

DIARY

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May 6 - 10, 1943

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May 6, 1943
9:10 a.m.

WAR BONDS

Present: Mr. Graves
Mr. Houghteling

H.M.JR: What I wanted to do, I would like to have Lawrence Houghteling have for me next Wednesday, a report by States of what organized labor thinks and feels as to how they were treated during this last drive.

I want to know where they thought the people treated them well, and where they thought they treated them badly. If they want to mention names, that is all right. But I want it by States, and I want it by next Wednesday morning.

MR. HOUGHTELING: All right, that is fine. I will have it.

H.M.JR: You say you will have it, or you love it?
(Laughter)

MR. HOUGHTELING: I will have it. I don't know whether I will love it or not.

H.MJR: I want it by States. What I want to know is where they feel organized labor was taken into camp and was used, and where they were given the brush-off, by States, and if they want to mention names, let them mention names.

And do you think that during the day you could dictate to me what War Savings Bonds are planning for this month - what they are doing?

MR. GRAVES: Yes.

H.M.JR: As far as I know, they are not doing anything.

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MR. GRAVES: I would say we are doing everything; that is, we are going right on with everything.

H.M.JR: Well, I haven't the foggiest idea of what you are doing.

MR. GRAVES: We sent out - following our discussion yesterday we sent word to all of our State people to go right ahead.

H.M.JR: Would you mind once more telling me about it?

MR. GRAVES: I wouldn't at all. I would love to.



TREASURY DEPARTMENT
WASHINGTON

May 6, 1943.

MEMORANDUM FOR THE SECRETARY:

In accordance with your request this morning, I give you below a summary of the work which will be carried on by the War Savings Staff in the immediate future.

As I said to you this morning, the War Savings Staff in all States concentrated its energies on the April drive, which concluded last Saturday. While quotas for May were released to the field a week earlier, I had not thought it wise to give any specific word to State Administrators at the conclusion of the drive regarding the resumption of their continuing program, until you had indicated what your wishes were with respect to a possible reorganization. Following the meeting in your office yesterday, however, Mr. Coyne, at my instruction, sent the following telegram to all State offices:

"The Secretary expects all hands in War Savings organization at State and community levels to go on as usual with our normal operations now that April drive has been successfully concluded. I urge you and your associates to do everything possible to sustain and strengthen the

*To S. Proby and Mr. J. ...
about this report ...*



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public interest in the War Savings program, and to increase monthly sales of War Bonds among all classes of people to highest possible levels."

While there naturally has been a feeling of uncertainty in some areas regarding the future of the War Savings organization, which might have some effect upon the work, my hope and expectation is that this message will help greatly to dispel any such feeling and stimulate workers everywhere to renewed activity.

Following is a brief account of our principal activities:

NATIONAL ADVERTISING

Newspapers

Five full-page ads and five small-size ads for the month of May have already been distributed. Additional ads are being prepared by the Advertising Council. These ads will feature payroll savings; we also are anticipating the withholding tax and how to meet its effect on Bond sales. Our regular newspaper campaign now numbers some 6,000 daily and weekly newspapers which carry War Bond advertising regularly, with an aggregate circulation of about 90,000,000.

General magazines

A portfolio of new ads has just gone out to leading general magazines. Our last such ads were scheduled by 61 magazines, with an approximate circulation of 70,000,000.

Farm magazines

A May ad has been distributed and a June ad is in production. This is a new series prepared by Erwin-Wasey after a farm research survey. It will appear in approximately 36 leading farm publications, with a circulation of approximately 14,000,000.

Business publications

A May ad has been distributed, and a June ad is in production. This series, on payroll savings, will appear in roughly 550 trade papers, with a circulation of 5,000,000.

Outdoor advertising

A May 24-sheet poster is up now. One on payroll savings is being prepared. Outdoor showings are now running approximately 12,000 a month.

Posters

Our May poster has been distributed. A photographic poster "Deliver Us From Evil" is in production for June, and a Flag poster for July. (Quantities on each - 1,300,000).

Hitch-hikes

Support from national advertisers is continuing at a very satisfactory rate. In the six leading weekly magazines, for example, we now get between 90 and 135 mentions each week, and between 7 and 12 complete ads on War Bonds. Mailings and personal contact encouraging this support will continue on a consistent basis.

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Special

A payroll envelope stuffer is being prepared in anticipation of the possible adoption of the withholding tax.

PRESSNewspaper clip sheet

We have currently in production a payroll savings clip sheet which will be mailed to about 1,750 dailies, and to over eight thousand weeklies.

News pictures

A series of picture releases is in production, the pictures being designed to tie in War Bonds with special days. Releases will be made on Mother's Day, First Aid Week, Memorial Day, Flag Day, and Father's Day.

"What You Buy With War Bonds"

A new series of the feature "What You Buy With War Bonds" with emphasis upon payroll savings, is being prepared for release to dailies and weeklies with a total circulation of approximately 55 million.

Regular Features

Also in production are the regular continuing features, including "Stars in Service" and "American Heroes" serviced to all dailies and weeklies, Spot Picture Page, ordered by over 600 papers, Underbars used by 250 dailies and "Small

Change", the latter half-page being carried regularly by 130 dailies.

House organs

The June Press Book for company publications will shortly be released. Circulation of these publications totals approximately 30 million. This will include editorial material, cartoons, suggestions to editors for incorporating War Bond promotion in their publications, and a photograph especially designed for use on magazine covers. On an average, these cover pictures are picked up by a thousand publications.

Special War Savings Staff News

A special newspaper edition of the War Savings Staff News, outlining and illustrating what the press did to support the Second War Loan, will go out shortly to newspaper publishers, editors, and others in a position to assist in the continuing promotion of the War Bond program.

Flag covers on magazines

Virtually every major magazine in the country is planning to use a flag cover for July, these covers to include War Bond tie-ins.

Picture stories

A series of illustrated stories is in production for use during June. These stories will draw a comparison pictorially

between the Bond buyer and the soldier at the front.

Special

In preparation for the possibility of an invasion of Europe, a special "What You Buy With War Bonds" series is being developed with an invasion angle. In addition a picture page is being prepared to be released in the event of invasion, showing the aircraft and surface vessels and other equipment which must play a major part in such an operation.

RADIO

Network programs

During May, approximately 36 of the outstanding network programs each week will use special War Bond payroll savings materials. In addition, during May and June, the following programs will be donated to the Treasury War Bond program in their entirety:

- Little Jack Little, Monday - Friday, 11:45 to 12:00, Blue Network
- Guy Lombardo, Wednesdays 11:30 to 12:00, Mutual Broadcasting Co.
- Tommy Dorsey, Fridays 12:30 to 1:00 AM, Blue Network
- Horace Heidt, Saturdays, 5:00 to 5:45 PM, Blue Network

The Saturday Night Bondwagon will continue to be broadcast each Saturday night over 161 stations of the Mutual Broadcasting System from 10:15 to 10:45 PM.

Local station announcements

During May each of the Nation's radio stations will

carry at least three special War Bond payroll savings announcements per day--or a total of more than 19,000 announcements per week.

Treasury Star Parade

The Treasury Star Parade is now being used 2,571 times a week by 857 radio stations. We plan to continue to release the Treasury Star Parade programs to these stations on a three-a-week basis.

Treasury Song Parade

The Treasury Song Parade is now being used 7,150 times a week by 650 stations (average eleven times per week per station). Eight three-minute Song Parade programs will continue to be released to these stations each week.

Foreign language Treasury Song Parade

We are now and will continue making special Treasury Song Parade programs in various foreign languages for distribution to foreign-language radio stations. During May the Song Parade will be recorded in Polish, German, and Scandinavian by popular vocalists of these nationalities.

Foreign language scripts

In cooperation with the Foreign Origin Section of the War Savings Staff, the Radio Section is releasing to foreign-language radio stations appropriate War Bond radio scripts in English for translation and presentation by them in

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various languages.

Special radio news

The Radio Section is now gathering from all radio stations in the country complete details on their local War Bond programs. As soon as this material is compiled, we plan to issue a special edition of the War Savings Staff Radio News for distribution to all radio stations containing a synopsis of the best program ideas received.

Advance copy

We are now preparing special War Bond pay-as-you-go radio announcement material to be used in the event of legislation putting into effect a withholding tax.

NATIONAL ORGANIZATIONS

Labor

A number of new appointments are pending in the Labor Section. When consummated, these will enable the Labor Section to take an accelerated part in Payroll Savings developments, particularly in C.I.O. shops and in the railroad field. The labor situation has been complicated by the wage negotiations of the coal miners and railway workers. The firm stand of the Government in the coal strike matter has done much to clear the air. The labor people throughout the country appreciate the many evidences of the importance which the Treasury

attaches to their participation in the War-Bond program, and as various problems confusing them are straightened out, they are all ready for "full steam ahead". The new Payroll Savings program is well liked by Organized Labor, and the Labor Section will concentrate its efforts on this program.

Inter-racial activities

Plans are being developed for increased contacts with Negro leaders in five fields: Churches, schools, fraternal associations, business organizations, and labor unions. A new approach will be made to these leaders, with the hope that through them it will be possible to reach the colored people in the lower-income brackets more effectively.

Foreign-language groups

The continuing drive among foreign-origin groups will concentrate upon a campaign for Liberty ships among nationally organized foreign-language church groups--many thus far untouched--such as Swedish, Danish, Norwegian, Finnish Lutherans. This campaign has already been taken up by the French Canadians in a drive continuing through May and to June 28--St. Jean-Baptiste Day--for \$10,000,000 in War Bonds. Hungarian, Greek, and Slovak prelates are also deeply interested in the plan.

Flag Day, June 14, is to be made United Nations Day, and will be the next center of promotion for foreign-origin groups

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following on the heels of "I Am An American" Day, May 16, in which nationality groups all over the Nation are participating.

Rallies and pageants are being held by practically every foreign-origin group in the Country, with War Bonds stressed.

Definite objectives are popular in War Bond drives among people of recent foreign extraction, and our promotion will attempt to present various opportunities to these groups, such as Liberty Ship and Bomber campaigns.

Fraternal orders

The Knights of Columbus Founders' Month Drive officially ended April 28. While its goal was \$25,000,000, War Bond sales actually reached a total of \$37,500,000. Similar drives are in prospect by other orders, including the following:

- Royal Neighbors of America
- Benevolent and Protective Order of Elks of the World
- Fraternal Order of Eagles
- Improved Order of Red Men
- Independent Order of Odd Fellows
- Knights of Pythias
- Loyal Order of Moose
- Modern Woodmen of America
- Woodmen of the World
- B'Nai B'Rith

Business and trade associations

It is planned to develop a program for enlisting the support of trade associations in the new Payroll Savings program. In this connection, we shall first get in order our lists of members of the more important associations, so that Payroll Savings statistics by associated groups may be made available to the associations. We shall urge the associations to publish regularly in their bulletin up-to-date Payroll Savings information pertaining to their respective industries as a means of encouraging the laggard firms to better their positions.

FIELD DIVISION

Payroll savings

An intensive program is planned to increase payroll-savings participation. This program involves (a) the setting of dollar quotas for employing companies; (b) the assignment of War Savings Staff representatives in the plants; (c) speeding up bond deliveries; (d) a plan for cash sales in connection with special drives.

