has reached the conclusion that you are a pretty good guy, Mr. Secretary. (Laughter)
- A The first ten years are the hardest. (Laughter)
- MR. GAMBLE: We're going to keep on here until we get a good press tomorrow morning on the Third War Loan. (Laughter)
- H.M.Jr: If there is nothing else, I will remember you on taxes just as soon as we have something.
- Q Thank you, Mr. Secretary.

SECRETARY MORGENTHAU'S
PRESS AND RADIO CONFERENCE

September 16, 1943

Q You got a lot of good publicity for your speech yesterday.

A People seemed to like it.

Q Yes, sir, the papers seemed to like it, too.

A And the soldiers around me seemed to like it, which impressed me.

Q You didn't look with disfavor on it yourself, did you, Mr. Secretary? (Laughter)

A No, I kind of liked it myself. (Laughter)
(Discussion off the record.)

This is just amongst us. After General Marshall hands the stuff to me, then everybody tries to stop me from giving it. I thought it was something that the country needed just now.

The chairman here in the District of Columbia on Thursday, the day Italy capitulated, called up Dan Bell and said, "Well, I guess there is not much more for me to do; I guess it is all over." (Laughter)

(Discussion resumed on the record.)

Q Mr. Secretary, has the Treasury decided to say anything about Section 722, Revenue Act of 1942? That is the section under which corporations may file claims for relief from the excess profits tax. It expired yesterday, the usual time, and you may recall that Mr. Paul sent a letter up to Congressman Doughton and Senator George urging that the time be extended. They agreed to extend it, but it did expire yesterday.

A I will have to find out for you. I don't know.

Q It is rather an important question.

A Yes, I know it is, but it just so happens I can't give you the answer. I am not withholding it. I just don't know.

Mr. SCHWARZ: We can get that today.

Q There is another question I had in mind, Mr. Secretary. I was wondering if as to simplification of the present tax the Treasury had given any thought to the elimination of the second windfall provision. Senator George said

yesterday that he thought that might very well be done.

H.M.JR:

That is under consideration. It is part of the picture. I will go along with you that far.

Q

Have you set any new date for presenting your program to the Ways and Means Committee?

September 20 was the tentative date, I think.

A

It is up to the committee. It is all tentative.

Q

Mr. Doughton told us last night that he thought the Treasury would not be ready then. He did not think Stam would be ready, either. Now, is the Treasury ready to go ahead on the 20th of September?

A

What did he tell you?

Q

That is what he told us. He thought they might be put off and they would hear more renegotiation witnesses.

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They are stalling on the renegotiation is what they told me - waiting for the Treasury.

(Discussion off the record.)

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(Discussion off the record.)

A For background, the truth never hurts, does it - for information, but you can't use it? Do you want the information without being able to use it?

Q No, sir, thank you very much.

A You mean you would rather dig it out?

Q Yes, sir.

A O.K.

Q I don't know how these other gentlemen feel. You remember, I walked out one time before?

A I know. Well, you will get this because, after all, you know they had a meeting up there last night. But it was a very nice attitude on the whole, and I think anything I might say on or off the record might spoil it. So I am just willing to let it ride. The attitude between the committee and ourselves right now is good. We are working hard. We think we are going to gain time.

Q Perhaps these other gentlemen would like to know.

- 5 -

- A No, no, they are all good reporters. I will just let it go.
- Q Mr. Secretary, if you could tell us for background purposes what is behind this?
- A No, I think I will just rest. What came out of the committee last night suited me.
- Q What came out, Mr. Secretary? I am behind.
- A I don't know.
- A I am not going on and off the record like blind stagers. You want to do it the hard way. You are like these two aviators up in Newfoundland. I said, "What do you do when you go to England? Do you bring stockings and lipstick?" They said, "No, sir, we are going to do it the hard way." (Laughter) You and the aviators! (Discussion resumed on the record.)
- Q Senator George also said that there was some study being given by Mr. Stam to integrating the Victory tax with the normal income tax. Do you care to comment on that?

A No, I think we will wait. I don't think I had better say.

Q I was wondering what conclusion, if any, you had reached as a result of the work of your field force in investigating the sales tax in the States.

A You don't mean sales tax, do you?

Q Yes, sir.

A I thought you meant withholding tax.

Q No, sales tax.

A I have nothing.

Q Your field force is investigating it, I understand.

A Well, they have been out. There is nothing knew to make me change. Nothing has come in but what makes me give you the same answer that Coolidge did, "We are still 'agin' it."

