

July 10, 1942

(Dictated by the Secretary in the presence of Mr. Bell, Mr. Graves, Mr. Kuhn, Mr. Gamble and Mrs. Klutz.)

I just wanted to dictate for my diary and I want you to get the background.

At Cabinet, I first asked the Vice President what the status was of the Farm Bill and particularly this 100% loan on farm products. He said frankly he did not know; that the Department of Agriculture had not told him, but he said he did hear yesterday that they were for this thing. So I said I wanted to bring up at Cabinet the fact that if they made a 100% loan it would mean we would have to borrow that much more money which, at this time, seems useless.

I brought it up at Cabinet and the President said he did not understand the bill and was the 100% loan in excess of various benefit payments that the farmers would receive? And he said he asked Paul Appleby, Acting Secretary of Agriculture, and he did not know. Well, somebody said they thought this last 100% Loan Bill was that it would save on parity payments, but nobody knew. So I said my interest was -- it was purely from the Treasury standpoint -- that naturally if they could borrow 100% on these five various crops, everybody would borrow and it would mean hundreds of millions more of what I considered unnecessary borrowing.

Then the President said, "Well, on this question of inflation, I see where they have advanced the price 15% on certain canned goods. I think I will very shortly have to make a speech on inflation," and he says to Frances Perkins (I guess he has forgotten my position), "Listen closely, I am going to have an over-all ceiling on everything, including labor." So I said, "Well, Mr. President, whatever you do you had better do it fairly soon, because this thing is getting away from you."

At the end of the Cabinet, Jim Landis made his little speech about how he would like to have much more coordination among various agencies. They went into cities and

asked for volunteers and got all sort of mixed up and that they should be given a chance to show what they could do. "Well," the President said, "I think you are right. Get the Director of the Budget to fix up something." So I spoke up and said, "Well, just a minute. Before this thing gets to the stage of an Executive Order for the President, I would like to talk the thing over, because Mr. Landis has written me a letter and we haven't found that we get very good cooperation from OCD, particularly in New York where we asked for Air Raid Wardens and were turned down." I said, "All I am asking for is before it gets into even the draft form that we have our day in court." I said to Landis, "Of course, if you want to raise the money, all right, but I think one person should be held responsible."

Then the President said, "Jim, take my advice. Henry has promised to raise \$1,000,000,000 a month and he's got his neck out and", he said, "let him hang himself if he wants to or else"-- then he did this (gesture of hand across the throat as if cutting it from ear to ear) -- "his head goes caput!"

The purpose of my telling you this is this. I could have answered the President in a half a dozen ways, but didn't. This is either the second or third time he has said this at Cabinet. And if sometimes I seem a little unreasonable in my pressure on you, it's remarks like this which are difficult to take. But to each one of you, particularly in War Bonds, I want you to know I don't feel that way towards you fellows. And you (Mr. Graves) don't mind my repeating what I said to you -- I know each and every person is doing his damndest and, win or lose, nobody can do more than that. But at times if I get a little over-excited, it's remarks like that which I think were most unfortunate before the Cabinet, and instead of coming away with an inspiration, it would be depressing if I did not happen to be feeling that everybody, including myself, is doing all we can within reason to bring it to the public and then it rests with the public. And I had it on the

tip of my tongue to say, and almost bit my tongue off, "However badly we do, Mr. President, it's better than your campaign for rubber," but I did not say it and I am glad. There are a lot of things which are going badly for him and I suppose he thought he would take a crack.

I wanted to explain it to you. I wanted to explain the kind of things that happen to me. On the other hand, I think you ought to know it so if a week from now I get excited -- it may take a week before it boils up to the top -- but on the other hand, win or lose, nobody could do as good a job as the Treasury is doing and I just wanted to tell you that. I thought you ought to hear it because surely somebody will repeat it to a columnist.

That's the end of that!

On the \$2,000,000,000 financing, he did not even ask me and I volunteered to say I thought it would be a success. Then he told the story about the church and vestrymen -- that I offered them a champagne dinner if they would buy a Government bond, and that was his only comment on the \$2,000,000,000. So I have to supply my own yeast and my own dynamo.

Dan, who was Director of the Budget for 4½ years, knows this almost as well as I do.

(Mr. Bell: I know what goes on.)

And sometimes it's awfully hard to take it. Dan knows. He served 4½ years and did not even get a letter.

(Mr. Bell: I am still Acting Director of the Budget. My resignation has never been accepted.)

This has happened to me. I don't think it is going to crop out in any unpleasantness, so I tell it to you. Frankly, I don't feel that way. It's a tough job. I

could flash any one of a half a dozen things on them -- our airplane production for June, less than May. Inexcusable. Bad management. Bad administration, etc. But it's there. Should I or shouldn't I tell it to you. Well, I like to think we have a happy family and I told you. We will do the best we can. And as I told Harold, supposing we don't. It isn't a tragedy. Funny, the President said word for word what I said to somebody who was sitting there. "We have got to do this thing. We have got to do this thing." The President said, word for word, what I said. He said, "It's very easy for somebody to say "Get planes to the Middle East. Stop these Russian sinkings, but," he said, "then let somebody go out and do it. It's not so easy." You know, Paul said, "It's got to be done." I said, "It's very easy to say that." I said, "The President can say, "Stop sinkings off the Atlantic Coast, but it does not happen." I don't mean by that we should be complacent. We are not complacent. We are doing everything humanly possible to do and I am satisfied we are doing everything anybody could do and doing it better than anybody could do.

This is very much in the room here. I don't mind your discussing it among yourselves. I think we have the best public relations with our clientele that any Government agency has in the Government. I said our own clientele. We are all right. You mustn't repeat what I say here. Dan has seen me go through this thing. I might react entirely different, but I think this is the third time this has happened to me, so I get all in a lather. Since Harold and I had our talk, 2 1/2 weeks ago, there has been no lather, no soap. We are getting along all right.

July 16, 1942

1143

Saw the President and congratulated him on his victory over the Farm Bloc. He seemed pleased.

Asked him if it was O. K. to make Randolph Paul General Counsel inasmuch as Foley was going in the Army. He said yes.

Then he told me the story -- he said he had not bothered to tell it to me before -- that John MacCormack, of Massachusetts, had come in to see him and said that the Committee wanted John Sullivan back because they did not like Paul and that the President asked MacCormack please to check and he said that he did and he said, "He did the unusual thing. After checking," he said, "he wrote me a letter and said his original information had not come from a member of the Committee and that on checking with the Committee, from Doughton down, they all liked Paul and that he had been misinformed."

I then told the President that he had been pretty rough on me at the last Cabinet on War Bonds. So he said, "What did I do? What did I do?". I said, "You were unnecessarily rough." "Well," he said, "there isn't a day passes that either Wallace or Miss Perkins does not go after me on compulsory savings." He said, "What did I say?" I said, "Forget it, but I thought you were pretty rough." Well, he took my criticism well and I am glad that I brought it up, because I don't think he will do it again.

We then got on the Tax Bill and I told him that I wanted to go after the social inequities in the Bill very hard. He said, "Fine!", and that George had been asking to see him, but he had been postponing him. So he said, "Tell you what we will do. We will have George in Friday for half an hour. George says he wants to see me alone." He said, "I will see George alone and then see you." I said, "Do you mind reversing it? See Paul and me and then we will step out?" He said, "All right." So he gave me a tentative appointment for 11 o'clock Friday.

While sitting in the hall, first, Air Marshal Evill comes out of Hopkins' room and stops and talks and then he says, "You know, Hopkins is going to make another trip." I said, "Oh, really!" Then Admiral McIntire goes in the President's room and then goes from there to see Hopkins. And when I went in to see the President, he said, "Bring everybody in," and Marvin McIntyre and Steve Early went in with me and did their appointments, and the President kept telling them to hurry because he had to clear his decks for the morning. Well, he gave me all the time I needed. After I left the President's rooms, I asked to see Marvin McIntyre and was told that McIntyre and Early were in with Hopkins. I give these incidents just to show what Hopkins' position is in the White House.

I then told the President that I was seeing Wendell Willkie and some of his movie people tomorrow and I expected to tell them they could not have any of their money. I told him how Will Hays had misrepresented the tax situation. Also told him the story about how Winthrop Aldrich had said when he asked Willkie to come down here that Willkie said he wanted a special retainer and Aldrich had said, "What am I paying you \$100,000 a year for as Chairman of Twentieth Century Fox?" He said, "I wouldn't give him a nickel to come down here." The President loved the story and loved the story about Hays not knowing that all the companies had paid their taxes except Twentieth Century Fox.

Then, to my great surprise and again showing that it's wise to tell the President about these things whenever I can, he said he saw Will Hays about three weeks ago, and he said that he told Will Hays, "You are taking your chances on your money. You are gambling that England is going to win." He said, "Why don't you do what I did?" He said, "I formed a company and bought \$4,000,000 worth of marks in Germany. I gambled Germany would come back, and I invested them in German real estate and I made \$3,000,000 for my stockholders."

He said, "Why don't you do the same thing and invest this money in England in English real estate and after the war is over you will have the money there in property?" So Will Hays said no, he did not like that idea. He said, "If you own this real estate in England you can borrow on it in this country."

But I again say I am glad I put the President on notice that I was going to turn down the movie people tomorrow. I said, "They have made their bargain and bed. Let them lie in it."

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July 22, 1942

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I had lunch with the President today, and found him in a very good humor. From remarks he made later on, I don't think he was referring to the war.

The President said, "I have got several questions I want to ask you," and he had on his desk a draft of a joint resolution which he evidently wanted Congress to pass. I gathered that the so-called Big Four had turned him down this morning. He said, "I have got to do something about inflation and prices, and there are two ways of doing it. One is through Congress and the other way is to do it by getting an opinion from the Attorney General that I have the war powers to do it." He said, "Which way would you do it?" giving me no inkling as to how he felt.

So I said, "Well, you will have to give me an example." He said, "Well, supposing I said to the cotton manufacturers that the price of cotton can't go any higher and, therefore, the price of cotton goods has to stay where it is, and then I did the same with canned goods, and I told labor that they would have to work for 40¢ an hour." So I said, "Well, are you going to freeze wages?" He said, "No. There may be some districts paying only 30¢ and they could raise it, but if we continue to keep the cost of living stable there is no reason for wages or individual prices to go up." "Well," I said, "I agree with you."

Then he said, "What is your thought? Would you advise me to do it myself?" I asked the President how long it would take for it to get through Congress, and he said that they couldn't get it through in two months because they want to go back to get re-elected and they are all nervous. So I said, "I can unhesitatingly advise you to do it yourself because it is something that has to be done right away. You can't fool around with it." So he said, "That's good."

Then he went on to say that he had another question to ask me. He said, "Supposing a manufacturer, due to the freezing of prices, is in the red? Should we permit him to raise his prices or should we make up the difference in his losses?" I said, "I can answer that because any of these questions on inflation we think about all the time. I would rather see you pay a manufacturer what he is losing than to have you increase the various prices and in that way break your ceiling."

He said, "I am awfully glad you feel that way. That's fine."

I gathered that the Big Four were coming back tomorrow to get his answer, and I also gathered that he would announce this next week. I also asked him whether we could see it before he makes it public, and he said that we could.

He then went on to talk about gasoline and rubber, and he had a lot of ideas about what he proposed to do. The main thing seems to be to separate the two in the minds of the public.

I then told him I knew about the group in London, and I asked him how they were getting along. He said, "I haven't heard a thing. I don't know a thing about it."

I told him about the latest information on the parachutists in Dutchess County, and he was very much interested in that. I told him I thought there should be a guard with Mrs. Roosevelt every night from now on up there, and I told him how we protected her last Saturday and Sunday without saying anything. He thought that was good.

I had him read my whole tax statement, and three or four times he said, "That's good. That's fine." The only suggestion he made was on the description about the man with the \$9,000 income, he said he would do it both ways - show how much tax he has to pay and how much he has left. This is what I asked my men to do and they haven't done it.

When I showed my tax statement to Barkley and George, when we came to joint returns, Barkley said, "You know the President has told us several times that he is opposed to bringing this matter of joint returns up at this time. He thinks it will only prolong the bill." I said, "Well, I don't doubt your word, but I have just come from the President, and he has approved this statement." So Barkley laughed and didn't say anything.

The President also told me that Chief Justice Stone had turned down his request that he should act as arbiter on the rubber business. The President said Stone's letter was very friendly. I am not surprised that Stone turned it down.

While discussing inflation, I brought up the question of the so-called coin systems in England, and I asked the President whether he was familiar with it. I explained that they give a book which limits you on how much you can spend for clothing, and another book limits you on how much you can spend for food. They really ration money, and I said I thought that if this thing kept on much longer we would come to that. I asked him if he would want to throw out a hint to that effect in his statement on price control. He thought for a moment, and he said, "No, that would just raise another question for the people to think about, and I don't want to do it at this time."

August 7, 1942

At Cabinet, I asked the President whether the State Department or Justice Department looked after an infringement of the Lanham Act. The Attorney General said he did.

I then said, "I have reason to believe that possibly Congressman Fish has violated that Act." The President said he had no doubt but what he did. I then asked the Attorney General if he would please look into it, and I told him that U.S. District Attorney Maloney had all the facts.