Suitable advertising and promotion material is in process to support this special program, including material for newspapers, magazines, and house organs, pamphlets for employees and workers, bill-board displays, radio announcements, slide films, etc.

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It is planned to introduce this program to the field at a series of meetings to be held at the principal cities during the week of May 17. These meetings will be attended by representatives of the Washington Staff and of all State organizations, including especially the payroll-savings, labor, and women's groups.

Schools

The school year is drawing to a close and the summer vacation is approaching. In the meantime, the Schools At War program designed by the Education Section of the War Savings Staff continues, being implemented from time to time by Field Bulletins and Memoranda, and by advertisements and articles furnished the educational press and magazines.

Considerable attention is being given to organizing summer schools and playgrounds for the sale of War Savings Stamps, and children's organizations, such as Boy Scouts, Girl Scouts, Camp Fire Girls, Boys Clubs, etc., are being encouraged to carry on summer War Savings programs in their local units.

A conference of about 20 State War Savings Staff members and educators will be held in New York City, May 21-22. This conference will review the Schools At War program as it has functioned to date, and work out basic plans for the school year 1943-44.

Agricultural Section

This section is continuing its work directed at increasing the farmers' participation in the War Bond program. Emphasis is being placed upon the job of strengthening our field organization in the important agricultural States in line with the plans given us by Dr. Myers. These plans involve not merely the improvement of our organization, but steps in the direction of providing additional educational material for farm people, training our volunteer workers, the establishment of better yardsticks for individual participation, farm-to-farm canvasses and follow-ups, etc.

The Agricultural Section is collaborating with our promotion people in the preparation of stories, pictures, and advertisements concerning War Bonds, for publication in the farm press and magazines, and in the preparation of suitable material for radio broadcast in the farm sections and on farm programs.

Retail Stores Section

Plans for May, June, and July include a Nation-wide canvass to determine the stores now selling War Bonds and Stamps, and to find out how they use the War Bond posters and display material furnished by the Treasury. The intention is to give an identifying "decalcomania" to each active outlet.

Special promotions are planned for the week of Flag

Day (June 7-14) and for Father's Day (June 13). To stimulate the sale of War Savings Stamps, now averaging about \$50,000,000 a month, it is planned to supplement our regular activities during July by a special promotion by retailers calculated to bring about a large and, it is hoped, a permanent increase in the volume of Stamp sales.

A training program is now being developed, intended for introduction in the larger stores everywhere as a means of interesting and instructing salespeople in the most effective methods of selling Bonds and Stamps. Experimental meetings to develop this program are now being held.

Outstanding War Bond advertisements used by retailers in different cities are being given a special "star award", and reprinted and distributed for the information and benefit of all War Bond advertisers.

Articles are to be distributed to 250 retail trade journals with a view to educating retailers generally in the economic importance of savings bonds.

Women's activities

During the spring and summer, the Women's Section will focus on women workers in industry and farm women. It will work closely with the Payroll Savings and the Farm Sections to develop appropriate methods of reaching these groups. State and local Women's War Savings Committees, National

Women's Organizations, and women's publications will be enlisted to help install Payroll Savings and the commodity-check deduction plan in firms and farms hitherto not reached, and to increase War Savings investments by women through these plans.

The Women's Section is in the process of taking over the War Stamp Corsage program, formerly handled by National War Stamp Corsage Committee in Chicago. In connection with this, other War Stamp promotions, such as the "Stamp A Day for the Boy Who's Away" program, and the Retail Stores July stamp campaign, will be given special attention.

The Women's Section in all of its activities will stress the importance of "doing without" other things, in order to buy bonds. Tentative plans call for a national "Do Without Week" scheduled for fall.

Special events

"Buy A Bomber" and "Sponsor A Fighting Ship" campaigns, and other similar promotions are to be continued and emphasized in as many communities as possible.

Major tours planned for the next few weeks in the interest of the War Bond program include the Jap Submarine, "Truth or Consequences", "The Four Freedoms," sponsored by the Saturday Evening Post, three circuses, and a number of other interesting and popular attractions. Bond rallies, mass meetings,

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or similar events, are to be held in Washington, D. C., Chicago, Columbus, Cincinnati, Indianapolis, Pittsburgh, and Cleveland, among other cities during May.

Musical events

Arrangements have been made for Mr. Zanzig to conduct singing at War Bond rallies in 12 cities; others are pending.. About 350 music leaders have recently been enrolled for voluntary services in collaboration with local War Savings committees, to be aided through correspondence and bulletins. Brief leader-training courses and demonstrations for War Savings service are to be arranged by request at several Universities for their summer sessions.

Special summer concerts, with War Savings promotion, are being planned for orchestras, opera companies, school and community bands, etc., while a number of top ranking soloists have agreed to give War Bond concerts similar to those already given by Toscanini, Horowitz, Milstein, Piatigorsky, Heifetz, etc.

GRAVES

May 6, 1943
11:20 A. M.

HMJr: Hello.

Operator: Mr. Stauffer.

HMJr: Hello.

Donald
Stauffer: Hello.

HMJr: Morgenthau speaking.

S: Oh, hello, Mr. Morgenthau.

HMJr: How busy are you right now?

S: Well, as a matter of fact, I'm never too busy
to be of help to you if I can.

HMJr: Well, we're working on a speech for tonight....

S: Yeah.

HMJr:and we need some real good technical help.
You couldn't drop over right now, could you?

S: I'd be delighted to do it.

HMJr: Won... - wonderful.

S: I have one thing I must get out. It's these wires
to all these stations asking for announcements
ahead of time....

HMJr: Yeah.

S:and it will probably take me about, oh,
twenty minutes or so - if I can get over there
in about twenty minutes?

HMJr: Right. I - let me give you the idea - I don't
know whether you - I don't think you need to
bring anybody with you. But Fred Smith got this
idea instead of the usual talk - I think - you
know - your people - you or somebody sent word
over they'd like me to use these German short-
wave broadcasts, you see.

S: Well, now I - I haven't been in on that - I've
been out of town and just got back this morning.

HMJr: Well - well, I guess it was somebody else's. Now, the thought is, we want a voice to come in on my talk, you see....

S: Yeah.

HMJr:cut in on me, using these direct quotes, which O.W.I. has furnished us with....

S: Uh huh.

HMJr:and we need technical help.

S: Uh huh.

HMJr: See?

S: Well, I will be glad to come over and be of any help that I can to you.

HMJr: Wonderful.

S: I'll be over in about twenty minutes.

HMJr: Wonderful.

S: Right. Goodbye.

May 6, 1943
12:12 P. M.

HMJr: Hello.

Vincent Callahan: Good morning, sir.

HMJr: Vincent, good morning. Who went to George Washington Hill and asked him for time in my name Saturday night?

C: The Office of War Information. As to which one over there, I don't know, Mr. Secretary.

HMJr: But somebody from here must have asked him.

C: Well, Mr. Robbins communicated with us to get the time and we went to O.W.I.

HMJr: Well, why did you say - he was under the impression that I was going on the air.

C: Well, he wanted to get the time for you, Mr. Secretary, for Saturday night.

HMJr: Well, I didn't want to go on Saturday night.

C: Well, I didn't - I didn't know that.

HMJr: Who, Robbins?

C: Robbins. It was his idea.

HMJr: Well.

C: And he asked us - he didn't specify Lucky Strike or Mr. Hill. What we did, we went over the schedules of Saturday night and....

HMJr: But it was from Robbins?

C: It was from Robbins. But we made - there were no commitments made, unless there was a misunderstanding.

HMJr: I see.

C: The way we put it up was if they would give the time, we would find out from you whether you would want to use it or not.

HMJr: I see.

C: But now Mr. Stauffer and most of his radio people were out of town, and when they got back they were a little bit annoyed about the whole thing.

HMJr: Yeah. Okay.

C: Okay, sir. Goodbye.

May 6, 1943
2:30 P. M.

HMJr: In this business of keeping me informed
what's going on, will you also make a
special effort to keep Mr. Bell informed?

Harold
Graves: I'll be glad to.

HMJr: Right.

G: Yes, sir. I'll send him a copy of this
memorandum that you asked me for this morning.

HMJr: Thank you.

G: You're welcome.

Conference in Secretary Morgenthau's Office
May 6, 1943 - 3:00 P. M.

Present: Secretary Morgenthau
Sir Frederick Phillips
H. D. White

Sir Frederick Phillips handed Secretary Morgenthau a message from the Chancellor of the Exchequer to Secretary Morgenthau. A copy of the message is appended. Sir Frederick Phillips wanted to know what he might answer the Chancellor.

The Secretary asked whether Phillips would mind joining Mr. White in his office and discussing the procedure and submitting to him an answer which might be made that would be agreeable to the British and ourselves.

Sir Frederick agreed and added that they had not met for some time on discussions of stabilization plans. The last conference he had on the subject was in Mr. Berle's office at the State Department some months ago. He said he had some further comments he would like to make on the proposal and would like to submit them in writing. He asked whether the Secretary preferred that he come to the Treasury or to Mr. Berle's office. The Secretary replied that these matters were to be discussed in the Treasury; he regarded the stabilization fund discussions as Treasury problems and that he wished Sir Frederick to take up such matters with the Treasury directly. The Secretary went on to say that Secretary Hull knew that the Treasury was handling the matter.

Sir Frederick and Mr. White adjourned to the latter's office. Two statements were prepared there. One by Mr. White, setting forth the procedure which the U. S. Treasury proposes to follow with respect to discussions in Washington on currency stabilization plans. Sir Frederick had some suggestions which were incorporated in the outline.

Sir Frederick then drafted the statement which he suggested the Chancellor could make on the floor of the House of Commons during the debate. Mr. White suggested some slight change. Both statements were later brought to the Secretary by Mr. White and the Secretary approved them with the understanding that the outlined procedure drafted by Mr. White was not to be part of any statement by the British. The intent of the statement on procedure was merely to inform the British of the procedure being pursued here with respect to the discussions.

Mr. White subsequently informed Sir Frederick of the Secretary's approval with the condition indicated. Sir Frederick quite agreed with the condition.

H. D. White

HW

MESSAGE TO THE SECRETARY OF THE TREASURY
FROM THE CHANCELLOR OF THE EXCHEQUER

I thought I should like to let you know that there is to be a debate on International monetary mechanism after the war, probably on the 12th May, in the House of Commons, and a subsequent debate in the House of Lords in the following week. I shall be making a statement in the Commons.

I do not know what your experience has been, but the impression I have of the position here is that informed public opinion has not yet had sufficient opportunity to judge the implications of the papers which your experts and ours have produced for consideration. I propose therefore in my statement to describe the problem as we see it and to give an outline of the principles of the Clearing Union paper, making it plain that the British Government is not committed to the scheme but has authorized its publication as a contribution to the general study of the matter, along with the American paper and any other papers that may be produced.

I shall emphasize that at this stage the matter is in my opinion one for further examination by experts before any conclusions however provisional can be arrived at, and shall express a welcome to the attention that has been given to the subject both in the United States and among the representatives of the United Nations.