Q Has there ever been any announcement that there was being a field survey made?

A I don't know just what he means.

- Q I am very clear on it.
- A Enlighten me.
- Q I understand representatives of the Treasury have been to various State capitals to find out how the sales tax works and to ascertain the cost to the Federal Government of the States taking over, in case it should be adopted, the administration of a sales tax.
- A You know more than I do. I don't know.
- Q I thought that was a matter of common knowledge.
- A I don't know about it, but I will inquire.
- Q I would appreciate it very much if I could get some information.
- A That is the first I have heard about it.
- Q Mr. Secretary, has there been some field study made of the sales tax?
- A No. The only field study I know about is one that Dr. Likert made for us at Buffalo recently in connection with the family budget. I mean, he went in there to study putting these people

on a two weeks' family budget - I mean to keep the budget and see how they spent their money. That is the only one I know of. Dr. Likert is over in the Department of Agriculture, and he does these sorts of surveys. That is the only survey I know of. But you are most likely right. The Treasury is a big place.

Q It would be a logical move.

A Perfectly possible, but the only one I am acquainted with is the one that Dr. Likert over at Agriculture has been doing.

Q That is an economic rather than an administrative one?

A That is right.

Q This is an administrative survey, as I got it.

A We will inquire.

Q Mr. Secretary, in spite of the postponement of tax hearings, do you still hope to get a tax bill before the end of the year?

A The answer is yes.

Q Have you any successor in mind for Mr. Helvering?

A No.

Q Have you made any recommendations?

A I haven't because I am just getting around to it.

It is a good job.

Q I could ask another question.

A That is all right.

Q I am afraid I would get the same sort of answer.

I won't ask it. (Laughter)

A Well, you have a lot of information. I am sure

you got a couple of wonderful stories. Thank

you for your good humor. (Laughter)

Q Mr. Secretary, let me ask one question.

A Is it going to be a mean one? (Laughter)

Q It might get a little information. (Laughter)

There was a rumor around the Hill yesterday that you were going to postpone your press conference because you had an important meeting - really more important than a press conference.

I wondered what kind of a meeting that could be and if it is still on or if the meeting is off.

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- A I don't know. I couldn't imagine what they meant.
- Q Are you having any tax meetings today or soon?
- A Not today. I don't know what it is.
- Q I don't, either. (Laughter)
- A Just put it down to rumors. There is no tax meeting today. In fact, I am leaving after lunch for St. Louis. I am talking there tomorrow.
- Q Are there any White House discussions scheduled any time soon?
- A All I can say is, not today.
- Q When do you expect to be back, Mr. Secretary?
- A I will be back Monday sometime.
- Q You will have a press conference then, probably?
- A It could be. All right?
- Q Thank you, Mr. Secretary.

SECRETARY MORGENTHAU'S
PRESS AND RADIO CONFERENCE

October 7, 1943

H.M.JR: I thought you people might be interested in sort of a recap on what we have done in financing this year through last night, for the calendar year. (Copy of report attached.) If it isn't plain, I will be glad to explain it. That is through last night.

Q How does that fit in with that twenty-one billion you had to borrow for the rest of the year?

A This would fit in. As a matter of fact, the borrowing that we are doing this week from the banks we hope will take us through the rest of the year. We hope so. If I come around in December and want some more money, don't say I said I would do it. It is just a hope.

Q Does that then balance out with the twenty billion, or better or worse than that?

H.M.JR: That figure we gave them before about how much we need from now until the end of the year - does this balance out with that figure?

MR. LINDOW: This includes the borrowing through the Third War Loan up to last night. That twenty-one billion was from the beginning of September, so there is an overlap there. That part of the borrowing which is already done is in here.

Q When you get the banks that will make it one billion, won't it?

MR. LINDOW: That is right.

H.M.JR: I thought it was simpler to take it up to last night. When they are through with the bank borrowing we will give you another statement, next week, and that will bring you up to date again. The people seem to be interested in that. Then to show, for instance, how necessary it is to keep this thing open at least until the 16th, Tickton was talking to Detroit last night, and none of the big automobile companies in Detroit have reported yet their sales to the Federal Reserve in Detroit. I mean they have not even turned in their stubs. General Motors and Chrysler and Ford have not even turned their

sales in; then once they do turn them in, the Federal Reserve has to process them. So we have still to hear from them. That is just one section.

Q They will be individual sales, too?

A All of those will be individuals. They are not corporations. In fact, they will all be E Bonds. But you said Chrysler, Ford, General Motors, Briggs?

MR. TICKTON: That is right.