August 21, 1942

The President went through a long discussion on the whole question of prices and controlling inflation, and when he got through the Attorney General said, "Well, who is looking after this for you? Who can I talk to? Should I talk to Judge Rosenman?" The President said, "Nobody is working on it. I would like you to take care of it."

August 22, 1942,

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I told the President about my inspection of the various Army camps, and he was very much interested. I said, "I would like to go overseas and inspect the troops in England and Ireland and see how they are over there," and the President unhesitatingly said, "Okay."

I told the President that I didn't want any publicity, that there had been none on this trip, and I just wanted to make the trip under the auspices of the Army. I told him that I didn't care whether I saw Churchill or not. I said to him, "You're sure, Mr. President, that it is all right?" and he said, "Yes, of course. I'll tell you how we will handle it. I will announce that I am sending an intelligent civilian observer who can be my eyes and report to me on how he finds the Army."

Then the President said, "You know I would love to go myself because you and I have got to get close to this thing." Then he said, "What I am proposing to do is to make a swing around the country and visit factories and Army and Navy training stations and stop for a short time at Warm Springs." He said that he would go about the middle of September, and then he asked me what I thought about it, and I said, "I think you should certainly do it."

August 25, 1942

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I told the President this morning that tomorrow morning I was convening this committee composed of myself as chairman, General Hershey, Secretaries of War and Navy, and McReynolds, to consider the question of drafting key Civil Service men 40 to 45 years of age, who are not fit for combat service. The President questioned me about it, and then he said, "That's all right." Then he got quite excited and he said, "But, Henry, neither Knox nor Stimson are doing anything about stopping giving commissions to young men who should be in combat service, and I would like to see every one who has been given a commission and a desk job here in Washington cleaned out." And I said, "So would I, but that has nothing to do with what I am talking about." He said, "I know it but this commission business makes me awfully mad."

I then talked to him about my going to England, and I told him that Marshall felt that if it was announced I was going over to inspect troops that Secretary Stimson might want to go, and he thought that would be bad. The President, while saying nothing, gave me the impression he agreed with Marshall. I said, "Marshall asked me whether it couldn't be given some financial aspect," and the President said, "Yes, it could." So I said, "Well, I could send for Sir Frederick Phillips and tell him that I was coming." The President told me that he wouldn't make it look as though it was just the English. He said, "I would say that you are going over there to study world finance, including German finances, and give it a world outlook." So I said, "Well, in that case, I would like to take Harry White with me who is in charge of that in the Treasury." He said, "That's all right." I really don't think he knows who Harry White is. I asked the President whether he would make the announcement at the proper time, and he said he would.

During the course of my conversation with the President, he said very quietly, "Henry, now that your War Bonds are not going so well, what are you going to do about it?" and I said, "I am not going to do anything now because I think something will come out of the present tax bill that will help us with our War Bonds," and that ended the subject. This is the first time the President asked me what I was going to do about it.

The following was dictated in the presence of Messrs. Gaston, White and Blough:

On the proposed spending tax, the President read the memorandum and said, "That's all right." Then, perhaps foolishly, I began to explain to him what is going to happen to the people making \$2,000 or less. He looked at the second page and questioned me about the 100% on over \$25,000. He said, "Does that mean that a fellow is taxed 100% if he spends \$25,000 or does it just mean you change him 100% under the schedule on what he would spend over \$25,000. I told him I thought it was the latter, and the President said, "That's what it should be." Then he said, "Go ahead and try it." The President also asked me, "What about the administrative problems in connection with this?" and I said, "Well, they are difficult but we can overcome them."

The following was dictated in the presence of Messrs. Gaston and White:

When I went in to see the President, Early and Rosenman were there, and Rosenman was arguing with the President about whether he wanted to send this inflation message to Congress and ask them to do something in thirty days, or whether he wanted to do it under the War Powers Act. Listening to the discussion, I got the distinct impression, which I later substantiated with Rosenman, that the President was leaning towards a message to Congress and a 30-day notice on it. I also learned later from Rosenman that that was what Hopkins was advising.

Rosenman said to the President, "Wickard would like you to do it right away." So I spoke up and said, "So would I." Then later on when I was with him alone I said, "I will go out on the end of the limb, Mr. President, and definitely recommend that you do this and not wait for thirty days while they argue and muddy the waters. I think the public is ready for something now, and I would like to see you do it right away." I think I made a definite impression on him, and Rosenman told me later, "I tried for five weeks to get the President to make up his mind, and I can't get him to make up his mind either way."

The following was dictated in the presence of Mrs. Morgenthau, Mrs. Klotz and Messrs. Gaston and White:

HM Jr: After leaving the President, I went down to see Judge Rosenman and talked about various things. Then he said, "How do you think Nelson is doing and what do you hear?" So I said, "I hear nothing but criticism and that the thing is just falling by the way-side." I said, "What do you hear?" He said, "I hear the same."

Then Rosenman said, "Would you be willing to take Nelson's job?" So I said, "Well, under certain conditions." He said, "Well, what are they?" I said, "Well, about a year ago I sent to the President a plan for a Ministry of Supply." He said, "Yes, I got a copy of it." Then I said, "The Ministry of Supply is still good and the man who has that job must have control of labor. Rosenman said, "Well, Nelson has that." Then I said, "And he has to have complete control of all financing of plants, and Nelson doesn't have that. He has to work through Jones, and I don't think that Jones has made a success of rubber and steel." I said, "The man who has that job just doesn't have time to fight Jones and if it is left the way it is now, he would have to spend all his time doing that."

Then I told Rosenman about the call I had from Milo Perkins at which time he told me of a three-hour experience he had with Jones and Clayton which completely wore him out. Perkins said they talked and argued and talked and argued until he finally got up and said, "Goddamn you, I am going to do it my way any way." I said, "If a man is going to make a success of the job, he just hasn't time to fight with Jones."

I said, "Furthermore, I insist on sitting at the left of the President where I sit now because you need the prestige over the Army and Navy."

Then Sam said, "Well, I think that your conditions in regard to Jones alone is practically like saying no." So I said, "I don't care who goes in there, as long as he has to go to Jones everytime he wants to finance a plant or buy some rubber, or do anything in connection with financing, Jones will

always sabotage it, and the President sooner or later will have to cross that bridge."

Then Sam said, "The part of sitting at the President's left, I think that could be arranged." Then he said what do you think of Lillienthal? Do you think he could do it?" I said, "Well, I don't know him so I couldn't advise you on that."

Rosenman said, "He needs somebody like you who doesn't care what is going to happen afterward and who doesn't care what he does in removing the business men now in there, and who is willing to clean house thoroughly - lock, stock and barrel - and I know you could do it."

Then he went on to say, "The thing that worries me is the President is so complacent." He said, "The President doesn't devote more than two days a week to the war. He said, "I have tried one month to get him to look at this Executive Order, and you heard him this morning." He said, "I have been up at Shang-ri-la three times and he sits there playing with his stamps." I said, "Well, maybe he thinks." Then Rosenman said, "Outside of yourself, the White House staff and General Marshall, he never has anybody come in in the morning to see him. Nelson never gets to see him."

Rosenman left me with the impression that he was going to suggest that I do this. I told Sam that I told the President once that if he ever got stuck on this thing, I would be willing to do this.

Rosenman said, "How does Hopkins feel about your going in?" I said, "I don't think Hopkins would object now because he has gotten himself into a position where he is interested only in grand strategy of the war, and he isn't interested anymore in the manufacture of materiel for the war." Sam said, "What does Hopkins know about that?" and I said, "I don't know."

I think I am right in saying I wouldn't want to go in there with Jones in his present position.

White: That definitely would have been true a year ago. A few things have happened since that which might make that a little less important. One thing is that Jones has been thoroughly scared, and I don't think he will forget that so quickly. A second, and possibly more important, item is that the financing of plants and building of plants has become a little less important than it was a year ago. The sabotage has been done, and much of the damage is a thing of the past, and we are paying the price for it, but it isn't quite the same now. Of course, that doesn't mean that I don't think that you should have set those conditions.

Mrs. Klotz: Oh, it would be awful. You would have to fight him all the time.

HM Jr: But look at the time you would be spending fighting with Jones. With his friends on the Hill and a new man trying to fight Jones, the program would be continually sabotaged.

Mrs. Morgenthau: I think it is difficult enough - so much more difficult than a year ago - that if you didn't have the necessary allocation as to who was to do what, you would spend too much of your time fighting Jones.

HM Jr: Yes, and Jones will go to Steve Early and he will go to the President, and this one will say that, and somebody else will run to the President with something else, and it will just keep on that way.

Mrs. Klotz: They will never change.

Mrs. Morgenthau: It is going to be a difficult enough job with the necessary authority over Jones.

HM Jr: Big business would be against you and you would get a terrible press and it would be very difficult to convince the public.

White: You would have to be prepared for not only a bad press but very effective enemies.

HM Jr: Now, just let me tell you what Milo Perkins said. He came over here to pour his heart out and he said, "You know the trouble is we can't depend on anything. We do this thing and we do that, but I never know what morning or night Jones is going to reach the President, and then the President is going to turn us down, and you are constantly under that strain."

I also told Rosenman that I would insist also on sitting down with Stimson, Patterson, Knox and Forrestal and coming to an agreement with them, and make sure that the whole thing was agreeable to them. I also said that I wanted to sit down with labor. Rosenman said, "Oh, you will have to tell labor what to do any way," which gave me a slant on how he feels on the labor question.

Mrs. Morgenthau: You would have to get labor on your side. You wouldn't have business; you wouldn't have the press, so you must have labor, and I think that if labor realized a man was in there who saw their viewpoint and was friendly with it, they would realize that they could cooperate without risking losing everything they have gained. Now they feel that if they give in an inch, somebody will take a little extra away from them.

Gaston: It is the fighting support of labor that would be your one big help and it would make up for the other factions which will, of course, be against you.

HM Jr: Just to give you a little background on this - Colonel Greenbaum was at our house Sunday afternoon complaining about a lot of different things. This was wrong and that was wrong. He said, "Well, supposing the Russians quit and then the Germans were in Africa and Brazil, and the Japs are victorious, what would the President do?" I said, "Well, he probably would move." So he said, "Well, why doesn't he move now?" Then I said, "Why don't you tell Rosenman about it at supper tonight?" and he said maybe he would.

White: Do you suppose that is where Rosenman got the idea from?

HM Jr: No, I asked him whether Eddie Greenbaum suggested my name, and he said, "No. I got it in the bathtub."

Mrs. Morgenthau: I was just thinking of that little conversation with Carey. I have the feeling that if they have a man whom they realize is interested in them and sympathetic towards labor, they would be much more ruthless than they are now and would give in a little more. Now they think nobody is really interested and if they do give in a little bit somebody will take a lot more away from them.

Mrs. Klotz: That's right.

Mrs. Morgenthau: They can't give in now. They feel that the people who are running things will sabotage them.

HM Jr: I think I am right, and certainly I don't think the President is going to do it because if he put me in there under those conditions this thing would have to be pretty desperate.

White: It should only be on your terms because that would be the only way you could make a success of it.

HM Jr: I think we better get out that Order and dust it off. Would you two and Paul take over that - the three of you take a look at it.

White: In connection with this I would like to tell you of a little incident. About two weeks ago, after one of these luncheons, we were griping about the same subject, and as I was going out, Lubin and a group of others - I don't remember who they were but it was one or two others. I think Aubrey Williams was there, but any way the other ones didn't say anything. We had agreed to the same thing which we inevitably agreed to and that was that Nelson ought to go and that he should be replaced by a much stronger man. Then Lubin took

me aside and said that he had heard your name mentioned several times as a successor to Nelson, and Lubin said to me, "Do you think your boss would take that job?" I said, "Well, under the right terms. There is no one else." Then he went on to say, "Do you think he could get it?" and I said, "Well, that I don't know."

But that little incident suggests to me that there must have been some discussion elsewhere.

Mrs. Klotz: Sure there was. Rosenman never got that idea out of the bathtub.

White: He must have interesting company in the bathtub.

HM Jr.: Well, the point is that there is no use my going in there unless it is on my own terms. Nelson's setup is rotten and it can't work that way.

Gaston: Most of the press are leaning toward the comment that Nelson is pretty bad but who else is there to take his place. Whaley-Eaton and Kiplinger took that attitude, too.

White: They made a big noise out of him and now they are trying to cover it up by saying that Nelson is all right and that all he needs is a first-class assistant, and let Nelson be the front.

HM Jr.: Yes, the press made a fuss over Nelson when he first went in there and now they don't know how to handle it.

White: Well, Mr. Secretary, what do you mean by saying that you want to continue to sit to the left of the President?

HM Jr.: I want to retain my rank as second in command in the Cabinet because that would give me prestige over the Army and Navy.

White: You mean that you would want to remain as Secretary of the Treasury and just turn over the actual working of the place to an Assistant or Under Secretary?

HM Jr: They could give me a leave of absence. You know Stimson, even if he is an old man, always wants me to go through the door first, and Knox the same way. Well, I don't want to do that, but if I hold a Cabinet post superior to the Army and Navy they will have to cater to you, and that is important.