I think that I shall be expected to say something about the Stabilization Fund. I do not propose to comment in detail on it. I shall underline the recognition which your Treasury paper gives to the vital importance of the matter, and to the need for orderly arrangements to be made. It is a paper with similar objectives to ours, and I shall indicate that there are inevitably at this stage certain differences of approach which clearly deserve further examination in all interested quarters.

I expect to be pressed by the House to tell them what next step is now intended. Am I right in thinking that after preliminary soundings which are now going on your intention is to summon a general conference of experts to consider these and any other schemes that may be produced, and to prepare proposals for governments on the expert level but without commitment by any government at this stage? In my view it would not be advisable to summon a meeting of Ministers until after the results of the expert conference are available and have been carefully considered. If I could say anything definite on probable future procedure it would certainly help me.

Washington, D. C.,
May 6, 1943.

I have been asked what is the next step now intended. Of course, the final step would necessarily be a conference of Finance Ministers. But it is much too early to make any definite statement on that: clearly a considerable measure of agreement must be evidenced before the calling of such a conference would be wise. The purpose of the publication of our plan was to obtain the reactions of economists and others for which some time must be allowed considering the complexity of the subject. The matter is still at the expert level, and the forms which expert consideration will take will be settled largely by convenience. I shall keep in touch with the Secretary of the United States Treasury as matters develop.

Procedure Being Followed with Respect to the
Currency Stabilisation Plans now Being
Discussed in Washington by the
Experts of the United and
Associated Nations

1. Exploratory discussions with the experts of the various countries are going on and will continue during the next month or so.

2. During that period there probably will be a series of small informal gatherings of the experts of several countries who will thus have the opportunity of discussing the views being developed in the bi-lateral discussions.

3. The publication of the British and American plans has created considerable interest in the subject among economists and bankers, many of whom are sending their detailed comments and suggestions to the Treasury for consideration. While the discussions among the experts of the various countries are going forward, there will be ample opportunity for the Treasury experts to sift these criticisms and submit them to the various experts for careful consideration.

4. Toward the end of the period it is our hope that there will be an opportunity for a general discussion by those experts available in Washington for the purpose of synthesizing the various suggestions that have been made during the earlier discussions. Such a general discussion will at the same time provide an opportunity to evaluate the degree of agreement that exists on the more important phases of the various plans and suggestions that have been made. Should the meetings divulge an inadequate area of agreement, an exchange of views on the points of basic disagreement could continue through ordinary Governmental channels until the area of disagreement on important points had been virtually eliminated.

5. Finally, a conference of Finance Ministers will not be called until and unless there is an indication that there is substantial agreement among enough countries to warrant the expectation of a successful outcome.

Washington, D.C.,
May 6, 1943.

Dear Mr. Secretary,

I have been instructed to convey to you a message from the Chancellor of the Exchequer as set out in the enclosure, and should be most grateful to learn what reply you would wish to be conveyed.

Yours sincerely,

F Phillips

(F. Phillips)

The Honourable

Henry Morgenthau, Jr.,

Secretary of the Treasury,

Washington, D.C.

MESSAGE TO THE SECRETARY OF THE TREASURY
FROM THE CHANCELLOR OF THE EXCHEQUER

I thought I should like to let you know that there is to be a debate on International monetary mechanism after the war, probably on the 12th May, in the House of Commons, and a subsequent debate in the House of Lords in the following week. I shall be making a statement in the Commons.

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Washington, D.C.,
May 6, 1943.

May 6, 1943

Dan Bell

Secretary Morgenthau

I don't know whether anybody has done anything about giving publicity to my talk tonight, but please get whoever is left from War Savings and Victory Fund into your office plus Chic Schwarz plus Callahan. And if nothing has been done, I would like telegrams to be sent out immediately to the Federal Reserve and the War Savings Staff telling them that I'm going on the air tonight. Also tell Schwarz or Callahan to ask the Columbia Broadcasting whether they would announce it a couple of times, and do what still can be done as late as this morning. I would appreciate it if you would do it right away, and then write me a little note: (1) had anything been done? (2) what you can still do this morning. And tell everybody that's going to do it that they should do it at once.

See Bell's memo 5/6/43



THE UNDER SECRETARY OF THE TREASURY

WASHINGTON

May 5, 1943

TO THE SECRETARY:

Reference is made to your memorandum of this morning regarding publicity given your talk tonight.

We discussed this last Monday in a war finance meeting in my office, as a result of which Stuart Peabody sent a wire to the Presidents of all Federal Reserve Banks notifying them of your talk to thank the workers in the Second War Loan Drive.

In checking up with a few of the Federal Reserve Banks we find the following: In St. Louis and Cleveland the Chairmen and all workers were individually notified and stories carried in the press. In Chicago a bulletin went out to all workers. In Boston all State Chairmen were notified and asked to advise the workers of your talk. In New York the wire got lost but it came to the publicity desk this morning and they immediately got on the phone with the Regional Chairmen or the secretaries of the Chairmen and asked them to get word to the workers and have it carried in the local afternoon papers. They also put it on the ticker service.

Here in the Treasury Harold Graves has sent a wire today to the State Chairmen; Callahan will undertake to get the Columbia Broadcasting System to announce it two or three times today and will also send a wire to about 100 local stations that will carry the broadcast so that it will be announced locally. I sent a further wire to the Federals asking them to notify the Chairmen and all workers if they had not already done so on the basis of Peabody's telegram of Monday. Chic Schwarz will have a story in the afternoon papers.

sub



Room 278

33

Under Secretary

Exp. Loans - War
Finance Committee

May 6, 1943

To Presidents, Federal Reserve Banks:

Boston, Mass.
New York, N. Y.
Philadelphia, Pa.
Cleveland, Ohio
Richmond, Va.
Atlanta, Ga.

Chicago, Ill.
St. Louis, Mo.
Minneapolis, Minn.
Kansas City, Mo.
Dallas, Texas
San Francisco, Calif.

Please take steps to see that, so far as practicable, all workers in your district who contributed to success of Second War Loan Drive are notified of Secretary's thank-you address tonight if you have not already done so on basis of Peabody's wire of Monday. Address will occur ten-thirty to ten forty-five over Columbia Broadcasting System.

BELL

(Initialed) D. W. B.

DWB:NLE

(9)

Landcraft 34
5/6/42
158

Fellow Americans: I wish you could hear what the Axis short-wave
 propaganda broadcasts are saying tonight. I wish you could have heard
 them during the past three weeks. You would have been very amused ~~with~~
~~to hear their hysterics brought on by your participation~~ ^{the growing success of}
~~in the tremendously successful~~ ^{the} Second War Loan. I can tell you that the
 response of the American people has them frightened down to their ~~own~~
~~boots.~~ ^{those bloodstained boots that have trampled}
^{on the lands and the bodies of peaceful peoples.}
 They have had a rude awakening. They thought they were going to be
 up against a weak, flabby army, and now they know better. Field Marshal
 Rommel, if he ever takes the time to look back over his shoulder, can see
 and report to his people the kind of fighting men he is up against. And
 now the people on the home fronts all over the world realize that the
 American people -- that you and I and all of our neighbors -- are in this
 war all the way. ~~the~~ ^{well} fact that we have sold, according to the figures
~~already in~~ ^{well} over 18 billion dollars in War Bonds is proof enough.

B

(1)

How stupid the Axis propagandists must feel, if they have the courage to face the facts. Only last week the German radio was screaming like this:

SHORT WAVE: Flash from Washington, D. C. -- Insiders in the Treasury Department state that the Second War Loan Drive is proving to be a complete failure because the people have no desire to invest their money in War Bonds.

Mr. Morgenthau: Or listen to this one:

SHORT WAVE: In view of the threatening failure of the War Loan Drive, the Treasury Department has hastily called together a meeting of prominent bankers and has requested the banks to take over the War Loan off the hands of the Government in the hope that the banks will be able to sell them to the public later on.

Mr. Morgenthau: Or listen to this one:

SHORT WAVE: Under the circumstances, the Treasury Department desires to prevent the people from gaining the impression that the War Loan Drive is a failure. (Fade out)

Mr. Morgenthau: And listen to this one from Italy:

SHORT WAVE: The American people have lost faith in the American system. At last they know that the Democratic way of life will not stand up in a crisis.

We needn't take any time trying to answer the Axis, because *They know*

~~Important~~

(2)

36

Well, we want waste ^{won't} ~~no~~ more time laughing at the Axis. Certainly we don't need to answer these pompous demigods, ^{Guys} because, you, the American people have already ~~provided the answer~~ ^{got them}. You, ~~the American people~~ ^{the world's} have shown that you stand solidly behind our commander-in-chief, ~~and~~ you have proved that ~~you~~ ^{we} will fight with him to the last ditch to preserve ~~the world's~~ ^{the world's} last great ~~heritage~~ ^{heritage} of freedom and independence ~~and~~.

Your answer is the record ~~of~~ of the greatest financial transaction in the history of the world. I have it here. Let me read it.

As of this afternoon at 4:30, our workers and the Federal Reserve Banks have reported a total sale, during the past three weeks, of \$18,500,000,000. ^{in Bonds} That is almost \$5,000,000,000 more than we set out to raise. *That is the measure of our enthusiasm and patriotism*

These figures prove many things. They prove that the American people recognize this is their war, and they are willing and eager to finance it. It proves that through Democratic means, in three weeks' time, we have raised a sum of money that Germany, Italy, and Japan could not raise by plunder, stealing, and outright confiscation. It proves that the American people are not going to sit back and wait for any compulsory savings plan in order to finance this most expensive war in our history.

- 3 -

And this, I might add, is vitally important to me. I believe in the American people. I believe that they will go the ^{way} ~~limit~~ ~~and even beyond~~ if ~~they~~ ^{we} only understand the urgency of the situation. And the way the American people have lived up to those ⁱⁿ expectations has won the acclaim of everyone everywhere. ^{my friend Walter} Only yesterday ^{Chairman} George of the Senate Finance Committee, told me that ^{he felt} ~~in his estimation~~, the need for compulsory savings is gone. ^{now} ~~The~~ ^{of} the American people, of their own free will and volition, ~~and~~ ^{have} ~~invest~~ ^{invested} nearly 18 billion dollars in three weeks, that is a record that even the most fantastic scheme of compulsory savings could not equal.

~~Now it's legs into this War Loan.~~ What made ~~it~~ so great a success?
 First, I would ~~say~~ ^{think it so} the spirit of the people. I have just returned
 from a trip across the country which I made with the express purpose of
 observing that spirit. ~~I did not see so much of the country as I wish~~
~~I could, but I saw enough~~ ^{of the country even in my few stops to know} ~~to~~ ^{that} America is fighting
 mad. Not everywhere, of course. ~~Here and there is an occasional dead~~ ^{But the}
 spot ~~but these~~ will not last long against the rapidly spreading spirit
 of war that exists in cities like Cedar Rapids, Iowa, where nearly every
 and
 man/ woman in town is working in a war plant or growing food for the free
 world. Or in cities like Portland, Oregon, where in one war plant 23%
 of the April payroll was pledged to Bonds. ~~(C)~~ ^{for the records}

*know
 what
 up
 like
 like*

Before many weeks have passed, this war spirit will spread like the
 flames of a prairie fire, spreading from coast to coast, from Maine to
 Florida. ~~and the important thing is~~

(A)

I am sure ~~this~~ ^{there is} is a reason, probably many reasons. ~~(C)~~ ^{Columbation} ~~is~~ ^{the} accident.