H.M.JR: All those big companies have yet to turn in their E Bond sales in to the Federal Reserve, and then the Federal Reserve has to process them.

Q Have you any rough estimate of what that is going to amount to, Mr. Secretary?

A No, but it is big.

Q Would you say several billion?

A No.

Q Would you say one billion?

A I wouldn't want to say.

Q There is a probability this may really go up to twenty billion for the Third War Loan?

- A I wouldn't want to go that high, but there is no question it is in the bag - the five billion individual quota. That is definitely in the bag - and more. I mean, I will go on record on that.
- Q When would you say you would have to have the next large drive?
- A Sometime in January. But the five billion on the individual is definitely safe. Right?
- MR. TICKTON: Yes, sir.
- Q Mr. Secretary, did I understand you to say you were holding this open to the 16th?
- H.M.JR: We announced that. It was some time ago, wasn't it?
- MR. SCHWARZ: About the middle of the drive.
- Q That is on the E Bonds?
- H.M.JR: Yes.
- Q That is for reporting sales rather than any additional sales?
- A The drive finished midnight, October 2. To show you the mechanics of some of these companies, Ford, as I understand it, would buy from us

twenty-five million dollars' worth of E Bonds. That does not show up in the drive. Then they turn around and issue those to their employees, and they have not yet turned in those sales. The same thing is largely true of General Motors and all of those companies. They bought them in blocks, so to speak, as merchandise, and then they turned around and sold them. All of those E Bond sales are yet to be heard from. Now, whenever those big companies turn them in they still have to be processed by the Federal Reserve. Those sales were all made before midnight, October 2. But the Ford Company evidently has manpower trouble, like everybody else has, and they have to process them and get them to the Federal Reserve. That is why we said we would keep it open at least until October 16; and if they still keep coming in at the last the way they have the last two or three days we are certainly going to credit the sales until the September sales are turned in. Is that plain?

- Q Have you heard, Mr. Secretary, from the west coast, on the aircraft companies?
- A No. It just so happened that Tickton was talking to Detroit last night, and he gave me that as an illustration.
- MR. TICKTON: I have not checked with the west coast. It could very well be true there, but I haven't checked.
- Q Mr. Secretary, I have two questions.
- H.M. JR: Just two? (Laughter)
- Q That is all. One is with respect to this insurance plan. That was not explained before the Ways and Means Committee. Now, I wonder if it is possible we could have some information on that.
- A Surely.
- Q Well, how could we get that? I have tried without success.
- A Whom did you ask?
- Q I asked one or two of the men who are up on the Hill.
- A It is up to Mr. Schwarz to get it.
- MR. SCHWARZ: We will work on it.

Q The other one was with respect to this international loan mechanism. That, as we understand it, has been published in London, and we were wondering if we couldn't have something on that.

H.M.JR: Well now, I am not as clear on that as I was on your other question, but I thought that we gave you the most recent - I thought when we gave it to the Senators and Congressmen a month ago that we gave you all a copy.

Q That is your stabilization. We are talking about your credit setup. We haven't had a thing on that.

A Then I didn't understand you.

Q I mean this international mechanism for making long-term loans.

A That is right. Well, I am very glad you haven't because you weren't supposed to get it. (Laughter)

Q They have had it in London, though, that is the point. They have even published excerpts.

A Are you sure of that?

Q That is according to information from my New York office.

- A I mean, has it been published or anything?
- Q That is nothing unusual, Mr. Secretary. It always gets out over there first. (Laughter)
- A English reporters smarter? (Laughter)
- Q No, the British are pretty smart. (Laughter)
- A Well, I am not doubting your word at all, but could you give me a little proof? (Laughter)
- Q It is in the London Economist. I must admit I haven't checked that. We have a story on it and an editorial on the subject in our paper of day before yesterday.
- A I don't believe the English have a copy of it.
- Q Mr. Secretary, I saw some clips yesterday--
- A I hope you don't mind my questioning you so closely. I don't believe the English have a copy.
- Q I saw some clips yesterday quoting the Economist.
- A The London Economist?
- Q Yes.
- Q (Quoting) "It is the London Economist in which it discussed the proposal as follows. Reports from Washington state", and so forth.

A Can you leave that with me?

Q Yes.

A I have to look into this because, frankly, we were not ready to release it. The thing was not far enough along to release anything.

Q There is an editorial reflecting upon our system of public information. (Laughter)

Q The White House and Treasury. (Laughter)

Q It is as compared to the British.

A All right, I will make a note.