White: I think it is very important.

HM Jr: Yes, and then I can get on the phone and call up Stimson and Knox and tell them I would like to have them come to a meeting in my office, and they would have to come. But if I was one of these people like Nelson, I would have to go to them because I wouldn't have the necessary prestige.

White: They wouldn't create a new Cabinet position, would they?

Gaston: No, I think that you should remain as Secretary of the Treasury, and the work would have to be turned over to an Under Secretary.

Mrs. Morgenthau: Yes, have somebody run the Treasury because you will need that prestige to put the thing across.

White: You will need both the power and the prestige because I think it would be very unfortunate if you found yourself jockeyed into the position of accepting something with less prestige than that of the Secretary of the Treasury.

Mrs. Klotz: Yes, they would say that they were trying to get rid of you.

HM Jr: Yes, but this way there would be no way they could say that because I really would be in charge of both jobs, and I would retain that prestige over Army and Navy.

White: Well, it is not only that. It is that, plus something else. If you get this in addition to the Secretaryship, then it is a public recognition that there is nobody else who can do it and that it is because you are the best man that you are getting the additional work. There is nobody else and they just have to pile more work on you. If you don't do it that way, some people may interrupt it otherwise.

Mrs. Morgenthau: If he just took the other, it might look as though it wasn't as good a job as the Secretary of the Treasury, and that this was a good way to get rid of him.

HM Jr.: Well, the trouble is I don't know whether the President has to wait until they take the Caspian Sea or what. Rosenman said to me, "You know when Molotov was here the President practically promised him a Second Front but nothing has happened."

The thought came to me that after my inspection trip I don't think it is possible to send enough trained and equipped troops to open a Second Front strong enough to divert the Germans.

Rosenman said, "But the President publicly promised Molotov a Second Front." And I said, "Listen, the President has promised every member of the United Nations assistance, and this is no different." Rosenman repeated, "But he did this publicly and the others he didn't announce. "Well," I said, "He didn't set any fixed time for giving him a Second Front."

And so that is that. But I just thought I would let you boys listen to this and then you can be thinking about it.

August 25, 1942

MEMORANDUM FOR THE PRESIDENT

The growing inflationary dangers inherent in the present situation require a tax program larger than the Treasury's \$3.7 billion. The Congress, however, is not likely to provide nearly that amount of revenue from proposed tax sources except by resorting to a general sales tax. There is a strong campaign under way for a general sales tax.

This situation could be met by a spendings tax. Such a tax would be imposed at progressive rates on the amount spent on consumer goods and services. Exemptions somewhat lower than the exemptions of the income tax would be allowed. Debt payments, insurance, and other forms of savings would be exempt.

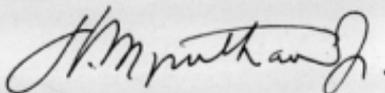
For administrative reasons persons with incomes of not over \$2,000 or so would be taxed on their incomes, rather than on their spendings, and the amount so collected would be held for return to them as a post-war credit.

The spendings tax is not a sales tax. Personal exemptions would be allowed and the rates would be progressive thus obviating the unfair aspects of the sales tax. The spendings tax would not affect price ceilings.

The spendings tax is not an income tax. It avoids the hardships which high income taxes involve for persons having commitments to pay debt, and imposes a more definite penalty on spending than does the income tax. It would involve some administrative difficulties.

A group from OPA, WPB, Department of Commerce, Federal Reserve Board, and the Treasury Department, discussed the plan last night in my office in some detail, and agreed that the principle of the plan was sound and that it was a healthy step in the right direction. I believe the tax might well be suggested to Congress even at this late stage in the progress of the Tax Bill.

I am planning, with your approval, to discuss it with Senator George at lunch today.



Illustrative Rate Schedules for a
Spending Tax

Expenditure brackets in excess of exemptions	Schedule I	Schedule II
\$ 0 - \$ 500	10%	10%
500 - 1,000	10	15
1,000 - 2,000	15	20
2,000 - 3,000	20	30
3,000 - 4,000	25	40
4,000 - 5,000	25	40
5,000 - 6,000	30	50
6,000 - 7,000	30	50
7,000 - 8,000	30	50
8,000 - 10,000	30	50
10,000 - 25,000	30	75
Over 25,000	30	100

August 30, 1943

On August 29th, I dreamed that I walked into the President's office, and he was sitting there with Lord Mountbatten, looking over a map. I took a look at the map and saw that it was a map of Denmark, and as quickly as they saw I was looking at it, the President folded the map shut, and I said to myself in my dream, "Ah ha! The President and Mountbatten are planning to invade Denmark," and then when I woke up and turned on the radio, the first thing I heard was that the Germans were taking a military position in Denmark.

September 2, 1942

I saw the President this morning and told him a little about what we were doing on taxes, and I also told him I was going up on the Hill tomorrow and tell them that as far as the payroll deduction plan is concerned that we felt we had to swap that for post-war credit, and that the amount was somewhere in the neighborhood of \$5,000,000,000. That's all I told the President about it, and he seemed satisfied and pleased.

I then went on to question him about his Monday night's speech, and I urged him as emphatically as I have ever urged him on anything to come out and announce that under his special statutory powers - the President said to be sure to call them statutory powers and not war powers because he found out only a couple of weeks ago that he had statutory powers - that he could regulate the price of food, etc. He said, "Well, Henderson, Wickard and the rest of them are coming in with a plan, and I am going to ask Lubin to check the figures to see if they are all right." I said, "Supposing the figures are all right, don't let that be the deciding factor." I said, "Take the bit in your teeth and announce it and get it over with. I know the public will like it." I said, "Take my word for it that the trend of commodity prices is with you at this time, meaning that the trend of prices for cattle and hogs is down at this time. "You have had about three months of continuous bickering on this," I said, "and I know if you go all out you will get a good press."

The President said, "Well, I have asked them to come in with a plan and I am going to listen to them first. Henderson only suggested this yesterday." I went away with the feeling that I had impressed the President; in fact, I saw Rosenman on my way out and told him I was 75% sure that the President would do what I recommended.

Rosenman said he thought that it would be decided over the weekend at Hyde Park, and he asked me if I was going to be up there. I said, "Yes."

September 4, 1942

I phoned the President this morning and suggested Bill Douglas to head up the Economic Stabilization Authority, and he said he would have to resign. So I said, "Well, it is worth resigning for." The President said, "I would rather have Justice Byrnes because this is a very judicial job, and he would only have a couple of assistants and a couple of stenographers."

The President said, "I talked to Alvin Barkley and he is very much upset." He said, "I have a new thought - to use an old plan which I used three or four years ago when they gave me the power to reorganize, but I had to wait 60 days before putting it into effect. What I am thinking of doing is to use the same plan, but give them only until October 1st, because in spite of what Henderson says I do not think he can hold prices beyond then." I said that I thought it had certain attractive features. When I said, "You are daring Congress to tell you that you cannot do it," he said, "I am just laying it before them and if they do not do something about it the plan goes into effect October 1st."

Then the President particularly cautioned me not to tell anybody about it.

September 7, 1942

Shortly before lunch today, the President called me from Hyde Park. He told me about the Army enlarging the airport at New Hackensack, and that they were going to demolish the Woronock Inn, one of the oldest inns in the County. There also is another house - he couldn't remember the name of it - that they are demolishing. He asked me whether I would please get in touch with the War Department and see if they couldn't change their plans so that these two houses would not be destroyed.

Why the President should call me and ask me to do this rather than do it through one of his military aides, I don't know, but he did.

Just before the President got in touch with me on the phone, Herbert Gaston called me up and said he had read the President's message to Congress and pointed out to me that they had used most of what we had sent them on taxes, but had left off the sentence in which the President would have said that he was in favor of our spendings tax.

I said to the President, "I have heard from Mr. Gaston about your message to Congress, and I see that you have not mentioned our spendings tax." "Oh, no," he said, "I never make any recommendations to Congress while a bill is pending before them," and he repeated this very emphatically several times. It completely took my breath away, and I couldn't think quickly enough to give him a few examples, because there are plenty of them, and there are plenty of examples right in the statement he made to Congress. But I said something, and then he kind of broke down and laughed, showing that he was trying to put something over on me. Then he immediately made the statement, "Well, you know, Henry, I always have to have a couple of whipping boys," to which I replied, "Yes, I realize that I am one of them and right now I am getting plenty of whippings."

To show the kind of a mood he was in, he said, "I spoke to Steve Early today and told him that when he saw the press in the morning he should greet them as follows, 'Hello, suckers,' " the idea being that they had been writing continuously that there was to be a Mr. X and a board, and that they had guessed wrong. Well, of course, they hadn't guessed wrong because the President only changed his mind on Friday, and I can't imagine

that the newspapermen liked it any better than I liked being told that he has to have a couple of whipping boys.

September 9, 1942

1170

I called on the President this morning and cleared my financing with him.

I then said, "Mr. President, I think your message to Congress was excellent and everybody I talked to liked your radio speech. They thought it was good and delivered in a quiet manner." (I thought it was too quiet.)

I said, "If you don't mind my saying so I think that the gap in your speech is a \$20 billion gap." He said, "What do you mean by that?" (The President explained it all either in his message or his speech, so I was amused at his asking me to explain it.) I said, "Well, what it means is simply this - the people have \$20 billion to spend in their pockets more than there are goods on the shelves to buy." He said, "Oh, I understand." I said, "None of these suggestions which have been made other than the Treasury suggestions will in any way tackle this problem and, as I told you, I was very disappointed you didn't say something in your statement." So he said, "Henry, I just couldn't. It was too new, too recent, for me to say something." So I said, "Well, couldn't you when you see the leaders and when you have a press conference keep saying something about it to keep it before the public because we have got to get something like it?" He said, "Yes, I could do that."

The President said, "Let me give you a suggestion. Why can't you go to the post office and say you would buy \$600 worth of stamps with which to buy goods. The first \$600 would be exempt from taxes. Then you buy \$600 more and on that you would pay 10%, and for each additional \$600 you pay a higher tax." I said, "Well, there might be something in that, and I will be glad to have it studied." The President agreed with me that there will have to be some kind of a tax on expenditures.

The President said, "What Congress really wants is a sales tax, isn't it?" and I said, "Yes, they do, but I think we have licked them on that."

The President read the attached statement which Mr. Paul gave me.

I said, "Mr. President, you may not remember but I was planning to go to England on Monday." He said, "Yes, I do." So I said, "I think I better postpone it." He said, "Oh, yes, I very definitely would postpone it because after all you have to watch the tax bill." He also said, "I hope to get away next week for two weeks to make my inspection trip and I certainly want you here while I am away." So I said, "Well, I also will have to watch your price legislation," and he said, "Yes, that's right." I said, "Would you have any objection to my going a month from now?" and he said, "None whatsoever." He was very emphatic that I shouldn't go now, and I am glad that I suggested that I shouldn't go rather than have him tell me not to go.

I then asked him if he saw any little rosy spots in the war situation. He said, "No, but I don't see any very dark spots either." He said, "I have said all along that if the Russians can hold on until the 15th we are all right, and I think they are going to." He said, "Certainly if they hold on until the 1st of December (meaning if they didn't collapse) they will be all right," and he seemed quite emphatic that they would be able to hold out. I then said to him, "We can't win this war from the air, can we? We will have to use ground troops to accomplish it," and he said, "Absolutely, it will have to be done on the ground."

Before seeing the President, I saw Harry Hopkins who greeted me by saying, "My, you certainly are having a tough time with your taxes." I said, "Yes, but I am mighty glad that I came through with a good suggestion as to how to take care of this inflation." I said, "I would only feel badly if I hadn't done that." Hopkins said, "Yes, but now Congress is blaming us because they have been so slow about the tax bill." Then I gave him the attached editorial from the Post to read.

I then asked Hopkins how he felt about the war, and he said, "Well, I am confident that the Russians will hold Moscow, but I am afraid they are going to lose Stalingrad." So I said, "Will they get through to the Caspian Sea?" and he said, "I am afraid so." I asked him, "How much good can we do from the air?" "Well," he said, "We are doing very well, but we haven't taken on any of the tough cities like Hamburg or Brest where they are well protected and have a lot of airfields. Until we take on some of the tough cities, I don't know what the answer is." I said, "Isn't it going to have to be done from the ground with ground troops?" and he said, "Yes, definitely."

So I said, "Well, the Germans were pretty successful over England." He said, "True, but neither the Germans nor the English have been successful to date with daylight bombing." He said, "There are 18 good days left in September, and let's see what we can do," but he repeated, "Until our American bombers can prove that they can attack in daylight the well guarded, well protected cities, I am not convinced with what the air crowd can do."

Hopkins said, "I also am afraid that the Japanese may attack us real hard this time at Guadaacanal and the Solomon Islands." He said, "Of course, we may get another break like we did at Midway, but we have got to be prepared for a hard attack from the Japs."

To sum it up, neither Hopkins nor the President are very confident. Certainly everything they said was on the negative side, and if they have any Second Front plans in mind, they certainly are keeping them a deep dark secret.