*Perhaps it's the 'mix' they've got out there. The best baker in the
 world, you know, can't bake bread if his 'mix' isn't right. The dough
 just won't rise.

*It seems to me, as an outsider, that their first ^{must} achieve was a
 deep determination to fight this war through to victory. Then, probably
 as a result of that, they have developed a real partnership between labor and
 management. On that foundation, they have worked marvels of production. And
 finally, to round out the total war effort, they established the highest Bond
 records in the country in three of their shipyards.

*And that seems to check with what our figures tell us. War spirit,
 labor management relations, productions and Bond sales all go hand in hand.

But spreading the spirit is the job, now, for all of us -- a job
 even more important than buying bonds. Americans who do know why we're
 fighting have got to tell Americans who don't know. Communities that do
 have the war spirit have got to spread it to communities that don't have
 it. And it must be done fast! We haven't any time to lose!

basic, perhaps even more

(4)

Insert A *(much of the success of the 2nd War Loan rests with*

Second, ~~the~~ success ~~is~~ squarely ~~the result of~~ ^{with} the great army of patriotic men and women who have poured energy and enthusiasm into this ~~Second War Loan~~ Drive during all hours of the day and night. The splendid job they have done is amazing and inspiring. I can only thank, humbly and from my heart, the,

Insert C

Thousands of Americans who must be given credit for their part. That's as it should be. The Bonds are financing our war. We must ~~sell~~ ^{buy} them ~~to~~ ^{from} ourselves, ~~buy~~ ^{sell} them ~~from~~ ^{to} ourselves, ~~without profit~~

On behalf of our nation

~~Insert D~~

And finally, the campaign was a success because country newspapers and great metropolitan dailies printed millions upon millions of messages about Bonds. The radio stations of the country provided 220 network shows about Bonds during the first day alone. I must extend my warmest congratulations and deepest admiration to newspaper and radio people, and to the business houses and industrial firms and stores and theaters and all ^{the} others who cooperated so splendidly. Thanks to them, the cost of promoting and selling these Bonds was ~~infinite~~. *Inconsequential*

Check for...

But now let's look to the future.

The Second War Loan Drive is finished. But that does not mean that we can stop buying Bonds, for the costs of war go on - at the rate of 5 million dollars a day.

Smith

War - 1917

- 3 -

~~and reverses~~ until the final and complete victory is won.

~~And if we use military terms,~~ *We* can speak of this success in the Second War Loan Drive only as a victory in a minor engagement. It is like the taking of a single fortified point while the main battlefield and the main forces of the enemy still ^{lie} ~~lies~~ ahead.

In this drive that has just been completed we have raised a total of ^{of our 18} ~~about 34~~ billions ^{- but} ~~whereas the full~~ ~~total~~ of our war expenditures during this year will be more than 100 billions.

My purpose in speaking to you tonight was twofold. First, to tell you of our success, the success of the American people in accomplishing this one task, and in speaking of that success to thank the thousands of workers

- 4 -

~~who labored so devotedly to reach the goal that we have reached. But the other half of my message is of far~~

~~greater importance. It was to tell you that~~ ^W we must

not deceive ourselves by thinking that now we ^{can} rest

on our oars. The real battle ^{lies} is still ahead of us. All

that we have learned in this Second War Loan Drive, all the enthusiasm that we have gained, all our understanding of how vital and urgently necessary it is that the war be adequately financed ^{will} ~~must~~ be useful in the bigger job that we still have to do.

There is no automatic and easy process for winning battles on the home front any more than there is an automatic and easy process for winning battles in the field. The war must be won and the war must be financed by the voluntary, united effort of the whole American people.

- 5 -

There is no other way. Some ~~people~~ have imagined that we could simply pass a law which would increase our tax revenues and would require all of the American people to lend out of their earnings and that our whole financial problem would be solved in this way. That is simply not possible.

The abilities of our people to save and to buy Government securities differ so widely that even if we wanted to do it ^{- which we don't}

we could devise no law which would raise all the money we need. This is not merely my opinion, it is the sober judgment of all ^{of us} who have given serious thought to the subject.

Those upon whom we must depend most heavily throughout the duration of this horrible war -- those who have most of the available money are the working men and women -- the man that works at the next machine, the family that lives on the corner.

The people who earn from \$25 to \$100 a week -- they are the people whose dollars must either fight the war, through investment in bonds, or else these dollars will ~~have~~ have the liberty to create the horrible nightmare of inflation. You know why. We all have more money in our pockets. We all have fewer things to buy with our money. I can tell you our dollars are a lot better off fighting the war than they are fighting each other competing -- your dollars against mine -- in black markets or in illegal gasoline filling stations. Let's be honest with ourselves. If we don't control our excess money, our excess money will control us -- and there will be nobody to ~~blame~~ blame but ourselves.

The other day I was discussing this with one of the people I have just been talking about, a woman who works in a war plant here in Washington, and I want her to tell you what she told me. Here she is, speaking from her machine in the Washington Navy Yard. (Script)

Thank you, Mrs.

Now I thank you, and all of the millions who are listening here now, will be interested in

Second draft

5/6/43⁴⁶

Fellow Americans:

I take great pleasure in reporting to you ~~as Secretary of your Treasury~~ that the Second War Loan Drive is an overwhelming success.

This is mighty bad news for the Axis. Americans ~~have~~ in less than three weeks ^{have} pushed over the top the greatest single financing operation in the history of the world, involving the collection of more than eighteen billion dollars.

Speaking For myself, I should like to say it has been a ^{great} privilege to serve as your Secretary of the Treasury during this drive, ~~and this is not just an empty phrase.~~ I feel privileged because I have had an opportunity to watch Democracy at work.

-2-

Through Democratic means, in ^{these} three weeks ~~we~~
 we have raised a sum of money that Germany, Italy
 and Japan ^{could even} not raise ^{through} plunder and stealing
 and outright confiscation.

So, tonight, I must ~~thank~~ ^{Thank} first ~~of~~ all
^{who have contributed to make this drive so huge a}
^{success. Especially do I thank}
 the great army of patriotic men and women who

have poured their energy and enthusiasm into the
 Second War Loan Drive during all hours of the
 day and night. The splendid job they have done
 is little short of miraculous. I ~~can~~ only thank
 them humbly and from ^{the depth of} my heart.

^{also}
 I want to thank the country newspapers
 and great metropolitan dailies that printed ^{free as a}
 millions upon millions of messages about Bonds, ^{and}

patriotic service

-3-

~~The radio stations of the country that provided~~
~~220 network shows about Bonds during the first~~
~~day alone. On behalf of our nation, I must~~
~~extend my warmest congratulations and deepest~~
~~admiration to newspaper and radio people, and~~
~~the business houses and industrial firms~~
~~and stores and theaters and all the others~~
~~who cooperated so splendidly. Because of them,~~
~~the cost of promoting and selling these Bonds~~
~~was inconsequential.~~

gave us hundreds of

throughout the drive,

the Treasury Department

The success⁻⁴⁻ of the Second War Loan

~~This has been America's Democracy's effective~~

answer to the Axis nations. I wish you could hear what the Axis short-wave propoganda^{ists} have been saying.

I wish you could have heard them during the past three weeks. You would have been ~~very amused to~~ ^{entertained}

~~hear their hysterical lies~~ ^{by hysterical lies} brought on by the growing

success of the Second War Loan. I can tell you

that the response of the American people has frightened them down to their boots -- ~~the~~ ^{those} brutal

boots that sought to trample down freedom all over the world. ~~All last week~~ ^{during the entire drive} the Axis powers hurled

lies and abuses at us over the short-wave radio.

Listen now to ~~some~~ ^{a sample of some} ~~This is one~~ of the things they had to say:

How stupid the Axis propagandists must feel, if they have the courage to face the facts. Only last week the German radio was screaming like this:

~~Announcement~~
Announcement I

SHORT WAVE: Flash from Washington, D. C. -- Insiders in the Treasury Department state that the Second War Loan Drive is proving to be a complete failure because the people have no desire to invest their money in War Bonds.

Morgenthau: ~~listen~~ ^{and hear} this one: 71

~~SHORT WAVE?~~ In view of the threatening failure of the War Loan Drive, the Treasury Department has hastily called together a meeting of prominent bankers and has requested the banks to take over the War Loan off the hands of the Government in the hope that the banks will be able to sell them to the public later on. # # #

Mr. Morgenthau: Or listen to this one: # # #

~~SHORT WAVE:~~ Under the circumstances, the Treasury Department desires to prevent the people from gaining the impression that the War Loan Drive is a failure. (Fade out)

Mr. Morgenthau: And listen to this one from Italy: #

~~SHORT WAVE:~~ The American people have lost faith in the American system. At last they know that the Democratic way of life will not stand up in a crisis.

Announcement #4

BEFORE THE WAR TIME 9 ROASTED THAT

We needn't take any time trying to answer the Axis, because ^{ALREADY} they have had a rude awakening. ~~They thought they were going to~~ be up against a weak, flabby ^{and} ~~army~~, ^{But} and now they know better.

Field Marshal Rommel, if he ever takes the time to look back over his shoulder, can see and report to his ^{Fuhrer} ~~people~~ the kind of fighting men he is up against. And now the people on the home fronts all over the world realize that the American people -- that you and I and all of our neighbors -- are in this war ^{to the finish} ~~all the way~~. The fact that we have sold well over 18 billion dollars in War Bonds is proof enough.

Democracy's Allies will win

We have exceeded by more than five billion the goal we set for ourselves. This is a measure of our enthusiasm and patriotism. The result proves many things. It proves that the American people recognize this as their war, and they are willing and eager to finance it.

Through Democratic means, in three weeks' time we have raised a sum of money that Germany Italy and Japan could not raise by ~~plunder, stealing and outright confiscation.~~ ~~This is evidence~~ that the American people are not going to sit back and wait for any forced savings plan in order to finance this most expensive war in all history. ~~This~~, I might add, is vitally important to me. I believe in the American people; I believe that they will go to the very limit of their capacity if only they understand

from which I have just returned,

the urgency of the situation. ~~And the way the American people have lived up to our hopes and our expectations has won the acclaim of every one everywhere.~~

~~From reports I have gotten from all over the country, and as a result of what I saw and heard on and from a seven-thousand-mile trip which I made where I made personal observation, It seems to me that the explanation~~ *that have come to me* ~~Insert A~~ *See page 50*

~~the~~ is found in the spirit of the American people and their deep-rooted determination to fight this war through to victory.

Insert A - become aflame

When the people really ~~catch fire~~ with the war spirit, all the other problems seem to solve themselves. Labor and management get together; production rises to an all-time high; and bond sales go up automatically. ~~and~~ That seems to check with what all our figures tell us.

War, ^{spirit} labor-management relations, production, and bond sales all go hand in hand.

A

From reports that have come to me from all over the country, and as a result of what I saw and heard on a seven-thousand-mile trip from which I have just returned, I have come to some definite conclusions as to the reasons for our success. It seems to me that the explanation is found in the spirit of the American people and their deep-rooted determination to fight this war through to victory.