Q As regards stabilization, also, Mr. Secretary, there have been some alleged revelations in England that you are preparing a third draft as a result, no doubt, of Lord Keynes' conversations.

A Give me a chance to talk to Harry White, and let me just see what the situation is. I will do the best I can.

Q Mr. Secretary, in your conversation with the combined committees up there, may we ask if you developed any new phase of the plan that was given to us?

A Evidently they were pretty good in executive session up there - better than the ones I have in my office.

Q We understand you gave them copies and then took them away from them when you left. That is the reason they were pretty good, they didn't understand it. (Laughter)

A Well, that is not quite correct.

Q That is what one of them told me.

A One Senator said to John Sullivan, "Please spend the afternoon with me so at least they won't accuse me of talking to the press." Some of them didn't want them, so turned them in.

(Discussion off the record.)

I was very careful not to hurt their feelings or integrity. (Laughter)

(Discussion resumed on the record.)

Some of them voluntarily didn't want to take them away.

Q You mean some of them do have copies? We will have to look into that. (Laughter)

A Let me have a talk with Mr. White on that and see if there is anything new that we can give you on the record. Right now, as of this morning, I can't help you out.

Q Has Keynes left now?

A Not as of yesterday.

Q The conferences then are still going on?

A They were yesterday. They were in session yesterday. I will see if I can't help you. I would like to give you all I can, and certainly will give you as much as the English give their press. I always have.

Q Mr. Secretary, the allied military currency seems to be back in the news again, from the Hill. Can you tell us anything further about it?

A There is nothing more to tell than what we have told.

(Discussion off the record.)

I am not trying to duck the thing, but just off the record, after all, we manufacture it and help plan it, for which we take responsibility.

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We plan it jointly with the Army, but once that phase is finished the disposition of the spending of it is distinctly an Army responsibility - joint U.S.-English Army responsibility. I mean, I will assume joint responsibility with our Army for planning it and for manufacturing it, but as to disposition of it - I mean, they have that as purely a military operation.

Q By disposition do you also mean redemption?

A The whole thing. From the time we turn the stuff over to them - from then on it is a military operation.

Q Does that have to be off the record, the fact that--

A Well, I don't want to publicly sort of be throwing it, so I mean I am telling it to you for your guidance, and that is all. I don't want to go on the record.

Q We can say it on our own, that it is the military?

A Yes.

Q Not quoting you?

A Yes. I am sure the Army would agree.

- Q Some of these returning Senators from the world trip said they were going to write you some letters regarding that currency. Have you received any communications from any of them?
- A No.
- Q If they did, you would make the same statement to them, that this was strictly an Army proposition?
- A Oh, yes.
- Q Senator Lodge made some mention of that.
- A I saw some of that. Off the record, the only possible criticism on this whole thing, as I told these committees when I appeared is that maybe we have been too smart. But there is no other criticism. Maybe we have been too smart.
- Q You mean in avoiding making any commitments on the redemptions?
- A On the whole thing. Personally, I think it is a damned slick deal; but maybe it has been too slick. But the thing, and let me - why don't we tell it? I mean, here is a piece of paper we print and the Italians love it, are crazy about

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it, can't get enough of it. Now, supposing we begin to criticize the thing and they begin to lose faith in it, well, it hurts the military operation. That is the reason I don't want to say anything. Here is a piece of paper that they are crazy about, they can't get enough of; now, the Germans pick up the discussion, throw doubt on this piece of paper, and all the rest of it, and the Germans begin to pour it in on the radio, "Don't take this thing", and so forth and so on. Then Eisenhower - how is he going to buy his food and supplies, and so forth and so on? It hurts his military operation. That is why I soft-pedalled it. Does that make sense?

Q Sure it does.

A It is just a piece of paper we print here and say it is worth one lira, and they take it and like it.

Q It is really based on conquest. It is the usual occupation money.

A That is right.

Q Mr. Secretary, Senator Clark, I believe, takes the

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position that it constitutes an additional appropriation for the Army.

A I don't think he is correct in that. It could or it could not be. I mean, the one thing that we are satisfied, as far as the American soldier - this is all off, and I don't want to be quoted. You can see why. We do pay the American soldier in this occupational lira, but if he wants to get dollars from his paymaster he can get dollars any time he wants. So he is taken care of, you see. He is all right. But that is the kind of money they are using, and that is the kind of money they are accepting.

Q Inversely, the conquered people can't get dollars.