September 9, 1942

MEMORANDUM FOR THE SECRETARY

From: Mr. Paul

Subject: Action of the Senate Finance Committee on
Tuesday, September 8, 1942.

1. Spending tax: Senator Byrd's motion to reject the entire Treasury proposal for a spending tax was adopted by a vote of 12 - 0. A few of the senators present refrained from voting. Senator La Follette's motion to adopt the Treasury spending tax without lowering exemptions below the Senate Committee levels of \$500, \$1,200, and \$300, was rejected.
2. Sales tax: Senator Danaher's motion for a 10 percent retail sales tax to be used for the purchase of non-negotiable war bonds was rejected. Senator Guffey's motion to adopt a retail sales tax at a 5 percent rate without exemptions for food was rejected by a vote of 13 - 6. An amendment by Senator Taft that food be exempt from the sales tax had been previously rejected by a tie vote of 9 - 9.
3. "Victory" gross income tax: On motion of Senator George, the Committee adopted, 13 - 6, a "victory" tax of 5 percent on all gross incomes in excess of \$624 (without any deductions ordinarily allowed under the income tax). The tax is to be collected at source. A post-war credit of part of the tax would be provided, against which a tax credit would be allowed currently for payments of life insurance, debts, and purchase of war bonds within limits. This would have the effect of reducing the 5 percent tax to a net of 2-1/2 to 3-3/4 percent. Mr. Stam estimated that the tax would produce \$3.6 billion gross and \$2.5 billion net after allowing for the refundable post-war credit.

At the beginning of the afternoon session the Treasury, at the request of the Chairman, commented briefly on the victory tax to the effect that (1) the exemptions were below the minimum subsistence level for families, (2) it would be preferable to integrate the proposed victory tax on a net basis with the income tax instead of adding a new gross income tax, and (3) that the post-war credit was defective and would result in at least ten million refunds each year.

Before adjournment the Treasury was instructed to bring in on Wednesday morning various alternative methods of integrating the "victory" tax on a net basis with the regular income tax. The sales tax seems to have been finally rejected and the question today will be whether to increase rates upon net income on a low exemption basis or go over to Senator George's gross income tax.

RST

Table 1

Individual surtax rates and cumulative surtax:
H.R. 7378 and H.R. 7378 increased by 5 percentage points

Surtax net income (000)	Bracket rate		Total surtax cumulative	
	H.R. 7378	H.R. 7378 increased by 5 per- centage points	H.R. 7378	H.R. 7378 increased by 5 per- centage points
\$ 0-2	13%	18%	\$ 260	\$ 360
2-4	16	21	580	780
4-6	20	25	980	1,280
6-8	24	29	1,460	1,860
8-10	28	33	2,020	2,520
10-12	32	37	2,660	3,260
12-14	36	41	3,380	4,080
14-16	40	45	4,180	4,980
16-18	43	48	5,040	5,940
18-20	46	51	5,960	6,960
20-22	49	54	6,940	8,040
22-26	52	57	9,020	10,320
26-32	55	60	12,320	13,920
32-38	58	63	15,800	17,700
38-44	61	66	19,460	21,660
44-50	63	68	23,240	25,740
50-60	66	71	29,840	32,840
60-70	69	74	36,740	40,240
70-80	72	77	43,940	47,940
80-90	75	80	51,440	55,940
90-100	77	82	59,140	64,140
100-150	79	84	98,640	106,140
150-200	81	86	139,140	149,140
200-250	82	87	180,140	192,640
250-300	82	87	221,140	236,140
300-400	82	87	303,140	323,140
400-500	82	87	385,140	410,140
500-750	82	87	590,140	627,640
750-1,000	82	87	795,140	845,140
1,000-2,000	82	87	1,615,140	1,715,140
2,000-5,000	82	87	4,075,140	4,325,140
over 5,000	82	87	-	-

Table 1a

Amount of tax and effective rates:
 E.R. 7378 surtax rates increased by 5 percentage points;
 exemptions of \$300 for a single person, \$1,000 for a
 married couple and \$250 for each dependent

Single person -- No dependents

Net income :	Amount of tax :		Effective rates :	
	H. R. 7378 :	H. R. 7378 with higher surtax rates with Senate 1/ exemptions :	H. R. 7378 with higher surtax rates with Senate 1/ exemptions :	H. R. 7378 with higher surtax rates and lower exemptions :
\$ 500	-	-	-	-
600	15	20	2.5%	3.3%
700	34	44	4.9	6.3
800	52	67	6.5	8.4
900	71	91	7.8	10.1
1,000	89	114	8.9	11.4
1,200	126	161	10.5	13.4
1,500	181	231	12.1	15.4
2,000	273	348	13.7	17.4
2,500	365	465	14.6	18.6
3,000	472	597	15.7	19.9
4,000	586	861	17.2	21.5
5,000	920	1,145	18.4	22.9
6,000	1,174	1,449	19.6	24.2
8,000	1,742	2,117	21.6	26.5
10,000	2,390	2,865	23.9	28.7
15,000	4,366	5,091	29.1	33.9
20,000	6,816	7,791	34.1	39.0
25,000	9,626	10,851	38.5	43.4
30,000	25,811	26,286	51.6	56.6
100,000	64,641	69,616	64.6	69.6
500,000	414,616	439,591	82.9	87.9
1,000,000	854,616	904,591	85.5	90.5
5,000,000	4,374,616	4,624,591	87.5	92.6

1/ Maximum earned income assumed.

Table 1b

Amount of tax and effective rates:
 H.R. 7378 surtax rates increased by 5 percentage points;
 exemptions of \$500 for a single person, \$1,000 for a
 married couple and \$250 for each dependent

Married couple -- No dependents

Net income :	Amount of tax :		Effective rates :	
	H. R. 7378 with Senate exemptions ^{1/}	H.R. 7378 with higher surtax rates and lower Senate exemptions	H. R. 7378 with Senate exemptions ^{1/}	H.R. 7378 with higher surtax rates and lower Senate exemptions
\$ 1,000	-	-	-	-
1,100	-	\$ 18	-	1.6%
1,200	-	41	-	3.4
1,300	\$ 13	64	1.0%	4.9
1,400	30	88	2.1	6.3
1,500	48	111	3.2	7.4
1,600	66	134	4.1	8.4
1,800	103	181	5.7	10.1
2,000	140	228	7.0	11.4
2,200	232	345	9.3	13.8
3,000	324	462	10.8	15.4
4,000	532	726	13.3	18.2
5,000	746	990	14.9	19.8
5,000	992	1,294	16.5	21.6
8,000	1,532	1,942	19.2	24.3
10,000	2,152	2,670	21.5	26.7
15,000	4,052	4,836	27.0	32.2
20,000	6,452	7,506	32.3	37.5
25,000	9,220	10,536	36.9	42.1
30,000	25,328	27,916	50.7	55.8
100,000	64,060	69,176	64.1	69.2
500,000	414,000	439,126	82.8	87.8
1,000,000	854,000	904,126	85.4	90.4
5,000,000	4,374,000	4,624,126	87.5	92.5

^{1/} Maximum earned income assumed.

Table 1c

Amount of tax and effective rates;
H.R. 7378 surtax rates increased by 5 percentage points;
exemptions of \$500 for a single person, \$1,000 for a
married couple and \$250 for each dependent

Married couple — Two dependents

Net income before personal exemption	Amount of tax		Effective rates	
	H. R. 7378 with Senate exemptions ^{1/}	H.R. 7378 with higher surtax rates and lower exemptions	H. R. 7378 with Senate exemptions ^{1/}	H.R. 7378 with higher surtax rates and lower exemptions
\$ 1,500	—	—	—	—
1,600	—	\$ 18	—	1.1%
1,700	—	38	—	2.2
1,800	—	61	—	3.4
1,900	\$ 13	85	0.7%	4.5
2,000	26	108	1.3	5.4
2,100	44	131	2.1	6.2
2,200	63	155	2.9	7.0
2,300	81	178	3.5	7.7
2,400	100	202	4.2	8.4
2,500	118	225	4.7	9.0
3,000	210	342	7.0	11.4
4,000	400	591	10.0	14.8
5,000	614	855	12.3	17.1
6,000	836	1,139	13.9	19.0
8,000	1,352	1,767	16.9	22.1
10,000	1,948	2,475	19.5	24.8
15,000	3,800	4,601	25.3	30.7
20,000	6,140	7,221	30.7	36.1
25,000	8,872	10,221	35.5	40.9
50,000	24,914	27,546	49.8	55.1
100,000	63,362	68,736	63.6	68.7
500,000	413,472	438,661	82.7	87.7
1,000,000	853,472	903,661	85.3	90.4
5,000,000	4,373,472	4,623,661	87.5	92.5

^{1/} Maximum earned income assumed.

Table 2a

1178

Amount of tax and effective rates: H.R. 7378 surtax rates with Senate exemptions plus an additional tax of 6 percent on income in excess of exemptions of \$400 for single persons, \$800 for married couples and \$200 for each dependent.

Single person -- no dependents

	Amount of tax			Effective rate		
	H.R. 7378 with Senate exemptions ^{1/}	6% on income over exemp- tion of \$400	Combined tax	H.R. 7378 with Senate exemp- tion ^{1/}	6% on income over exemp- tion of \$400	Combined tax
\$ 400	-	-	-	-	-	-
500	-	\$ 6	\$ 6	-	1.2%	1.2%
600	\$ 15	12	27	2.5%	2.0	4.5
700	34	18	52	4.9	2.6	7.4
800	52	24	76	6.5	3.0	9.5
900	71	30	101	7.8	3.3	11.2
1,000	89	36	125	8.9	3.6	12.5
1,200	126	48	174	10.5	4.0	14.5
1,500	181	66	247	12.1	4.4	16.5
2,000	273	96	369	13.7	4.8	18.5
2,500	365	126	491	14.6	5.0	19.6
3,000	472	156	628	15.7	5.2	20.9
4,000	686	216	902	17.2	5.4	22.6
5,000	920	276	1,196	18.4	5.5	23.9
6,000	1,174	336	1,510	19.6	5.6	25.2
8,000	1,742	456	2,198	21.8	5.7	27.5
10,000	2,390	576	2,966	23.9	5.8	29.7
15,000	4,366	876	5,242	29.1	5.8	34.9
20,000	6,816	1,176	7,992	34.1	5.9	40.0
25,000	9,626	1,476	11,102	38.5	5.9	44.4
50,000	25,811	2,976	28,787	51.6	6.0	57.6
100,000	64,641	5,976	70,617	64.6	6.0	70.6
500,000	414,616	29,976	444,592	82.9	6.0	88.9
1,000,000	854,616	59,976	914,592	85.5	6.0	91.5
5,000,000	4,374,616	299,976	4,674,592	87.5	6.0	93.5

^{1/} The tax as shown is computed with the maximum earned income credit assumed. However, the earned income credit should be eliminated to facilitate the integration of the additional income tax with the tax levied by H.R. 7378.

Table 2b

Amount of tax and effective rates: H.R. 7378 surtax rates with Senate exemptions plus an additional tax of 6 percent on income in excess of exemptions of \$400 for single persons, \$800 for married couples and \$200 for each dependent.

Married couple — No dependents

	Amount of tax				Effective rate				
	H.R. 7378		6% on		H.R. 7378		6% on		
	with	income	with	income	with	income	with	income	
Net income before personal exemption	Senate	over	Combined	Senate	over	Combined	Senate	over	Combined
	exemp- tions 1/	exomp- tion of	tax	exomp- tions 1/	exomp- tion of	tax	exomp- tions 1/	exomp- tion of	tax
		\$800			\$200			\$800	
\$		\$	\$						
900	-	6	6	-	0.7%	0.7%	-	-	-
1,000	-	12	12	-	1.2	1.2	-	-	-
1,100	-	18	18	-	1.6	1.6	-	-	-
1,200	-	24	24	-	2.0	2.0	-	-	-
1,300	13	30	43	1.0%	2.3	3.3	-	-	-
1,400	30	36	66	2.1	2.6	4.7	-	-	-
1,500	48	42	90	3.2	2.8	6.0	-	-	-
1,600	66	48	114	4.1	3.0	7.1	-	-	-
1,800	103	60	163	5.7	3.3	9.1	-	-	-
2,000	140	72	212	7.0	3.6	10.6	-	-	-
2,500	232	102	334	9.3	4.1	13.4	-	-	-
3,000	324	132	456	10.8	4.4	15.2	-	-	-
4,000	532	192	724	13.3	4.8	18.1	-	-	-
5,000	746	252	998	14.9	5.0	20.0	-	-	-
6,000	992	312	1,304	16.5	5.2	21.7	-	-	-
8,000	1,532	432	1,964	19.2	5.4	24.6	-	-	-
10,000	2,152	552	2,704	21.5	5.5	27.0	-	-	-
15,000	4,052	852	4,904	27.0	5.7	32.7	-	-	-
20,000	6,452	1,152	7,604	32.3	5.8	38.0	-	-	-
25,000	9,220	1,452	10,672	36.9	5.8	42.7	-	-	-
50,000	25,328	2,952	28,280	50.7	5.9	56.6	-	-	-
100,000	64,060	5,952	70,012	64.1	6.0	70.0	-	-	-
500,000	414,000	29,952	443,952	82.8	6.0	83.8	-	-	-
1,000,000	854,000	59,952	913,952	85.4	6.0	91.4	-	-	-
5,000,000	4,374,000	299,952	4,673,952	87.5	6.0	93.5	-	-	-

1/ The tax as shown is computed with the maximum earned income credit assumed. However, the earned income credit should be eliminated to facilitate the integration of the additional income tax with the tax levied by H.R. 7378.