Military terms to describe this Second War Loan victory -- and it is a victory -- are only partly appropriate. There can be no comparison between the self-denial needed to finance the war adequately and the suffering and death which our fighting men must face. Yet, there is a similarity between the war on the home front and the war on the fighting front. Neither is won in a single engagement. On both fronts the war must go on through a succession of gains ~~and reverses~~ until the final and complete victory is won. ~~And if~~
~~we use military terms,~~ We can speak of this success in the Second War Loan Drive only as a victory in a minor engagement. It ^{is} like the taking of a single fortified point while the main battlefield and the main forces of the enemy still lie ahead.

In this drive that has just been completed we have raised a total of more than eighteen billions whereas the full total of our war expenditures during this year will be more than one hundred billions.

My purpose in speaking to you tonight was twofold. First, to tell you of our success, the success of the American people in accomplishing this one task, and in speaking of that success to thank the thousands of workers who labored so devotedly ~~to reach the goal that we have reached~~. But the other half of my message is of far greater importance. It was to tell you that we must not deceive ourselves by thinking that now we could can rest on our oars. The real battle is still ahead of us.

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All that we have learned in this Second War Loan Drive, all the enthusiasm that we have gained, all our understanding of how vital and urgently necessary it is that the war be adequately financed ~~must~~^{will} be useful in the bigger job that we still have to do.

There is no automatic and easy process for winning battles on the home front any more than there is an automatic and easy process for winning battles in the field. The war must be won and the war must be financed by the voluntary, united effort of the whole American people.

There is no other way.

What success in financing means to our fighters is illustrated by a conversation I had with the Chief of Staff just two days ago. General Marshall came over to the Treasury to have lunch with me and, ~~just~~ before he left, he said, "Mr. Secretary, I want you to answer a question for me and to answer it with complete frankness. Can we military leaders plan to fight this war in an orderly way -- in the surest and most effective manner -- or must we take extraordinary risks for fear the money will not hold out?"

My answer was: "General, the American people will take care of that."

What they have done in this Second War Loan Drive -- the money they have produced and the spirit they have shown -- is proof enough for me that they will not let our fighters suffer from lack of support until we achieve complete victory, no matter how long that may be nor how much it may cost."

This was my answer to General Marshall.

And I know it is also yours.

o o o

May 6, 1943

Reading copy of Secretary's broadcast on the Second War Loan Drive which was concluded May 1, 1943, broadcast from studio of CBS in Washington 10:30 pm

Fellow Americans:

I take great pleasure in reporting to you that the Second War Loan Drive is an overwhelming success. This is mighty bad news for the Axis. Americans in less than three weeks have pushed over the top the greatest single financing operation in the history of the world, involving the collection of more than eighteen billion dollars. |

Speaking for myself, I should like to say it has been a great privilege to serve as your Secretary of the Treasury during this drive. I feel privileged because I have had an opportunity to watch Democracy at work. Through Democratic means, in these three weeks, we have raised a sum of money that Germany, Italy and Japan could not raise even through plunder and stealing and outright confiscation.

-2-

So tonight I must first thank all who have contributed to make this drive so huge a success. Especially do I thank the great army of patriotic men and women who have poured their energy and enthusiasm into the Second War Loan Drive during all hours of the day and night. The splendid job they have done is little short of miraculous. I thank them humbly and from the depth of my heart.

I also want to thank the country newspapers and great metropolitan dailies that printed free, as a patriotic service, millions upon millions of messages about Bonds, and the radio stations of the country that gave us hundreds of shows throughout the drive, and the business houses and industrial firms and stores and theatres and all the others who cooperated so splendidly.

-3-

The success of the Second War Loan is America's answer to the Axis nations. I wish you could hear what the Axis short-wave propagandists have been saying. I wish you could have heard them during the past three weeks. You would have been entertained by their hysterical lies brought on by the growing success of the Second War Loan. I can tell you that the response of the American people has frightened them down to their boots -- those brutal boots that sought to trample down freedom all over the world. During the entire drive the Axis powers hurled lies and abuses at us over the short-wave radio. Listen now to a sample of some of the things they had to say **FROM NAZI GERMANY.**

-4-

ANNOUNCER #1. ~~Flash from Washington, D.C.~~ --

Insiders in the Treasury Department state that the Second War Loan Drive is proving to be a complete failure because the people have no desire to invest their money in War Bonds.

MORGENTHAU: And hear this one **FROM ITALY.**

ANNOUNCER #2. In view of the threatening failure of the War Loan Drive, the Treasury Department ~~has hastily called together a meeting of prominent bankers and~~ has requested the banks to take over the War Loan off the hands of the Government in the hope that the banks will be able to sell them to the public later on.

-5-

MORGENTHAU: ~~or listen to this one.~~ **STILL ANOTHER FROM GERMANY.**

ANNOUNCER #3. Under the circumstances, the Treasury Department desires to prevent the people from gaining the impression that the War Loan Drive is a failure. ~~(S...)~~

MORGENTHAU: And listen to this one from ^{JAPAN} ~~Italy~~:

ANNOUNCER #4. The American people have lost faith in the American system. At last they know that the Democratic way of life will not stand up in a crisis.

-6-

We needn't take any time trying to answer the Axis, because they have already had a rude awakening. Before the war they boasted that Democracy's armies would be weak and flabby. | But now they know better. Field Marshal Rommel, if he ever takes the time to look back over his shoulder, can see and report to his Fuehrer the kind of fighting men he is up against.

And now, the people on the home fronts, all over the world, realize that the American people -- that you and I and all of our neighbors -- are in this war to the finish. The fact that we have sold well over 18 billion dollars in War Bonds is proof enough.

17

-7-

We have exceeded by more than five billion the goal we set for ourselves. This is a measure of our enthusiasm and patriotism. The result proves many things. It proves that the American *stand solidly behind their commander and chief; that they* people recognize this as their war, and they are willing and eager to finance it.

It is evidence that the American people are not going to sit back and wait for any forced savings plan in order to finance this most expensive war in all history.

This, I might add, is vitaly important to me.

I believe in the American people; I believe that they will go to the very limit of their capacity if only they understand the urgency of the situation.

116

From reports that have come to me from all over the country, and as a result of what I saw and heard on a seven-thousand-mile trip from which I have just returned, I have come to some definite conclusions as to the reasons for our success. It seems to me that the explanation is found in the spirit of the American people and their deep-rooted determination to fight this war through to victory.

When the people really become aflame with the war spirit, all the other problems seem to solve themselves. Labor and management get together; production rises to an all-time high; and bond sales go up automatically. That seems to check with what all our figures tell us.

Pause

War spirit, labor-management relations, production, and bond sales all go hand in hand.

-9-

Pause

Military terms to describe this Second War Loan victory -- and it is a victory -- are only partly appropriate. There can be no comparison between the self denial needed to finance the war adequately, and the suffering and death which our fighting men must face. Yet, there is a similarity between the war on the home front and the war on the fighting front. Neither is won in a single engagement. On both fronts the war must go on through a succession of gains until the final and complete victory is won. We can speak of this success in the Second War Loan Drive only as a victory in a minor engagement. It is like the taking of a single fortified point, while the main battlefield and the main forces of the enemy lie ahead.

-10-

In this drive that has just been completed, we have raised a total of more than eighteen billions, whereas the full total of our war expenditures during this year will be more than one hundred billions.

Pause

My purpose in speaking to you tonight was twofold. First, to tell you of our success, the success of the American people in accomplishing this one task, and in speaking of that success to thank the thousands of workers who labored so devotedly. (But the other half of my message is of far greater importance. It was to tell you that we must not deceive ourselves by thinking that now we can rest on our oars. The real battle is still ahead of us.

-11-

All that we have learned in this Second War Loan Drive, all the enthusiasm that we have gained, all our understanding of how vital, and urgently necessary it is that the war be adequately financed - will be useful in the bigger job that we still have to do.

There is no automatic and easy process for winning battles on the home front any more than there is an automatic and easy process for winning battles in the field. The war must be won and the war must be financed by the voluntary, united effort of the whole American people. |

Pause There is no other way.

-12-

Pause

What success in financing means to our fighters is illustrated by a conversation I had with the Chief of Staff just two days ago. General Marshall came over to the Treasury to have lunch with me and, before he left, he said, "Mr. Secretary, I want you to answer a question for me and to answer it with complete frankness. Can we military leaders plan to fight this war in an orderly way -- in the surest and most effective manner -- or must we take extraordinary risks for fear the money will not hold out?"

My answer was: ^{WCS} "General, the American people will take care of that."

-13-

"What they have done in this Second War Loan Drive -- the money they have produced and the spirit they have shown -- is proof enough for me, that they will not let our fighters suffer from lack of support until we achieve complete victory, no matter how long that may be, nor how much it may cost."

Pause

This was my answer to General Marshall. |

And I know it is also, yours.

FILE

TO:

73

Miss Chauncey

If you keep a
file on last night's
speech this should
go with it. It
is evidence of
Gen Marshall's approval
of the source of him.

FROM: MR. GASTON

MG

5/6/43

I think all of you will be interested in a conversation I had with the Chief of Staff just two days ago. General Marshall came over to the Treasury to have lunch with me and, just before he left, he said: "Mr. Secretary, I want you to answer a question for me and to answer it with complete frankness. ~~Can we military leaders plan to fight this war in an orderly way -- in the surest and most effective manner -- or must we take extraordinary risks for fear the money will not hold out?"~~

Can we military leaders plan to fight this war in an orderly way -- in the surest and most effective ^{manner} -- or must we take extraordinary ~~risks~~ ~~for~~ for fear the money will not hold out?"

My answer was: "General, ~~we can forget about the~~

The American people will take care of that. What they have done in this Second War Loan Drive -- the money they have produced and the spirit they have shown -- is proof enough for me that they will not let our fighters suffer from lack of support until we achieve complete victory, no matter how long that may be nor how much it may cost."

This was my answer to General Marshall. And I know you ~~will stand back of it.~~ *it is also yours.*

5/6/43
Lt Col James S. Collins
5206 k.m.
Comments by
Gen Marshall
O.K.
as correct
W.B.

May 6, 1943

Dear Grace:

I am sending herewith a statement that the President asked me for this morning in regard to our Second War Loan. He would like to have this to use at his press conference Friday morning. I will count on you to see that he gets it.

Yours sincerely,

(Signed) Henry Morgenthau, Jr.

Miss Grace Tully,

The White House.

Rec'd by SA Gert Montgomery.
5:23 pm.

(1) The Treasury has just completed the Second War Loan drive with total sales of Government securities of 18 billion 300 million dollars. This is more than 5 billion dollars over the goal set for the drive. More than 13 billion dollars came from investors other than commercial banks as compared with a goal of 8 billion dollars.

(2) The savings of the people were invested in the Second War Loan to the extent of 3 billion dollars by their direct purchases, and another 3-1/2 billion dollars through purchases by insurance companies and savings banks which act as the repository of the savings of millions of individuals.

(3) As of the latest reports today the sales of the people's bond -- the Series E savings bond -- aggregated 1-1/4 billion dollars, and there are still some reports of sales in April which have not yet come in.