A No, and some day there will be a day of reckoning. Now, when it gets to the point that this is going to be charged up to somebody as real money, that is the time the Army will have to go to Congress and say, "We need an appropriation." But up to now it really has no value. It is just a piece of paper. But if you fellows print it and then it

goes out and the German radio picks this thing up and they begin to pour it in - after all, it is only fifty miles, and they can pour it in over the Rome radio and then the people will say, "We don't want this money." It goes right back on Eisenhower, and then what is he going to do? That is the reason I have soft-pedalled it - and everybody else around here. I might as well tell you. There is no other reason for soft-pedalling. As I told them up there, the only possible criticism is that maybe we have been too slick, but not dumb. (Laughter) And that is that story.

Q The British are also in it, aren't they, on the same basis?

A Yes, it is joint. After all, General Eisenhower is commander in chief of that, and they are using our money. We decided there would not be two kinds of money, so they are using it. But again, by satisfying the people that for every million lira that we give there is an account book kept, and some day when we sit down and say who is going to

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pay the cost of the war, how much is chargeable up to the Italians - some day there will be an accounting, but right now they are fighting, and that is what they should do. There will be an accounting some day.

Q Mr. Secretary, I understood you to say that when the time comes the Army will have to go to Congress and ask for an additional appropriation.

A Not necessarily. If they want to, they can sit back and say, "O.K., we will just wipe it off." As a matter of fact, every time they spend a million they get value received. That is where the slick part comes in. I mean, they buy a million liras worth of bread, a million liras worth of work, they repair an electric plant or sewerage disposal plant that has been bombed. They pay for the stuff. There is no definite obligation on anybody. It is just a piece of paper on which we printed the words "One Lira."

Now, true, I suppose they feel - both England and the United States - they feel in their minds

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there is a moral obligation there. But whether there is or whether there is not, somebody else will have to decide when the day of reckoning comes - I mean, how much are you going to charge up to Italy, the whole business. But right now you can say there is nothing, if you want to take that position.

You fellows have got to protect me on this because I am talking about a military operation, and you can't do anything to hurt General Eisenhower - and God knows none of you people want to do anything to hurt his operation at this time.

That is the only mystery about the thing. I didn't want to say anything. I didn't want to hurt it, and, you know, even on your own - I leave it to you. I am unimportant, but Eisenhower is very important, and the boys out there are very important.

Q Get the Board of Censorship to make it censorable.

A Don't have to.

Q Otherwise you will have Dr. Walter Sparr and

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others still shooting at them.

A Nobody pays much attention to him. (Laughter)

Q Quite true.

A They don't. He is the least of my worries.

(Discussion resumed on the record.)

Q Mr. Secretary, getting to the tax question--

A I thought if I talked long enough I would evade it. (Laughter) I thought you fellows might walk out and forget about it. (Laughter)

Q No. If demands are pushed for a sales tax, will the Treasury push its demands for a spending tax?

A Now, my front-line troops are all up before the committee, and like all generals I sit back here in a swivel chair. I am just a swivel-chair general, and all the front-line troops are up on the Hill. (Laughter)

Q What did you think of Mr. Vinson's testimony yesterday?

A Very good.

Q He backed you up one hundred percent.

A One hundred and one percent - excellent. I

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told him so last night when he called me up. When he came back off the Hill he called me up, and I told him I was delighted. I couldn't ask for any better support. Now the papers are going to - having taken the full barrage, me and then Vinson supporting me, I don't know who they are going to take on next.

Q Byrnes going up, too? (Laughter)

A I don't know.

Q Might as well get all three of you. (Laughter)

Q Mr. Secretary, one other matter entirely different, do you recall the discussions between the bankers over production credit associations, and so forth?

A Yes.

Q Representative Cameron of the Agriculture Committee put in a bill to pay back to the Treasury out of a revolving fund of their own twelve million a year. Were you consulted?

A I don't know. Ask Bell.

MR. SCHWARZ: Yes, sir.

Q Thank you, Mr. Secretary.

Net Increase in Federal Securities Outstanding
 January 1, 1943 Through the Third War Loan
 (Sales reported as of October 6, 1943)

(In billions of dollars)

Marketable issues:

Treasury bills	6.4
Certificates of indebtedness.....	11.1
Treasury notes.....	1.7
Treasury bonds.....	<u>17.3</u>
Subtotal.....	36.5

Nonmarketable issues:

Savings bonds.....	9.9
Savings notes.....	2.6
Depository bonds.....	<u>.1</u>
Subtotal.....	12.6
Special issues to trust funds.....	<u>2.7</u>
Grand total.....	51.8

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

October 7, 1943.