Table 2c

Amount of tax and effective rates: H.R. 7378 surtax rates with Senate exemptions plus an additional tax of 6 percent on income in excess of exemptions of \$400 for single persons, \$600 for married couples and \$200 for each dependent

Married couple -- Two dependents

	Amount of tax				Effective rate			
	H.R. 7378	with Senate exemptions	with income tax	Combined tax	H.R. 7378	with Senate exemptions	with income tax	Combined tax
Net income before personal exemption								
		\$1,200				\$1,200		
0 1,200	--	--	--	--	--	--	--	--
1,300	--	6	6	--	0.5%	0.5%	0.9	0.9
1,400	--	12	12	--	--	--	0.9	0.9
1,500	--	18	18	--	1.2	1.2	1.2	1.2
1,600	--	24	24	--	1.5	1.5	1.5	1.5
1,700	--	30	30	--	1.8	1.8	1.8	1.8
1,800	--	36	36	--	2.0	2.0	2.0	2.0
1,900	13	42	55	0.7%	2.2	2.9	2.9	2.9
2,000	26	48	74	1.3	2.4	3.7	3.7	3.7
2,100	44	54	98	2.1	2.6	4.7	4.7	4.7
2,200	63	60	123	2.9	2.7	5.6	5.6	5.6
2,300	81	66	147	3.5	2.9	6.4	6.4	6.4
2,400	100	72	172	4.2	3.0	7.2	7.2	7.2
2,500	118	78	196	4.7	3.1	7.8	7.8	7.8
3,000	210	108	316	7.0	3.6	10.6	10.6	10.6
4,000	400	168	568	10.0	4.2	14.2	14.2	14.2
5,000	614	228	842	12.3	4.6	16.8	16.8	16.8
6,000	836	288	1,124	13.9	4.8	18.7	18.7	18.7
8,000	1,352	408	1,760	16.9	5.1	22.0	22.0	22.0
10,000	1,948	528	2,476	19.5	5.3	24.8	24.8	24.8
15,000	3,800	828	4,628	25.3	5.5	30.9	30.9	30.9
20,000	6,140	1,128	7,268	30.7	5.6	36.3	36.3	36.3
25,000	8,072	1,428	10,300	35.5	5.7	41.2	41.2	41.2
50,000	24,914	2,928	27,842	49.8	5.9	55.7	55.7	55.7
100,000	63,562	5,928	69,490	63.6	5.9	69.5	69.5	69.5
500,000	413,472	29,928	443,400	82.7	6.0	88.7	88.7	88.7
1,000,000	853,472	59,928	913,400	85.3	6.0	91.3	91.3	91.3
5,000,000	4,373,472	299,928	4,673,400	87.5	6.0	93.5	93.5	93.5

The tax as shown is computed with the maximum earned income credit assumed. However, the earned income credit should be eliminated to facilitate the integration of the additional income tax with the tax levied by H.R. 7378.

Table 3a

1181

Amount of tax and effective rates:
H.R. 7378 surtax rates with Senate exemptions; plus an
additional tax of 4% of income in excess of a uniform
exemption of \$600 regardless of family status.

Single person — No dependents

Net income	Amount of tax				Effective rate			
	H.R. 7378	4% on	Combined	H.R. 7378 with	4% on in-	Combined	Combined	
before	with Senate	income	tax	Senate ex-	come in	tax	tax	
exemptions	exemptions	1/ in excess	of \$600	cess	excess	of \$600	of \$600	
500	—	—	—	—	—	—	—	
600	0	15	0	15	2.5%	—	2.5%	
700		34	0	38	4.9	.6%	5.4	
800		52	0	60	6.5	1.0	7.5	
900		71	12	83	7.9	1.3	9.2	
1,000		89	16	105	8.9	1.6	10.5	
1,200		126	24	150	10.5	2.0	12.5	
1,500		181	36	217	12.1	2.4	14.5	
2,000		273	56	329	13.7	2.8	16.5	
2,500		365	76	441	14.6	3.0	17.6	
3,000		472	96	568	15.7	3.2	18.9	
4,000		686	136	822	17.2	3.4	20.6	
5,000		920	176	1,096	18.4	3.5	21.9	
6,000		1,174	216	1,390	19.6	3.6	23.2	
8,000		1,742	296	2,038	21.8	3.7	25.5	
10,000		2,390	376	2,766	23.9	3.8	27.7	
15,000		4,366	576	4,942	29.1	3.8	32.9	
20,000		6,816	776	7,592	34.1	3.9	38.0	
25,000		9,626	976	10,602	36.5	3.9	42.4	
50,000		25,811	1,976	27,787	51.6	4.0	55.6	
100,000		64,641	3,976	68,617	64.6	4.0	68.6	
500,000		414,616	19,976	434,592	82.9	4.0	86.9	
1,000,000		854,616	39,976	894,592	85.5	4.0	89.5	
5,000,000		4,374,616	199,976	4,574,592	87.5	4.0	91.5	

- 1/ The tax as shown is computed with the maximum earned income credit assumed. However, the earned income credit should be eliminated to facilitate the integration of the additional income tax with the tax levied by H.R. 7378.

Table 3b

Amount of tax and effective rates:
H.R. 7378 surtax rates with Senate exemptions; plus an
additional tax of 4% of income in excess of a uniform
exemption of \$600 regardless of family status.

Married couple — No dependents

	Amount of tax			Effective rate		
	H.R. 7378	4% on	Combined	H.R. 7378	4% on	Combined
Net income before exemptions	with Senate exemp- tions 1/	income in excess of \$600	tax	with Senate exemp- tions 1/	income in excess of \$600	tax
600	-	-	-	-	-	-
700	-	4	4	-	.6%	.6%
800	-	8	8	-	1.0	1.0
900	-	12	12	-	1.3	1.3
1,000	-	16	16	-	1.6	1.6
1,200	-	24	24	-	2.0	2.0
1,500	48	36	84	3.2%	2.4	5.6
2,000	140	56	196	7.0	2.8	9.8
2,500	232	76	308	9.3	3.0	12.3
3,000	324	96	420	10.8	3.2	14.0
4,000	532	136	668	13.3	3.4	16.7
5,000	746	176	922	19.9	3.5	18.4
6,000	992	216	1,208	16.5	3.6	20.1
8,000	1,532	296	1,828	19.2	3.7	22.9
10,000	2,152	376	2,528	21.5	3.8	25.3
15,000	4,052	576	4,628	27.0	3.8	30.9
20,000	6,452	776	7,228	32.3	3.9	36.1
25,000	9,220	976	10,196	36.9	3.9	40.8
50,000	25,328	1,976	27,304	50.7	4.0	54.6
100,000	64,060	3,976	68,036	64.1	4.0	68.0
500,000	414,000	19,976	433,976	82.8	4.0	86.8
1,000,000	854,000	39,976	893,976	85.4	4.0	89.4
5,000,000	4,374,000	199,976	4,573,976	87.5	4.0	91.5

1/ The tax as shown is computed with the maximum earned income credit assumed. However, the earned income credit should be eliminated to facilitate the integration of the additional income tax with the tax levied by H.R. 7378.

Table 3c

Amount of tax and effective rates:
 H.R. 7378 surtax rates with Senate exemptions; plus an
 additional tax of 4% of income in excess of a uniform
 exemption of \$600 regardless of family status.

Married couple — two dependents

Net income before exemptions	Amount of tax			Effective rate		
	H.R. 7378 with Senate exemptions 1/	4% on income in excess of \$600	Combined tax	H.R. 7378 with Senate ex- emptions 1/	4% on in- come in excess of \$600	Combined tax
\$ 700	-	\$ 4	\$ 4	-	0.6%	0.6%
800	-	8	8	-	1.0	1.0
900	-	12	12	-	1.3	1.3
1,000	-	16	16	-	1.6	1.6
1,200	-	24	24	-	2.0	2.0
1,500	-	36	36	-	2.4	2.4
1,800	-	48	48	-	2.7	2.7
2,000	\$ 26	56	82	1.3%	2.8	4.1
2,500	118	76	194	4.7	3.0	7.8
3,000	210	96	306	7.0	3.2	10.2
4,000	400	136	536	10.0	3.4	13.4
5,000	614	176	790	12.3	3.5	15.8
6,000	836	216	1,052	13.9	3.6	17.5
8,000	1,352	296	1,648	16.9	3.7	20.6
10,000	1,948	376	2,324	19.5	3.8	23.2
15,000	3,800	576	4,376	25.3	3.8	29.2
20,000	6,140	776	6,916	30.7	3.9	34.6
25,000	8,872	976	9,848	35.5	3.9	39.4
50,000	24,914	1,976	26,890	49.8	4.0	53.8
100,000	63,862	3,976	67,838	63.6	4.0	67.5
500,000	413,472	19,976	433,448	82.7	4.0	86.7
1,000,000	853,472	39,976	893,448	85.3	4.0	89.3
5,000,000	4,373,472	199,976	4,573,448	87.5	4.0	91.5

1/ The tax as shown is computed with the maximum earned income credit assumed. However, the earned income credit should be eliminated to facilitate the integration of the additional income tax with the tax levied by H.R. 7378.

Table 4a

1184

Amount of tax and effective rates:
H.R. 7378 surtax rates with Senate exceptions plus an
additional Victory tax on the excess of gross income
over \$624.

Single person -- no dependents

Not income before personal exemption	Amount of tax			Effective rate		
	H.R. 7378 with Senate exceptions 1/	Victory tax: after post- war credit 2/	Combined tax	H.R. 7378 with Senate post-war exemp- tions 1/	tax after- war credit 2/	Combined tax
\$ 600	\$ 15	\$ 2	\$ 17	2.5%	.3%	2.8%
700	34	6	40	4.9	.9	5.7
800	52	10	62	6.5	1.3	7.8
900	71	14	85	7.8	1.6	9.4
1,000	89	18	107	8.9	1.8	10.7
1,200	126	27	153	10.5	2.3	12.8
1,500	181	39	220	12.1	2.6	14.7
2,000	273	60	333	13.7	3.0	16.7
2,500	365	81	446	14.6	3.2	17.8
3,000	472	102	574	15.7	3.4	19.1
4,000	686	143	829	17.2	3.6	20.7
5,000	920	185	1,105	18.4	3.7	22.1
6,000	1,174	227	1,401	19.6	3.8	23.4
8,000	1,742	310	2,052	21.8	3.9	25.7
10,000	2,390	393	2,783	23.9	3.9	27.8
15,000	4,366	602	4,968	29.1	4.0	33.1
20,000	6,816	810	7,626	34.1	4.1	38.1
25,000	9,626	1,018	10,644	38.5	4.1	42.6
50,000	25,811	2,247	28,058	51.6	4.5	56.1
100,000	64,641	5,024	69,665	64.6	5.0	69.7
500,000	414,616	27,247	441,863	82.9	5.4	88.4
1,000,000	854,616	55,024	909,640	85.5	5.5	91.0
5,000,000	4,374,616	277,247	4,651,863	87.5	5.5	93.0

1/ Maximum earned income assumed.

2/ Computed by assuming that deductions are 10 percent of gross income;
that is, that gross income is ten-ninths of net income.

Table 4b

Amount of tax and effective rates:
H.R. 7378 surtax rates with Senate exemptions plus an
additional Victory tax on the excess of gross income
over \$624.

Married couple -- No dependents

Net income before personal exemption	Amount of tax			Effective rate		
	H.R. 7378 Senate exemptions 1/	Victory tax after post- war credit 2/	Combined tax	H.R. 7378 Senate exemp- tions 1/	with post-war credit	Combined tax
\$ 600	\$ -	\$ 1	\$ 1	-.%	.2%	.2%
700	-	5	5	-	.7	.7
800	-	8	8	-	1.0	1.0
900	-	11	11	-	1.2	1.2
1,000	-	15	15	-	1.5	1.5
1,200	-	21	21	-	1.8	1.8
1,500	48	31	79	3.2	2.1	5.3
2,000	140	43	183	7.0	2.4	9.4
2,500	232	65	297	9.3	2.6	11.9
3,000	324	81	405	10.8	2.7	13.5
4,000	532	115	647	13.3	2.9	16.2
5,000	746	148	894	14.9	3.0	17.9
6,000	992	181	1,173	16.5	3.0	19.6
8,000	1,532	248	1,780	19.2	3.1	22.3
10,000	2,152	315	2,467	21.5	3.2	24.7
15,000	4,052	481	4,533	27.0	3.2	30.2
20,000	6,452	648	7,100	32.3	3.2	35.5
25,000	9,220	815	10,035	36.9	3.3	40.1
50,000	25,328	1,747	27,075	50.7	3.5	54.2
100,000	64,060	4,524	68,584	64.1	4.5	68.6
500,000	414,000	26,747	440,747	82.8	5.3	88.1
1,000,000	854,000	54,524	908,524	85.4	5.5	90.9
5,000,000	4,374,000	276,747	4,650,747	87.5	5.5	93.0

1/ Maximum earned income assumed.