(4) The people participated to a much larger extent in the Second War Loan than in the First War Loan last December. Sales to individuals in the drive just ended were almost double those in December.

(5) The E bond program is just 2 years old this week. In 2 years, more than 10 billion dollars of E bonds have been purchased by 50 million Americans. Five-sixths of the people working today or in the armed services own one or more E bonds.

May 6, 1943

Dear Mr. LaRoche:

At the close of the Treasury's December War Bond drive, I took occasion to express my thanks and appreciation to the Advertising Council for the splendid assistance it rendered.

The Second War Loan drive has now ended, and in its promotion the Council has given us of its time, advice and talent in even more generous measure. I wish again to express my sincere gratitude for this continuing support.

You know by now that our April goal was exceeded by more than \$5,000,000,000 and that this excess was all in the non-banking classification. I think this is significant, as is the fact that there was a marked increase in response among the masses of people to whom the advertisements, radio messages, and other material prepared by the Council were directed.

We are firmly convinced that our success must be measured rather by the extent to which we achieve wide distribution of Government securities than by the total amounts subscribed. The help of advertising people who are versed in the techniques of mass appeal is, therefore, of great and increasing importance to us. This help the Advertising Council has given us willingly and effectively.

Will you please express to the Council and to Young & Rubicam, Ruthrauff & Ryan, and Albert Frank-Quentner Law, which agencies I am informed created the advertising, my sincere thanks for an invaluable contribution to the vital task of financing the war.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. Chester J. LaRoche,
Chairman, Advertising Council,
60 East 42nd Street,
New York, New York.

Copies in Diary

Initialed copy to Peabody

P.S. "My personal thanks to you, for your great interest."

SPeabody:amc

(Added by Secy)

MILO BOULTON
WE THE PEOPLE



35-55 73rd St.
Jackson Heights, N.Y.
May 6th, 1943

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

My dear Mr. Morgenthau:

This afternoon I heard the recording of the broadcast from Cedar Rapids. I hope you will have the opportunity to hear it for I know you will be as thrilled with the show as I was.

I sensed that it was a good program when we were on the air, but until I heard the recording I didn't realize how effective it was, with the music in proper balance as the radio audience would hear it.

You certainly have an excellent radio voice. Your calm authority in reading the leads painted vivid word pictures and you handled our guests like a microphone veteran.

I hope I have the honor and the privilege of turning the chair of "We the People" over to you again.

Yours respectfully,

Milo Boulton

May 6, 1943

TO: Mr. Bell
FROM: The Secretary

I wish you would take this up with Stuart Peabody when he returns next week and decide what we should do.

Bill has been introduced - 5/15/43 -

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE

May 5, 1948

TO Secretary Morgenthau
FROM Mr. Paul

A bill to require the Secretary of the Treasury to purchase annually from \$25,000,000 to \$30,000,000 of newspaper space for advertising the sale of United States bonds and other obligations, was introduced yesterday by Senator Bankhead. At least one-half of that sum would be required to be expended for space in weekly, semiweekly, triweekly, and monthly publications.

The bill would require the Secretary, in cooperation with representatives of publishers' associations and newspaper advertising agencies, to prescribe regulations designed to fulfill a number of general objectives stated in the bill, such as safeguarding the freedom of the press, avoiding interference with independence of newspapers, maintaining the nonpartisan character of the war finance program and protecting editors and publishers in the right to criticize the policies and conduct of the Secretary of the Treasury and other public officials.

- 2 -

The bill further provides that the Secretary of Agriculture, the War Food Administrator, the Price Administrator, and the Chairman of the War Manpower Commission may, with the consent of the Secretary of the Treasury, also purchase newspaper space for the purpose of carrying out "the advertising programs in their respective agencies".

A copy of the bill is attached.

A handwritten signature in black ink, appearing to be 'ASD', with a long horizontal line extending to the right.

78TH CONGRESS
1st Session

S. 1073

IN THE SENATE OF THE UNITED STATES

MAY 4 (legislative day, MAY 3), 1943

Mr. BANKHEAD introduced the following bill; which was read twice and referred to the Committee on Banking and Currency

A BILL

To aid in the stabilization program and the war effort by paid newspaper advertising in connection with the sale of United States bonds, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 That in order to provide for the more effective use of idle
4 currency in aid of the stabilization program and the war
5 effort, and in order to improve the credit structure by re-
6 lieving the Federal Reserve banks and the various other
7 members of the banking system of the United States of the
8 necessity of purchasing additional vast amounts of United
9 States bonds and other obligations, the Secretary of the
10 Treasury is hereby authorized and directed to purchase and

1 pay for during each fiscal year, beginning with the fiscal
 2 year ending June 30, 1943, not less than \$25,000,000 nor
 3 more than \$30,000,000 of advertising space in newspapers
 4 published in the United States for the purpose of advertising
 5 the sale of bonds, notes, and other obligations of the United
 6 States, and for the publication in such newspapers in con-
 7 nection with such advertising of information, sales arguments,
 8 and appeals relating to, and promoting or encouraging, such
 9 sales. The advertising space so purchased shall be divided
 10 equitably among newspapers of general circulation which are
 11 entered as second-class matter under the Act of March 3,
 12 1879, as amended: *Provided*, That not less than one-half of
 13 the total amount made available during each fiscal year pur-
 14 suant to this Act shall be expended for the purchase of such
 15 advertising space in weekly, semiweekly, triweekly, and
 16 monthly newspapers.

17 SEC. 2. The Secretary of the Treasury is authorized to
 18 prescribe such regulations consistent with the provisions of
 19 section 3 as may be necessary to carry out the provisions
 20 of this Act.

21 SEC. 3. The Secretary of the Treasury shall, in coopera-
 22 tion with recognized existing publishers' associations to be
 23 designated by him (including one such association repre-
 24 senting only daily newspapers, one representing only weekly
 25 newspapers, and one representing only newspaper advertis-

1 ing agencies), prescribe regulations for carrying out the
 2 newspaper advertising program herein provided for so as to—

3 (a) secure the best financial results for the United
 4 States consistent with such program;

5 (b) completely safeguard the freedom of the press;

6 (c) fairly allocate advertisements to individual
 7 newspapers;

8 (d) prepare material for submission to newspapers
 9 for use as advertisements;

10 (e) avoid interference in any manner with the in-
 11 dependence of any newspaper or its responsibility in
 12 serving its readers;

13 (f) keep the war finance campaign in all of its
 14 phases as nonpartisan as possible; and

15 (g) protect editors and publishers in their right to
 16 publish criticism of the policies or conduct of the Secre-
 17 tary of the Treasury or of any other public official when-
 18 ever they determine that such criticism is justified.

19 SEC. 4. For the purpose of carrying out the advertising
 20 programs in their respective agencies, the Secretary of Agri-
 21 culture, the War Food Administrator, the Price Adminis-
 22 trator, and the Chairman of the War Manpower Commission
 23 may, with the consent of the Secretary of the Treasury and
 24 under the regulations prescribed by him pursuant to section
 25 3, each spend for advertisements in newspapers such part

1 of the total amount to be expended under this Act as the
2 Secretary of the Treasury may approve.

3 SEC. 5. There are hereby authorized to be appropriated,
4 out of any money in the Treasury not otherwise appropriated,
5 such sums as may be necessary to carry out the provisions
6 of this Act.

7 SEC. 6. The authority conferred by this Act shall ter-
8minate six months after the cessation of hostilities in the
9 present war as proclaimed by the President.



BUREAU OF ACCOUNTS
OFFICE OF THE COMMISSIONER

TREASURY DEPARTMENT
FISCAL SERVICE
WASHINGTON

May 6, 1943

TO THE SECRETARY:

In response to your letter of April 8, 1943 to Under Secretary Patterson, the War Department submitted 59 letters of complaint relative to dependency benefits. These complaints fall under four classifications, as follows:

Group I - Involves 8 cases which were due to failure of the War Department to receive applications for benefits. The delays ran from four to twelve months, the average being about 6 months. Forms and instructions for filing applications have been furnished.

Group II - Involves 13 cases which were due to failure of War Department to receive notices of change of address. These delays ran from one to five months, the average being about two months. The files show that new addresses have been received, checks remailed, and the accounts are now current.

Group III - Involves 15 cases which were due to the necessity for obtaining new authorizations to take care of dependent child born after the original application was made. These delays ran from one to four months, the average being about two months. The files show that all of these cases have been brought up to date.

Group IV - Involves 23 cases of a miscellaneous nature, all of which appear now to be current. These delays were due to lateness in receiving application; claims involving persons who were ineligible, lost checks; soldier first named his mother, was subsequently married and named his wife; etc. A further description of these cases is attached hereto.

W. B. Patterson

Attachment



Excerpts from letters received
in the Office of Dependency Benefits
of the War Department in re
non-receipt of checks

Miscellaneous Cases

Sidney Friedman:

Application received late. All payments now current.

Dewey Hubert Jordan:

Sister included as dependent. Declared ineligible. Allowance for her discontinued, and recovery of payments being effected. All proper payments have been made.

William Ranold Eden:

Record shows payments made. Dependent claims checks have never been received. No record of checks returned. Soldier requested to obtain from dependent signed statement of non-receipt of checks.

Reaford Hudson:

Named wife and sister as dependents. Sister was actually sister-in-law and ineligible. Payment discontinued and collection being made. Soldier now promoted to ineligible grade. All payments due wife have been made.

Newton W. Kerr:

Application received October 21, 1942; commanding officer advised effective date was September 1. Payment of adjustment in allowance to payee being made.

Edwin Rosenfeld:

Delay of about one week in mailing of check. Probably received by time letter of complaint reached Newark. Payments are current.

John F. Guy:

First dependent named was mother. Soldier was later married and named his wife as dependent. All payments to mother and wife have been made.

William F. Wise:

Soldier designated child by first wife as dependent. Later married again and designated wife and stepchild. Payments have been made to date to all three dependents.

- 2 -

Edgar Harrison Wilson:

Original application for parent only. Notice received of marriage and reauthorization to include wife. Payments are current.

Melvin Labell:

Soldier alleges double deduction from October pay. Commanding officer contacted in regard to alleged double deduction.

John Grant Jackson:

First payment for month of February, 1943 was mailed first week of March. Probably crossed writer's letter in mails.

Edward John Letendre:

Mother complains of not receiving \$20 from Government. Allotment from Government is only \$15. Account is current.

Clarence Cecil Howell:

Original allotment evidently made to Mother. Soldier married and made allotment to wife. No back payments due because effective date was not given as of date of marriage.

Sanford Henry Meyers:

Application dated December 16, 1942, received February 17, 1943, check mailed covering period from December 4, 1942 to date of discharge. Should have been received about four days after date of letter of complaint.

Clio Kenneth Grant:

Soldier stated court allowed his children \$75 per month. Court order showed \$52. Reauthorization was made in correct amount. All payments made and account now current.

Henry Stanley Borenski:

Wife states allotment never received. Records show all payments have been made and account is current. Record does not show whether checks may have been lost in mail.

Adam Schlitt:

Soldier claims deduction made from June pay. Records show allotment to wife started as of July 1. Commanding officer is being contacted relative to refund of the deduction claimed for June.

- 3 -

Nicholas Karels:

Delay appears to have been caused by soldier naming both mother and sister, it later being discovered that sister was ineligible. Records show all payments are now current.

Leon K. Cowen:

Soldier claims wife has not received allotment for June. Records show all payments, including June, have now been made.

John David Havrilla:

Original application named soldier's mother and sister. Later reauthorization made to include wife. All payments have been made to date, including those to wife.

George W. Castleberry:

Writer inquires about check for March. Cannot be mailed until after first of April, when it actually accrues.

Roy L. Thompson:

Payee states she has received duplicate checks. Has been requested to return those which she considers duplicates. Records show no duplication.

Roy Easterday:

Original application for mother; subsequent reauthorization to include wife and child. Wife had change of address which further delayed payments. All payments made to date.





OFFICE OF CHAIRMAN
TREASURY DEPARTMENT

INTERDEPARTMENTAL WAR SAVINGS BOND COMMITTEE
WASHINGTON

Room 1209 - Federal Reserve Bank
230 South LaSalle Street
Chicago, Illinois

May 8, 1943

Recd 5/10/43

Mr. E. F. Bartelt, Acting Chairman
Interdepartmental Committee
Treasury Department
Washington Building
Washington, D. C.

PERSONAL AND CONFIDENTIAL

Subject: Lt. Colonel Henry M. Burnett
Lt. Colonel Deane Hall

Dear Mr. Bartelt:

Following up your request that I report to you weekly concerning the progress being made by Lt. Colonels Burnett and Hall in the Chicago Army War Bond Office, I called on these gentlemen today and result of my visit is given below:

Colonel Burnett's remarks in substance were:

"Bonds being issued since May 1, 1943. The first bond was issued to a WAAC, the second bond to a Private, the third bond to Major General H. K. Loughry. Bonds issued and mailed May 1 - 2,076.

As of May 7 has issued 159,115 bonds for regular mail; also as of May 7 has issued 6,251 bonds for safe keeping in the Federal Reserve Bank of Chicago. Of the above amount they have actually transmitted by regular mail 119,205 bonds and have sent 5,669 bonds to safe keeping. The balance of the above issues will be mailed before the close of business today.

Practically all new help as of May 1, 1943 - has plenty of good help and vastly improved help over the former Washington staff. Thinks will take another six months before present employees are thoroughly conversant with all various procedures.



May 8, 1943

No back log in his department of the Army War Bond Office and considers that every phase of his work is on a current basis."

The practice of returning allotment forms was discontinued at the close of business May 6, 1943, in accordance with your suggestion while in Chicago April 1 to 3, 1943, inclusive, Colonel Burnett started using on May 7, 1943, forms identified as AWOB No. 70 of which exhibits are attached. These gentlemen indicated their sincere appreciation in adopting a form in the order of which you suggested while here and stated the use of same would greatly facilitate the proper handling of the related documents.

Colonel Burnett asked me to inform you that his main trouble at the present is that his office is not getting the number of new allotments which was anticipated. He says he needs an average of 50,000 allotments daily in order to keep his staff in full operation. For the week ending April 24, 1943, the daily average of new allotments received was 45,000; for the week ending May 1, 1943, the daily average of new allotments received was 23,580; for the period of May 3 to 7, 1943, inclusive, the daily average of new allotments received was 19,783.

Colonel Burnett attributes this heavy decrease during the past three weeks to the fact that the Army War Bond Officers are waiting to see if the present plan works satisfactorily also to the fact of the heavy back log of bonds to be issued in Colonel Rees' department.

Action to remedy this situation is now contemplated in respect to a meeting of War Bond Officers of various service commands, anticipated in the form of a sales conference to be held in Chicago beginning May 13, 1943, with the provision that the present plans in process will be approved by the War Department in Washington, D. C. Colonel D. J. Almy, Promotional Division of the War Savings Bond Office, Washington, D. C., operated under the Chief of Finance, is expected to conduct this meeting if approved by the War Department. It is possible that all War Bond Officers of the Civil Service Command areas will attend. This group of war bond officers will be taken through Colonel Burnett's office on an inspection trip. By that time Colonel Burnett expects to have all issues of bonds completed and his staff and equipment will be more or less idle. The psychology of this situation will be as Colonel Burnett pointed out, to impress the attending war bond officers that he needs more business and that it is their duty to organize a drive for increased allotments. To substantiate the above remarks, Colonel Burnett advised that the April regular issue of approximately 325,000 bonds will be completed and in the mail by Tuesday, May 11, 1943; further, the supplementary issues of War Savings Bonds of approximately 100,000 will be completed and mailed on or before May 15, 1943.

REFERS
TO OLD
STUFF
RECENTLY
TRANS-
FERRED
FROM
WASHIN

11 to
15
DAYS
GOOD!

Mr. E. F. Bartelt

-3-

May 8, 1943

During my visit to the Chicago Army War Bond Office on May 7 and 8, 1943, I renewed acquaintances with Mr. Frederick Acuff of the General Accounting Office, also Mr. E. E. Naylor, Fiscal Division, War Department, Washington, D. C. and a Mr. Slaughter of the General Accounting Office, who were in conference with Colonels Burnett and Hall during Friday and Saturday of this week, in connection with setting up the necessary procedure for handling a special deposit and trust fund account for control of cash in connection with class B allotments plan. Evidently this conference has come about as a result of the questions which you raised with these gentlemen during your recent visit. Mr. Naylor was in conference today with Colonel H. D. Ayres, Finance Officer, 6th Service Command, this morning concerning his duties in connection with the negotiations in progress between the representatives of the General Accounting Office and the War Department.

THIS IS
TO TIE
BOND
ISSUES
INTO
CASH
DEDUCTIONS

Quoting from Colonel Deane Hall's remarks as passed to me this morning, the plan developed so far for establishing a control of cash in connection with class B allotments, follows:

"Army War Bond Office will certify a voucher to Colonel Ayres, Finance Officer, each month, the total of which will represent all deductions from soldiers' pay for the purchase of war bonds as supported by allotments on file in this office. Colonel Ayres will issue a check charging "Pay of the Army Account", which check will be deposited to the credit of a special deposit account in Federal Reserve Bank of Chicago. As bonds are issued each month a check will be drawn in favor of the Treasurer of the United States for total amount of bonds issued, which check will be charged to the special deposit account. Also a check will be drawn each month charging the special deposit account, the total of which will represent the refunds due soldiers because of allotment cancellations, which check will be deposited to the credit of a "Trust Fund Account". Finance officers in the field will make such refunds by voucher on information received from this office and will charge vouchers against Trust Fund Account."

I don't
like the
account
should be
with Trust
fund

I have arranged to pay Colonels Burnett and Hall a weekly visit for the purpose of keeping you fully informed of developments.

Very truly yours,

Grover G. Jones
Grover G. Jones,
Regional Coordinator.

WAR DEPARTMENT

Penalty for Private Use to Avoid
Payment of Postage, \$300

OFFICIAL BUSINESS

CENTRALIZED FIELD OFFICES
FINANCE DEPARTMENT
366 WEST ADAMS STREET
CHICAGO, ILLINOIS

ATTENTION: ARMY WAR BOND OFFICE

CENTRALIZED FIELD OFFICES
FINANCE DEPARTMENT
366 WEST ADAMS STREET
CHICAGO, ILLINOIS

Date

1. Class B Allotment of _____
Serial No. _____ cannot be Processed nor bonds issued until additional information is furnished as referred to on attached "Reply Card".

2. Personnel or other responsible officer will supply the information, sign, detach and return "Reply Card" immediately and also obtain signature of allotter when required.

For the Commanding Officer:

H. T. Olsen
H. T. OLSEN, Major, F. D.
Ass't to Chief - Army War Bond Office

90-A

5/6/43

Original of this handed to Mr. Smith by the Secretary as a joke, together with copy of photograph of their visit to the Hospital at Vancouver, Wash.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Thursday, May 6, 1943.

Press Service
No. 22-22

Mr. Fred Smith, public relations counsel, speech writer, phrase turner, and raconteur, at the Kaiser Hospital in Portland, Oregon.

Mr. Smith is the Mr. Smith who came to Washington. He also came to Cedar Rapids, Portland, San Francisco, and Dallas, but never came to rest. The individual who unintentionally got between Mr. Smith and the camera, thus causing Mr. Smith visible pain, is Secretary of the Treasury Henry Morgenthau, Jr.

THE SECRETARY OF THE TREASURY
WASHINGTON

May 6, 1943

Dear Felix:

I am enclosing herewith a copy
of a letter from Paul Freund. Where
do we go from here?

Yours sincerely,

Dear Henry Henry
Very sorry - and
from Nation's point of view
Honorable Felix Frankfurter,
Justice of the Supreme Court,
Washington, D. C. *In love*

Happy about the result
Give me a little more
time for further thought.



Office of the Solicitor General
Washington, D. C.

May 5, 1943

My dear Mr. Secretary:

I have discussed with the Solicitor General, and he in turn with the Attorney General, the subject about which we spoke a few days ago. Both Mr. Fahy and Mr. Biddle are strongly of the opinion that it would be most unfortunate if I were to leave at this time, particularly in view of the specialized nature of the work of this office and the fact that over a period of years I have had an opportunity to become particularly conversant with it. The problem which is thus presented has given me a good deal of concern. I feel a strong sense of obligation to this Department, and I hesitate to take a step which might embarrass it in a phase of its work which is important and is not unrelated to the war. After much reflection, I have come to the conclusion that the proper course for me is to remain at my present job, despite the great attractiveness of the work which you have outlined.

I trust that you will understand my position in this regard, and I want you to know that I am deeply grateful for the confidence and courtesy which you have accorded me.

Very sincerely yours,

Paul A. Freund

The Honorable
Henry Morgenthau, Jr.
Secretary of the Treasury



May 13, 1948

My dear Mr. Freund:

I was very sorry to receive your letter of May 5th, and find that you could not see your way clear to coming with me in the Treasury. I feel that you would have been of great help to me, and I regret that you were not able to make the transfer.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Paul Freund,
Office of the Solicitor General,
Washington, D.C.

envelope "Personal"
File in Diary



Office of the Solicitor General
Washington, D. C.

May 5, 1943

My dear Mr. Secretary:

I have discussed with the Solicitor General, and he in turn with the Attorney General, the subject about which we spoke a few days ago. Both Mr. Fahy and Mr. Biddle are strongly of the opinion that it would be most unfortunate if I were to leave at this time, particularly in view of the specialized nature of the work of this office and the fact that over a period of years I have had an opportunity to become particularly conversant with it. The problem which is thus presented has given me a good deal of concern. I feel a strong sense of obligation to this Department, and I hesitate to take a step which might embarrass it in a phase of its work which is important and is not unrelated to the war. After much reflection, I have come to the conclusion that the proper course for me is to remain at my present job, despite the great attractiveness of the work which you have outlined.

I trust that you will understand my position in this regard, and I want you to know that I am deeply grateful for the confidence and courtesy which you have accorded me.

Very sincerely yours,

A handwritten signature in cursive script, reading "Paul F. Freund".

The Honorable
Henry Morgenthau, Jr.
Secretary of the Treasury



THE WHITE HOUSE
WASHINGTON

May 6, 1943

Dear Henry:

I am more than pleased to have those handsomely bound volumes covering the report of the Committee on Intergovernmental Fiscal Relations. The set is a most welcome addition to my personal library. Many, many thanks.