2/ Computed by assuming that deductions are 10 percent of gross income; that is, that gross income is ten-ninths of net income.

Table 4c

Amount of tax and effective rates:
H.R. 7376 surtax rates with Senate exemptions plus an
additional Victory tax on the excess of gross income over
\$624.

Married couple -- Two dependents

Net income :	Amount of tax :			Effective rate :		
	H.R. 7376 with : Senate : exemptions 1/ :	Victory tax : after post- : war credit : 2/ :	Combined : tax :	H.R. 7376: : with : exemp- : tions 1/ :	Victory : tax after : credit 2/ :	Combined : tax :
\$ 600	\$ -	\$ 1	\$ 1	-	0.2%	0.2%
700	-	4	4	-	0.6	0.6
800	-	7	7	-	0.9	0.9
900	-	11	11	-	1.2	1.2
1,000	-	14	14	-	1.4	1.4
1,200	-	20	20	-	1.7	1.7
1,500	-	29	29	-	1.9	1.9
2,000	26	45	71	1.3%	2.3	3.6
2,500	118	60	178	4.7	2.4	7.1
3,000	210	76	286	7.0	2.5	9.5
4,000	400	107	507	10.0	2.7	12.7
5,000	614	138	752	12.3	2.8	15.0
6,000	836	169	1,005	13.9	2.6	16.8
8,000	1,352	231	1,583	16.9	2.9	19.8
10,000	1,948	294	2,242	19.5	2.9	22.4
15,000	3,800	449	4,249	25.3	3.0	28.3
20,000	6,140	605	6,745	30.7	3.0	33.7
25,000	8,872	760	9,632	35.5	3.0	38.5
50,000	24,914	1,547	26,461	49.8	3.1	52.9
100,000	63,562	4,324	67,886	63.6	4.3	67.9
500,000	413,472	26,547	440,019	82.7	5.3	88.0
1,000,000	853,472	54,324	907,796	85.3	5.4	90.8
5,000,000	4,373,472	276,547	4,650,019	87.5	5.5	93.0

1/ Maximum earned income assumed.

2/ Computed by assuming that deductions are 10 percent of gross income; that is, that gross income is ten-ninths of net income.

Inflationary Gap

One of the striking facts brought out in President Roosevelt's Labor Day message to Congress has yet to receive the attention it merits. The headlines were given to his demand for farm-price and wage stabilization. That was proper, of course, for these are the points which stood out most sharply. But a second reading of the message is certain to emphasize the fact that price and wage stabilization alone will not avert the danger of inflation.

"Even if the process of stabilization of all prices and wages at present levels were to be brought about," Mr. Roosevelt said, "there would still remain the great upward pressure on the cost of living created by the vast amount of purchasing power which has been earned in all sections of the country. . . . This purchasing power now exceeds by an estimated 20 billions the amount of goods which will be available for purchase by civilians this year. The result obviously is that people compete more and more for the available supply of goods, and the pressure of this great demand compared with the small supply—which will become smaller and smaller—continually threatens to disrupt our whole price structure."

That paragraph is an elementary lesson in economics. The President went on to show that most of this inflationary 20 billions is in the hands of wage earners. Indeed, he showed an increase of more than 31 billion dollars in annual wage and salary disbursements since the beginning of the war. Obviously the inflationary influence of this purchasing power which cannot be used because of the shortage of goods will not be eliminated simply by stabilizing farm prices and wages. The President ended his discussion of the inflationary 20 billions by pointing out "how essential it is to control that purchasing power by taxation and by investment in war bonds."

When the President turned his attention more specifically to taxation he declared: "One of the most powerful weapons in our fight to stabilize living costs is taxation." Such stabilization cannot be maintained, he said, "without heavy taxes on everyone except persons with very low incomes." Yet his only specific recommendation in this sphere was a renewal of his plea for a \$25,000 limit on individual incomes, after payment of taxes. The President did not even specifically back up the Treasury's

THE WA

spending-tax proposal, thus paving the way for its rejection yesterday by a vote of 12 to 0 in the Senate Finance Committee.

The inescapable fact is that the proposed ceiling on personal income would be utterly ineffective in mopping up the inflationary 20 billions. Why doesn't the President face this problem with the same courage and determination that he has shown in demanding lower ceilings on farm prices? Here is the most dangerous sort of gap in the anti-inflationary program. To close it, both the Administration and Congress will have to demonstrate far more leadership, courage and imagination than they have manifested to date.

1188

— Cabinet Oct. 2, 1942

THE WHITE HOUSE
WASHINGTON

1188

Pres. said Harry Stimson told me about Hing's trip to Fat Lix and how I saw so many old men ^{as drafted}. Pres. said let's get ahead with taking 78 + 19 yr old men. Pres. asked Mc Nitt and he backed up ^{my} recommendation emphatically.

I was very happy to see the results of my trip put into effect.

Bob Patterson told me

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THE WHITE HOUSE 1189
WASHINGTON

he reported what I had
told him at a staff
meeting in Steinsons office.

I feel the army as result
of taking in 18 & 19 olds
will be a much better army

at Cabinet Mc Nutt gave
me letter to Pres on Social
Security question. Plus letter
to Walter George & Bob Houghton

Cabinet - Oct 9, 1942

F.I.D.R. said he was impressed ~~th~~ with fact that there were too many gray beards in the army and he was going to say something about it. Monday night in ~~his~~ his broadcast. He will advocate taking the 18 and 19 year old into the army.

This attitude of F.I.D.R. all goes back to my trip to Camp Lloy and last cabinet meeting.

November 6, 1942

1191

Hopkins told me that he didn't think McNutt ought to head up the War Manpower Board since he was running for office. He asked me for any suggestions, and I suggested Herbert Lehman. I told him he stood very well with labor and that I thought he would do an excellent job. I told Hopkins that I thought McNutt did head up the War Manpower, and he said in order for McNutt to really be in charge the President would have to give him much more authority including Selective Service.

I also told Hopkins I had suggested to the President that he bring over Bevin to discuss manpower.

Harriman, who came in with Hopkins but did not stay for lunch, told me today he heard I was working on the Mustang plane and to keep up the good work. Hopkins said to keep after it and that I should see Bob Lovett.

November 12, 1942

(Dictated in presence of Messrs. White and Gaston
and Mrs. Klotz)

I said to the President, "Would you care to tell me what you are going to do with Herbert Lehman?" He said, "Oh, haven't I told you about that?" He said, "I am doing the meanest, dirtiest thing I have ever done and I am enjoying it more than anything I have ever done." He said, "I am going to make Herbert Lehman Director General of Relief for after the war, and in order for the starving Germans and starving Italians to get something to eat they will have to go to that Jew, Herbert Lehman." He said that Lehman will have the same position that Herbert Hoover had in the last war. He said that Herbert is very much excited about it, and will start in in North Africa. The President also said, "I hope very shortly to have complete agreement with the entire membership of the United Nations to make Lehman Director General for all the United Nations." Herbert told the President that he is going to resign on December 1st and let Poletti be Governor for a month.

(Messrs. White and Gaston left the room)

I said to the President, "Had you expected Darlan?" and he said, "No, absolutely not, but he worked out all right and he gave the orders to cease firing." However, the President told me that they had the most terrible time with General Giraud at Gibraltar because he wanted to have everything to say over the English, Americans and Free French, and it finally got to the point where they had to tell him that they would send him back to France. I said, "I want to personally congratulate you on this great success and on the Franklin D. Roosevelt brains and luck." The President knocked on wood and said it was a piece of luck. He also said that Churchill's remarks on when they started talking about North Africa were true.

November 17, 1942

1193

I saw the President this morning, and I said that I wanted to talk to him about something that affects my soul. He was very nice to me and must have talked to me fully 20 minutes, giving me the full military background.

The President told me that General Marshall said it would take six weeks to conquer these people because they had to protect the rear and clean up the tribes, etc., and that this was something that affected American lives. He said, "Instead of taking from 6 to 10 weeks, we are going to do it in a couple of weeks with very few lives lost." He said, "Darlan says he hates Giraud and the head of Dakar - the Governor - hates Darlan, but Darlan drops in our laps because he is the only man who can represent the part of France which is still left. Darlan wants to save lives and in some way keep a semblance of power for Petain." The President said, "It is purely a military matter, and I told Stimson last night what I am going to use at my press conference." The President said, "There is an old Bulgarian proverb which goes like this: 'You can walk with the Devil as far as the bridge but then you must leave him behind'." The President said, "Do you think that will satisfy the people?" and I said, "Yes, I do."

Then I said, "But I think it is terribly important that you tell the people what you have done about the Nurnberg Decree and political prisoners. Can't you say something about giving the people the right to vote?" He said, "Well, some believe that should be done and some don't," and then he went on to tell me how he had instructed Eisenhower that all of the public facilities, such as electric power, water, etc., such be run by the local people, and that he had given Eisenhower most explicit instructions on how the government should be run. I told the President that I was satisfied if he personally was running the whole show, and he satisfied me that he was. Furthermore, the President assured me that there have been no promises of any kind made to Darlan as to the future, and they can throw him overboard any minute they want to. Apparently, the President is telling Eisenhower just what to do. Under

these circumstances, and knowing that it has saved thousands of lives, there isn't much you can say about it. The President said that it is a matter of timing as to when to make the announcement on the Nurnberg Decree and the political prisoners, but he said, "I am going to get a bad press on this."

He was not in any way irritated, and he seemed very sympathetic. I was with him 40 minutes and we discussed not only this but every other problem of the war. I believe the President when he says that he won't tie up with the Darlans and the Flandins, and I suppose that Eisenhower is looking at it purely from a military standpoint. McCloy says that both Eisenhower and Clark are soldiers and have no political ideas, that Eisenhower is a farm boy, and that it is merely a matter of military strategy. I hope they are all right, but I do believe the President, and I am confident that Stimson wouldn't be a party to a tie-up with any Fascists because his whole life has been against that kind of thing.

I am glad that I called up Patterson and saw Stimson last night because they gave me the background of the situation; otherwise, when I saw the President I might have gone off half-cocked due to lack of information. However, having heard Eisenhower's own telegram read on the situation, I was pretty well posted before I saw the President.

Then I talked to the President about financing, but he wasn't much interested. He wanted to talk about taxes, and he told me his mother's estate had decreased about 10% but that the dividends had kept up just the same. He wondered why that was. Then I gave him this memo from Rosenman (see attached), and I told him he better leave that alone the rest of the year, and he agreed with that. On the Victory Tax of 5%, he wants to make that progressive.

Then the President went into this whole question of a 48-hour week and paying for the extra eight hours with War Bonds. I asked him whether labor or management wanted that, and he said, "Labor doesn't want it but management does," so I said, "If it's management, to Hell with it!" I said, "If you pay the extra 50% the people get for time and a half in War Bonds, it is just the same as paying cash except they

can't get it until the war is over." I told him it really was something on which I didn't have any definite opinion, but that if they did that it would raise Hell with our Volunteer Payroll Savings Plan. The President said that labor is willing to have 10% taken out of their pay but they want the time and a half and they want it in cash.

The President asked me again whether England wasn't financing herself through the printing press. This is the second or third time he has asked me this, but I told him that they were not.

Just before I left, the President read the attached memo on financing. He said, "Do you think you can do it all right?" and I said, "Yes, I can."

Then I told him about my plan on the tax bill and that I intended to have Paul clear it with everybody at this end who had any ideas on taxes, and then I thought before we took it up on the Hill I should talk to him about it, and he liked that idea.

When I came in, he had just come back from meeting Mrs. Roosevelt at the airport, and he told me the only thing she said was how cold she was. She told him three times how cold she was, and when I saw her, she was in fine humor and she told me how cold she was.

1196

THE WHITE HOUSE
WASHINGTON

November 11, 1942

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

Will you speak to me
about this?

F. D. R.

1197

THE WHITE HOUSE
WASHINGTON

November 7, 1942

MEMORANDUM FOR

THE PRESIDENT

Now that the \$25,000 limitation of salary has been put into effect, I think it would be well to ask Congress to authorize doing the same thing for all incomes. What is true of salaried people should be true particularly of those who do not work but get their income solely from tax-exempt coupons.



SAMUEL I. ROSENBLY

DECEMBER - JANUARY FINANCING

(In millions of dollars)

	DECEMBER	JANUARY	TOTAL
Balance at beginning of period ...	1,000	4,800	
Funds from banks --			
Treasury bills	600	200	800
7/8% Certificate	2,000	-	2,000
1-3/4% Treasury bond	2,000	-	2,000
	4,600	200	4,800
Funds from non-banking sources --			
7/8% 0/1 and 1-3/4% bond	750	-	750
Tax notes	1,200	800	2,000
2-1/2% "tap" bond	1,750	-	1,750
Savings Bonds (E, F and G)	1,000	1,800	2,800
	4,700	2,600	7,300
	9,300	2,800	12,100
Balance at end of period	4,800	1,000	

November 18, 1942

1199

HM Jr called the President and told him how pleased he was with the statement he made on Darlan, and also his request for the liberation of all prisoners in Northern Africa who have been imprisoned because they opposed the Nazi efforts to dominate the world.

The following is the conversation between the Secretary and the President in part:

The Pres.: In Algiers and Morocco, the Arabs feel that they have been discriminated against for years. There has been a problem. The Jews are allowed to vote and the Arabs are not. It is a domestic problem and I have been very careful in taking the prosecution off the Jews for fear the Arabs would say, "Why not give us the right to vote?" I am removing all the persecution status of the Jews and I am saying to the Jews and the Arabs, "Forget about the voting for neither of you is going to vote. There will be no election until we are good and ready." It is all right. I am going to say, "Forget about this voting stuff."

HM Jr: That is most heartening.

The Pres.: I am sure it will be all right.

Winston Churchill is having a hell of a time with his Parliament. He telegraphed me last night saying he was very happy.

HM Jr: I thought your remarks on the radio last night were very touching.

The Pres.: Are you going up on the Hill? They are having some kind of a meeting of the Ways and Means Committee.

HM Jr: There is no public hearing. There is an organization meeting.

After he finished talking to the President, Mr. Morgenthau said that the President found out that the Jews could vote and the Arabs could not, and if he gave political freedom back it would mean the Jews could vote again and the Arabs could not, and he said for the time being there will be no election and nobody would vote.

December 3, 1942

1200

I saw the President this morning and told him about my financing, and he was very much pleased.

Somehow or other he mentioned Palestine - I can't remember just how it came up - and so I said, "I am having a meeting at my house tonight to discuss Palestine at the suggestion of Sam Rosenman." The President said, "Listen, Henry, take my advise and go easy on that because I have pretty well made up my mind as to what I am going to do." I said that I would be very much interested in hearing about it. The President said, "Well, what I think I will do is this. First, I would call Palestine a religious country. Then I would leave Jerusalem the way it is and have it run by the Orthodox Greek Catholic Church, the Protestants and the Jews - have a joint committee run it. They are doing it all right now and we might as well leave it that way." Then the President went on and said, "I actually would put a barbed wire around Palestine, and I would begin to move the Arabs out of Palestine." I asked him how he would do that and I said, "Would you have the Jews buy up the land?" He said, "No, but I would provide land for the Arabs in some other part of the Middle East, and I know there are plenty of places. Each time we move out an Arab we would bring in another Jewish family." I asked the President, "Would you propose that the majority should be Jews in Palestine?" and he said, "Yes, 90% of them should be Jews, but I don't want to bring in more than they can economically support, and I think that point has been reached." I said, "Well, what kind of a place would it be?" and he said, "It would be an independent nation just like any other nation - completely independent. Naturally, if there are 90% Jews, the Jews would dominate the government." He said, "There are lots of places to which you could move the Arabs. All you have to do is drill a well because there is this large underground water supply, and we can move the Arabs to places where they can really live."

Then I said, "Well, Mr. President, so much for Palestine, but what about the two or three million Jews who are still in the heart of Europe?" He said, "Well, I have been working on that right along with Isaiah Bowman, and I had a conversation sometime ago with Ilo, the President of the Republic of Colombia."

The President said, "He has a very interesting idea. On the west side of the Andes, there is this virgin territory which President Ilo has visited, and what he is willing to do is to open up this country by way of highways over the Andes. He proposes that if there are 100 people a third of them must be citizens of Colombia and the other two-thirds can be made up of refugees from Europe, but not more than 10% of any one group - of any one race or nationality - so that they will be assimilated." The President went on to say that this could be done not only in that part of the Upper Amazon which is Colombia but also in Ecuador. The President also said, "Then I am studying many other places in the world where the refugees from Europe can be moved." All I said when he had finished was, "Well, Mr. President, when we are back in Dutchess County, I wish you would keep me in mind because this is something in which I am very much interested and on which I would like to help," and he said he would. I asked whether this would cut across Herbert Lehman's field, and he said, "No, the two of them will dovetail. Herbert has to do with feeding the people but when it comes to moving them out, that is something else."

I was surprised to find that the President was studying this thing with so much interest and had gone as far as he had in making up his mind on what he wants to do. It was most encouraging to me and most heartening.

Then I went on to the subject of taxes. I said, "Mr. President, I want your guidance on a problem which may come up. We have been getting along first rate with Jimmy Byrnes, but what I want to know from you is whether or not you expect us to continue to prepare the tax bill as we have in the past and present it as we have in the past." He said, "Absolutely." I said, "I didn't know whether Byrnes was thinking of something else, and I wanted to find out whether you said anything to him or to the leaders on the Hill because I am having lunch with Doughton today and I would like to know." The President said, "I haven't said anything to anybody - absolutely nothing." The President added, "You just go ahead the way you always have." (This proves to me that Byrnes is groping for the power and hasn't gotten any directive from the President. It also proves I am right in thinking that one should not be scared by anybody like Byrnes. The only thing to do is to go

direct to the President and find out where you stand.)

The President told me to take the following message to Doughton. He said, "Now, Henry, you tell Doughton that if the Democrats keep on fighting amongst themselves the way they have been recently, we are going to elect a Republican President." He said, "We had better stop fighting amongst ourselves."

(The two previous paragraphs on taxes, etc., were dictated in the presence of Mr. Paul and Mr. Bell.)

The President was dying to tell me about what he said on the \$25,000 limitation at his press conference because he had tried to tell me two or three times about how smart he was on that. He said, "You know I always like to attack and never to apologize. At my press conference I said that the newspapers are giving the country an entirely false impression as to the salary limit. They are all writing the story that the limit is \$25,000 when it is actually much more than that." He said, "I said if the newspapers can't get the story right I will have to go on the radio and explain it to the people, and it is a wonderful club to hold over the newspapers because they don't want me to go on the radio."

Then I said, "Well, Mr. President, I don't agree with you on this \$25,000 limitation in doing it this way. I think you should do it through progressive taxation." He said he agreed with that but we would never get it through Congress. I told him that it would be so much easier to administer, so I got that off my chest.

I asked the President whether he wanted to make public the fact that he is buying a \$1,000 bond for each of his grandchildren, and he said, "No." He also told me that this money is coming out of his capital and not out of his income.

I asked the President how the war was going, and he said that we are behind schedule in Tunisia, and he said, "On this Guadacanal thing, one day you are up and the next day you are down, and I am kind of worried about that."

I asked the President whether I could invite my father for next Tuesday night, and he said, "Of course." Then he said, "You just wait until I see Uncle Henry. I'm going to tease him about that black beard of yours. I'm going to have a good time teasing him."

December 4, 1942

1204

I saw Hopkins before I saw the President, and he was very talkative. He was sort of worried about Tunisia, and he talked as though he was directing the war. I have never heard him talk that way before.

He said that there are about 12,000 German troops in Tunisia, but he said that that doesn't worry him so much as what they are going to do with the 1,000,000 English and American troops in North Africa after they have cleaned up Tunisia because they have no plans for them. Hopkins said that when you ask the Army what their plans are they get irritated. So I said, "Would we attack Italy?" and he said, "Before we do that, we would have to clean up Corsica and Sardinia from the air first." Then I asked him whether anybody had considered going up through Salonika and attack Bulgaria and Roumania. He said that they were considering that also, but they were talking about going through Italy, and that isn't so good because you come up against the Brenner Pass. I told Hopkins that they went up through Salonika in World War I and that I favored that method.

December 4, 1942

1205

The President of the United States called me and said, "What is this about your going into John L. Lewis' and the United Mine Workers' income tax?" He said, "Never mind where I heard it, but I understand they are going to find out a lot about political contributions. Of course, you don't know about it, but a couple of your people are looking into it who are unfriendly to this Administration, and they want to give the information to Congress or to some newspaper columnist."

Then I said, "Mr. President, I know all about it. As a matter of fact, Sen. Guffey has been trying to get us to stop, and before the elections, the statement was made that we had offered to call off the investigation if John L. Lewis would support the Democratic Senator in Illinois." I said, "Gaston is watching this for me personally, and for your information this is a bona fide investigation, and the whole thing was started through information given me by Phil Murray." I said, "Furthermore, we have already found that the owner of a Mine B in Southern Illinois was given several hundred thousand dollars which he failed to report. He was given this money to shut the mine down in order to break a union which was in opposition to the United Mine Workers." I also said, "I think that as we go into this we will find where or how or when John L. Lewis received money from the Axis."

The President then said, "I have heard enough now, and I want you to keep me posted in another two or three days."

I gather that somebody had come into the room and he didn't want to discuss it any more. Before I told him the above, I asked him if it was all right to talk about it over the phone, and he said, "Yes."

1206

December 5, 1942

My dear Mr. President:

I am enclosing herewith several
clippings and cartoons from the
St. Louis Post-Dispatch and the
St. Louis Daily Globe-Democrat,
which I am sure will interest you.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

The President,

The White House.

December 5, 1942

My dear Mr. President:

I am enclosing herewith several clippings and cartoons from the St. Louis Post-Dispatch and the St. Louis Daily Globe-Democrat, which I am sure will interest you.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

The President,
The White House.

UMW MINE 'LOAN' WAS KEPT FROM THE RANK AND FILE

25,000 Who Pay Dues in
Illinois Learned of
Transaction Only From
the Post-Dispatch.

STATE BOARD ALSO
KNEW NOTHING OF IT

News of Reported \$300,000 Advance 'Thunderclap'—District Run by Lewis Men.

By S. B. McCULLOCH
A Staff Correspondent of the
Post-Dispatch.

(Copyright, 1942, by the Post-Dispatch Publishing Co.)
SPRINGFIELD, Ill., Nov. 2.—The State Executive Board of the United Mine Workers of America and the rank and file of the 25,000 UMW miners in Illinois had no knowledge of the reported \$300,000 "loan" by the United Mine Workers to Carl Elshoff, leasee of mines A and B here, to finance the freeing out of the rival Progressive Miners of America, the Post-Dispatch learned today.

It was not until exclusive publication by the Post-Dispatch on Oct. 30 that the "loan" was under an income tax investigation by agents of the United States Bureau of Internal Revenue that the secret transaction became known to the dues-paying miners.

When it was disclosed, one of the principal union chapters in this area, Local 49 comprising 250 miners at Mine 85 of Peabody Coal Co., discussed appointing an investigating committee to ascertain the State-dominant state headquarters had been deemed to have serious doubts as to the Federal's

Board Man Questioned.

Members of the union interrogated from the floor Jack Glasgow of Taylorville, a member of the executive board of District 12, the state organization. The board is the only state-wide elective body for a union directed by provisional appointees of John L. Lewis, president of the UMW. The charter was surrendered in 1933 to the International union because of district indebtedness, since eradicated.

Glasgow replied he had not been informed of any payments, although the fact that "loans" were made to Elshoff was admitted to the Post-Dispatch by Thomas Kennedy, secretary-treasurer of the International UMW organization, and by Walter James, secretary-treasurer of District 12, who said the union held Elshoff's note as security.

"If it is reported proposal or any similar proposal comes before the board, I would have opposed it," Glasgow told the Post-Dispatch today. "Advancing money or lending money to mine operators isn't my idea of rank and file unionism."

Glasgow, who was one of the UMW leaders in that union's bitter conflict with the Progressives, was one of two members of the six-man executive board who opposed the indorsement by the state organization of the presidential candidacy of Wendell L. Willkie at a meeting hastily called by Ray Edmundson, president of District 12 by appointment of Lewis, the day after Lewis delivered a radio address prior to the 1940 election. Previously, Edmundson had been a key man in an intensive UMW campaign for Roosevelt in the 1936 election. Federal agents talked to both Edmundson and James in the current investigation, finally obtaining the union's books.

"Like a Thunderclap"

News of the Elshoff mine deal hit union members "like a thunderclap," Robert Martin, serving his third consecutive term as president of Local 49, told the Post-Dispatch.

Martin said the membership throughout Illinois hadn't been given a financial report since Lewis put Edmundson in office in 1935 nor had a state UMW convention been held since 1931, two years before the surrender of the charter to the Lewis-dominated International Board.

The first provisional president, William Reed, was succeeded by Edmundson in 1935.

"It's a hell of a union policy to hand over one mine to a mine operator," Martin said.

How Much Miners Pay.

A conservative estimate of the current monthly revenue (contributed by the miners to state headquarters, without an accounting, he said, would be \$75,000. In previous years the amount varied with market and mining conditions.

Current dues going to the state

organization, he said, consist of a flat monthly levy of 20 cents plus 2 per cent of the miner's monthly earnings. Monthly earnings fluctuate according to the miner's classification and the market. Some miners, such as machine operators, get \$9.50 a day, drillers and "shooters" get \$8.55 a day; there are other classifications, with the minimum received by common labor \$4.75 per day. Overtime compensation is calculated and helps to swell the District 12 budget. The International union gets 90 cents per month per man, and the local chapters get about 10 cents.

Revelation that miners' dues were going to mine operators, Martin said, would strengthen an increasingly vigorous movement for the election of the miners of Illinois to elect their own district officers and obtain from these regular financial accountings. This demand was made repeatedly from the floor at the national UMW convention at Cincinnati last month. It was referred to the International Board.

In Illinois, Martin said, the UMW local and the State organization are "directed entirely by provisional officers appointed by John L. Lewis."

Meetings of local unions, he said, consist of disposing of matters pertaining to the mines represented by their membership. As far as general union policies are concerned, he added, the membership does not play a pivotal part.

"The UMW has invested more than a million dollars of the funds of the miners in private mining operations, as in mysterious Mine B deal. Some investments were handled through a UMW subsidiary, Lewis-Lucas, Inc. More than \$200,000 advanced by this concern has gone into Rocky Mountain Fuel Corporation in Colorado.

In the report of the international officers, submitted at last month's convention, it is stated that this mine is the best interests of our membership and the organization."

The joint report of the international officers at the Cincinnati convention showed a balance on hand of about \$4,500,000 in cash and bonds.

October 30, 1942

U. S. INQUIRY INTO \$300,000 UMW IS ALLEGED TO HAVE 'LENT' MINE MAN

Income Tax Investigation
at Springfield, Ill.,
Nears Completion —
Ray Edmundson, Union
Head, Questioned.

ANOTHER OFFICER
TELLS OF 'LOAN'

Asserts Sum Advanced to
Operator Was Less
Than \$200,000 and
Was Secured by His
Personal Note.

By SPENCER R. McCULLOCH
A Staff Correspondent of the
Post-Dispatch.
Copyright, 1942, by the Pulitzer Pub-
lishing Co.
SPRINGFIELD, Ill., Oct. 30.—An
income tax investigation by agents
of the Bureau of Internal Revenue
into a reported "loan" of \$300,000
by the United Mine Workers of
America to Carl Elshoff, lessee of
mines A and B here, is nearing
completion, it was learned today.
The completed report, it is un-
derstood, will be forwarded to
Washington for consideration by
Treasury Department officials.

The investigation is said to hinge
extensively reportedly made by
United Mine Workers during
successful campaign of that
union to oust the rival Progressive
Miners of America from mines A
and B, the principal mines in this
area, each employing about 400

men. During the height of the
mine feud, which was marked by
violence and intimidation, Mine B
was closed for long periods, finally
reopening with a UMW crew.

Edmundson, questioned.
Federal agents talked to Ray
Edmundson, president of District
13, United Mine Workers and long
a principal lieutenant of John J.
Lewis, head of the international
union, and Edmundson turned over
to them the books of the union.
Walter James, secretary-treasurer
of District 13, which embraces Illi-
nois, also was asked for certain in-
formation.

James told the Post-Dispatch to-
day that his union had lent El-
shoff a sum which he described as
"less than \$200,000" and that the
advance had first received the ap-
proval of the union's international
officers.

"It was a legitimate loan," James
said, "and we have Elshoff's note,
inspected by our lawyer, to estab-
lish it."

Elshoff told the Post-Dispatch
today that "the United Mine
Workers have never loaned the
Mine B Coal Co., which operates
Mines A and B, any money or any
amount or for any reason."

He declined to say whether any
advances had been made to him in
his individual capacity.

Edmundson conferred in Wash-
ington recently with Lewis regard-
ing the progress of the investiga-
tion, which has been underway for

several months. He was assured
of Lewis' support.

The two mines are owned by the
Bostles estate of Peoria and held
in the name of Citizens' Coal Min-
ing Co. Elshoff leased Mine B,
long a storm center of the bitter
UMW-PMA controversy in IHR,
and acquired the lease of Mine A
last year, purchasing it from an-
other mines operator.

Mine B was involved in lengthy
litigation under provisions of the
Wagner Act after it had for sev-
eral years been a scene of violence
during the outset of the Illinois
mine war. This area was regard-
ed as a strategic battle ground
because it was headquarters for
the State organization of the UMW
as well as containing a nucleus of
militant Progressives.

NLRB election in 1931.
In December, 1932, at about the
time 26 men, most of them Pro-
gressives, were found guilty in
Federal Court here of conspiracy
to bomb coal mines during the
first phase of the State-wide mine
conflict, the Progressives won an
NLRB election at Mine B by a
vote of 204 to 23. Edmundson had
urged his members not to partici-
pate in the election.

The election came after the Pro-
gressives had worked the mine for
several years and complained when
Elshoff signed a contract with the
UMW. The UMW took the position
the contract was valid until
its expiration in 1935.
Resumption of operations with a
UMW crew was halted by a re-
striking order issued by United
States District Judge J. LeRoy
Adair. He also barred the PMA
from some picketing at the mine.
It then shut down for another in-
terval in a sporadic operations
marking the long controversy.

To emphasize the importance of
the mine to the Progressives, lead-
ers pointed out that its operation
by a PMA crew would signify the
turning point in the union's long
struggle for recognition in the
larger mines of Illinois.

Charges Against Operator.
Subsequently, after further illi-
gation, the mine was reopened un-
der an NLRB stipulation which
gave the Progressives bargaining
rights for the entire crew but per-
mitted the UMW to establish a
local there.

When the mine reopened in the
fall of 1935, the Progressives began
contract negotiations with Elshoff
but failed to reach an agreement.
After two years of futile dickering
the Progressives charged that El-
shoff had deliberately refused to
recognize them and consistently
hired only UMW men. Dozens of
affidavits signed by Progressives
declared they were told by mine
bosses to join the UMW if they
wanted work.

He still did the controversy be-
cause that a Federal injunction
was issued against violence on the
premises of Mine B. Several UMW
members were ordered to appear
before United States District Judge
C. G. Briggs after Progressives
charged they were involved in the
hounding of a Progressive as he
worked underground.

U. S. Inquiry Sought.

A Federal investigation was requested by United States Attorney Howard L. Doyle, who announced the situation at the mine "may foster the worst type of violence." The Progressives appealed to the National Labor Relations Board, but the board held it could not cite another labor union for unfair labor practices.

Enough UMW men had enrolled

for work at the mine to enable the UMW to win an NLRB election in January, 1941. The mine, which had been idle during one of its sporadic shutdowns, promptly reopened.

When Mine A was acquired by Klehoff under lease it remained closed until the UMW had obtained a majority. It opened then under a closed shop contract and both mines now have UMW contracts.

MILLION IN UMW FUNDS INVESTED IN MINING FIRMS

Handled by Union's Subsidiary, Lewmurken, Inc., Which Is Really John L. Lewis.

MORE THAN \$500,000 PUT IN ONE CONCERN

Company of Former Treasury Aid—Illinois Loan Under Inquiry One 'Investment.'

By a Staff Correspondent of the Post-Dispatch.

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WASHINGTON, Oct. 21.—More than one million dollars of the funds of the United Mine Workers of America has been invested in private mining companies through the medium of a wholly owned subsidiary of the UMW, a company called Lewmurken, Inc. It is shown by statements of the UMW.

The greater part of this investment in private enterprises—well in excess of \$500,000—has gone into Rocky Mountain Fuel Co. in Colorado. Exactly how much has been invested in this company, which is controlled by Mine Josephine Roche, a former assistant secretary of the Treasury, United Mine Worker officers will not divulge.

"We have made loans to several companies," Thomas Kennedy, secretary-treasurer of the United Mine Workers, said to the Post-Dispatch. "The amounts have not been made public, although whenever investments have been made the amounts have been listed in the financial reports of the United Mine Workers

Loans Under Inquiry

Kennedy said one of the "investments" was the loan to Mine B at Springfield, Ill. This, as was exclusively in the Post-Dispatch on Friday, is one of the transactions involved in an income tax investigation conducted by agents of the intelligence unit of the Bureau of Internal Revenue in Springfield. Intelligence agents have talked with Ray Edmondson, head of UMW's District 12, and Walter Jones, secretary-treasurer of District 12, about the matter.

Beginning in 1929 and extending well into 1941, the financial reports of the United Mine Workers show, under "miscellaneous expenditures," a series of loans, ranging from \$50,000 down to \$5000. These are listed merely as "New York draft for loan with security notes as collateral."

Although the rank and file of the UMW had no way of knowing it, these were for the most part payments made to take up bonds of Rocky Mountain Fuel Co. According to one tabulation, made by a former associate of Lewis, these advances totaled about \$200,000 by the middle of June, 1941.

After June of 1941, similar advances were made to Lewmurken, Inc., which had been created by the International Executive Board, dominated by John L. Lewis, to handle such financial transactions. On Aug. 12, 1941, an advance of \$129,182 was made to Lewmurken, and on Dec. 24 there was an additional loan of \$60,000 to this same wholly owned subsidiary.

Besides the advances to Lewmurken—on Page 5, Column 3.

"The affairs of your union are efficiently managed. The receipts and expenditures are audited and reported to our members. All of the money spent has been an investment that will return dividends in many ways to our members.

"With these facts before us, this convention can justifiably concur in and approve the reports of receipts and expenditures since our last convention, as covered in the regular six months' reports to our local unions and approve as well this report on the general fiscal policies of our organization.

"Over a period of years the international organization, in emergency situations involving the stability of contracts and of employment, has made corporate loans to several corporate entities in the coal industry. These loans were made in the best interest of our membership and the organization. The results have justified the decisions of the international officers and the International Executive Board, which approved them.

As in Lewmurken, Inc., "In making such corporate loans we naturally took collateral in the form of bonds, stocks, notes, etc. In the case of bonds and stocks we felt the United Mine Workers of America should not, as an organization, hold such securities. Therefore, there was organized a corporation, by authority of the International Executive Board, known as Lewmurken, Inc.

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SUNDAY MORNING

Million in UMW Funds Invested in Mine Firms

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murken, there were three entries of "New York draft for corporate loan with bonds as collateral" for \$100, \$75,000 and \$25,000. These, added to the \$200,000, make a total of about \$300,000.

Ambiguous Report.

In the report of UMW's international officers to the last convention, recently concluded in Cleveland, there was a curiously ambiguous reference to these loans. The statement on finances said, in part:

"The stock is owned by the United Mine Workers of America, with the three international officers or their successors as trustees. This corporation holds in trust for the United Mine Workers of America such collateral as has been secured. Where notes are involved the international union has them in its possession, but intends, when expedient, to turn them over to Lewmursken, Inc. It is further the purpose of this corporation to purchase from time to time stock in various companies so that we may have, in case of necessity, a stockholder's interest in securing information and other material that may be of advantage to our organization.

"In this matter we believe we have adopted a reasonable, constructive course; one that is fully protective of our organization and our membership; one that is deserving of the approval of the international convention. The total of these loans over the period is \$1,062,470. Another similar loan in the amount of \$60,000 was charged against a district as a loan and has since been repaid by the district to the international union.

Power Given to Lewis

Under this policy, Lewmursken—which is really Lewis himself—could use the funds of the UMW to buy controlling interest in any company that he might choose. The word Lewmursken was formed from the first syllables of the names of Lewis, Philip Murray, now head of the CIO and at odds with the UMW chief, and Kennedy.

Murray, in response to an inquiry, told the Post-Dispatch he had not signed the papers of incorporation for Lewmursken and knew nothing about its financial activities. His successor as vice-president, named at the recent convention, was John O'Leary, who became vice-president of the "Trustees" of Lewmursken.

corporation creating Lewmursken, Lewis and the other two trustees can do just about what they please with any funds which come from the treasury of the United Mine Workers to the subsidiary corporation. The certificate of incorporation gives them the right to engage in almost any form of financing or business activity.

Not long before the latest advances made to Rocky Mountain Fuel Co. out of UMW funds, Miss Roche bought a loan from Reconstruction Finance Corporation. Her attorney at that time was Francis Biddle, now Attorney General, then in private practice in Philadelphia. With Biddle, Miss Roche approached Jesse Jones, head of the RFC, in hopes of obtaining a loan to take up the bonds which were to come due in succeeding months. Considerable pressure was exerted on Jones for the loan. After an investigation, he agreed to a loan not to refinance the company but merely to provide for installation of new machinery. This loan, for \$72,000, made in 1935, has since been repaid.

First With Union Pact

Miss Roche, who inherited minority control of Rocky Mountain Fuel Co. from her father, was the first mine owner in that area to sign a union contract. Her friendship with Lewis dates from that time. Prior to the formal loans made by the UMW, Lewis is said to have made advances to insure the continuing operation of the company. Later the full amount was covered by loans recorded on the UMW books.

Of the approximately four million dollars in bonds outstanding, Lewis, through Lewmursken, has approximately \$800,000. He is said to hold Miss Roche's stock as part of the collateral for the UMW loans. At one time he "suggested" that William Taylor, a West Virginia coal operator friendly to the UMW and experienced in mechanizing coal properties, be put in charge. This was done.

Of the balance of the bonds outstanding, the majority are held by individuals, who have agreed that the principal shall not become due for several years. It is reported, however, that about \$200,000 of this amount comes due next April 1. Presumably funds will have to be found to take up these bonds, under the certificate of incorporation.

St. Louis Daily Globe-Democrat, Wednesday Morning, 6

BACK TO THE MINES





The Bull Walks Out of the China Shop