Very sincerely yours,



Honorable Henry Foranau, Jr.,
The Secretary of the Treasury,
Washington, D. C.

MAY 6 1943

Dear Mr. Director:

This will acknowledge receipt of your letter of April 30, 1943, enclosing a draft of a proposed Executive Order vesting in the Reserve Board certain additional powers over the extension of credit which the President has under Section 5(b) of the Trading with the Enemy Act, and inviting suggestions on the general policies underlying the order.

The proposed Executive Order has been written in such a way that the powers conferred by it are sweeping, and this is doubtless desirable because of the wide scope of problems involved in controlling private credit activities in wartime. The language is so broad, however, that I am wondering if there is any chance of its being construed as implying the possibility of affecting Treasury borrowing operations or taxing policies at some future time. I know that no such interpretation is intended, but I am not sure that press reactions to the Order would be clear in this respect. As discussions on the proposed Order develop, it may be that the Treasury will want to suggest that a suitable clarification be made.

Under Secretary Bell will represent the Treasury Department at the conference which you are asking Mr. Cohen to arrange.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable James F. Byrnes, Director
Office of Economic Stabilization
The White House
Washington, D. C.

Photo file in Diary

File to Thompson

By Mess. Bundy 4:00 5/6/43

NOT:WL:GCK:ek
5/5/43

Dear Mr. Director:

This will acknowledge receipt of your letter of April 30, 1948, enclosing a draft of a proposed Executive Order vesting in the Reserve Board certain additional powers over the extension of credit which the President has under Section 5(b) of the Trading with the Enemy Act, and inviting suggestions on the general policies underlying the order.

It is, of course, assumed that the broad powers to be vested in the Reserve Board under the proposed order will not be used so that they will interfere in any way with the Treasury Department in the exercise of its fiscal and taxing functions. As discussions on the proposed order develop, it may be that the Treasury will want to suggest that a provision to that effect be included in the order itself.

Under Secretary Bell will represent the Treasury Department at the conference which you are asking Mr. Cohen to arrange.

Sincerely,

Honorable James F. Byrnes, Director
Office of Economic Stabilization
The White House
Washington, D. C.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE FOR EMERGENCY MANAGEMENT
OFFICE OF ECONOMIC STABILIZATION
WASHINGTON, D. C.

April 30, 1943

JAMES F. BYRNES
Director

11832

Dear Mr. Secretary:

It has seemed to me that the present powers of the Reserve Board should be supplemented by Executive Order vesting in it certain additional powers over the extension of credit which the President has under section 5(b) of the Trading with the Enemy Act. There may be some question as to how far the Reserve Board should go in exercising these powers, but it seems to me that they should be available for use by the Board as occasion arises without the delay that might be involved in getting out an Executive Order after a critical situation has developed. I should think also the Order would have a wholesome psychological effect on the general situation, although I do not want to exaggerate that aspect of the situation.

The enclosed draft of an Executive Order has been prepared by the Reserve Board at my suggestion. I am asking Mr. Cohen to arrange a conference at the technical level of the various departments concerned, including, of course, the Office of Price Administration, Department of Justice, Bureau of the Budget, Securities and Exchange Commission, Federal Loan Administration and Food Distribution and Production Administration.

I hope you will let me know who you would like to attend this conference for the Treasury Department, and I should also welcome any suggestions from you on the general policies underlying this order.

Sincerely yours,

James F. Byrnes
Director

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

FACTORY
BUY
UNITED
STATES
WAR
BONDS
and
STAMPS

WARREN G. BROWN
DRAFT
4/30/43

EXECUTIVE ORDER

REGULATION OF CREDIT UNDER NATIONAL STABILIZATION PROGRAM

WHEREAS the effective conduct of the present war and the maintenance of the national stabilization program authorized and directed by the Congress in the Act of October 2, 1942, require that means be available readily to control the extension or use of credit for or incidental to buying or otherwise acquiring control of, carrying, holding, or trading in commodities, real estate, or securities in order to assist (a) in preventing hoarding and harmful speculation, (b) in curbing profiteering and unwarranted, speculative, and abnormal price advances, (c) in protecting and promoting the sound and constructive interests of commerce, agriculture, and industry, and of consumers, home owners, and investors, and (d) in supplementing and supporting other governmental measures to restrain inflationary tendencies:

NOW, THEREFORE, by virtue of the authority vested in me by section 5(b) of the Act of October 6, 1917, as amended from time to time including the amendment made in the "First War Powers Act, 1941", and by virtue of all other authority vested in me, and in order, during the time of the war and the period of the national emergency declared by me on May 27, 1941, to promote the effective conduct of the war and protect the national economy, it is hereby ordered as follows:

Section 1. To carry out the purposes of this order the Board of Governors of the Federal Reserve System (hereinafter called

the Board) is hereby designated as the agency through which there shall be investigated, regulated, or prohibited transfers of credit or payments between, by, through, or to any banking institution, which constitute or arise directly or indirectly out of any extension or use of credit for or incidental to buying or otherwise acquiring control of, carrying, processing, holding, or trading in commodities, real estate, or securities for immediate or future delivery. For such purposes the Board shall have the powers set forth in paragraph (1) of subdivision (b) of section 5 of the aforesaid Act of October 6, 1917, and it may take any lawful steps within its powers to carry out such purposes, including any other and further measures not inconsistent with this order or with the aforesaid Act of October 6, 1917. The Board is authorized to prescribe definitions not inconsistent with the purposes of this order for any and all terms used in this order or in any directives, orders, or regulations which may be issued by it: PROVIDED, That, unless the Board gives more restricted meanings; (1) "extension or use of credit" includes but is not limited to loans or discount transactions and agreements, contracts, options, demands, liens, and similar claims against, or for the immediate or future delivery of, money or property; (2) "banking institution" means any bank or trust company or any other person, whether incorporated or not, engaged in receiving, holding, or making payments of deposits, and any person or agency of the Government engaged, either primarily or incidentally, as principal, agent, broker, or otherwise in making or holding extensions of credit or making, holding, or clearing

payments for or incidental to buying or otherwise acquiring control of, carrying, holding, or trading in commodities, real estate, or securities, for immediate or future delivery, with respect to which the Board shall have issued directives, orders, or regulations.

Section 2. In effectuating the purposes of this order the Board shall consider and make due provision for the legitimate and bona fide credit needs of commerce, agriculture, and industry and of consumers, home owners, and investors to the extent that the extension or use of such credit is consistent with the national stabilization program; and any action of the Board shall not affect credit outstanding on the effective dates of its directives, orders, or regulations except to the extent that the Board may deem it necessary to do so in effectuating the purposes of this order.

Section 3. In administering this order, the Board may utilize the services of the Federal Reserve Banks and any other agencies, Federal or State, which are available and appropriate. It may, in its discretion, delegate to such banks or agencies all or such part of the administration of its directives, orders, or regulations as it determines will promote simple or effective administration; and any such bank or agency, to which such administration has been delegated, may utilize all other powers vested in it not inconsistent with the aforesaid Act of October 6, 1917, to carry out any functions so delegated. The Board shall, so far as practicable, utilize the information of and consult with other Federal departments and agencies which have activities

-4-

or functions related to the national stabilization program and, in discharging its responsibilities, shall take into account any recommendation which any such department or agency may make on matters of general policy. In exercising the powers conferred by this order, the Board shall be governed by the general policy directives of the Economic Stabilization Director.

THE WHITE HOUSE

FOR THE PRESS

IMMEDIATE RELEASE

MAY 6, 1943

James F. Byrnes, Director of Economic Stabilization, today made public a report from Chester C. Davis, Administrator of the War Food Administration, with reference to the mobilization of farm labor, farm equipment, and farm supplies for meeting 1943 crop production goals.

The report was in the form of a letter to Director Byrnes who had requested Mr. Davis soon after he took office as Food Administrator, to give his immediate attention to the problem of supplying farmers with sufficient labor, machinery, and supplies to carry out the government's crop production program.

"A current appraisal of the farm labor situation indicates there is an available labor supply sufficient to produce and harvest a 1943 crop up to the levels of the announced goals," Mr. Davis said.

As to farm machinery for 1943, Mr. Davis said this was not entirely satisfactory in view of the high production goals, but that steps had been taken which would improve the situation.

The Food Administrator pointed out that the War Production Board had agreed to an increase in farm machinery production in 1943 from 23 percent of the 1940 level to 40 percent, and farm machinery parts had been increased 160 percent of the average production during 1940 and 1941. He said with few exceptions this would meet the needs for repair parts.

Steps are being taken, Mr. Davis said, to manufacture 9,530 additional combines, 4,460 corn pickers, and 2,000 pick up balers for delivery in time to relieve the farm labor problem in this fall's harvest.

The War Food Administration has asked the War Production Board to authorize for 1944, 80 percent of the 1940 production of farm implements and place no limit on the manufacture of parts.

Mr. Davis said control over manufacture and use of fertilizer assures 100 per cent requirements for essential war crops and 75 percent of normal requirements for other crops including corn and cotton.

The report also covered nails, staples, hay bale ties, ropes, twine, home canning supplies, bags and bale covers, gasoline and oil for food production, rubber for farm machinery, insecticides and fungicides.

Mr. Davis' letter to Justice Byrnes in full follows:

The outlook for mobilization of farm labor and farm equipment and supplies to meet the heavy demands of the 1943 crop continues to show some improvement. The following progress report touches on both fields.

A current appraisal of the farm labor situation indicates there is an available labor supply sufficient to produce and harvest a 1943 crop up to the levels of the announced goals. If the potential is fully used, farm production need not suffer from lack of labor in 1943.

This conclusion follows four regional farm labor conferences just completed, participated in by the USDA Extension Service from the 48 States, the U. S. Employment Service, the War Manpower Commission, the Farm Security Administration, the Office of Civilian Defense, and the Office of Education. These conferences included one in New York City on April 21 and 22 for the 13 Northeastern States, in Chicago on April 25 and 26 for the 12 Midwestern States, in Memphis on April 28 and 27 for the 12 Southern States, and in Salt Lake City on April 30 and May 1 for the 11 Intermountain and Coastal States.

Reports indicate that a sufficient nucleus of experienced farm workers will remain on farms as a result of agricultural deferment by the Selective Service, the President's order prohibiting farm labor to leave the farm for more pay elsewhere, and the War Manpower Commission appeal to employers not to recruit farm people from the farm. In addition, government provisions for return to farms by men with farm experience not now in essential industry, and release from the Army of such men over 38, will add to this skilled labor supply.

In addition, a comprehensive national program is under way for recruiting and placing new workers; mobilizing the U. S. Crop Corps of 3-1/2 million workers, including town and city men, women and youths for full time or seasonal work; and such training, transportation, shelter and supervision as may be necessary. Progress already made locally within the States and counties and communities by the USDA Extension Service, U. S. Employment Service, War Manpower Commission, Farm Security Administration, and other agencies promises successful completion of this mobilization effort.

The War Food Administration's farm labor program contemplates continuing by these same agencies, wherever possible, the plans already in successful operation, as in Oregon, Iowa, and various other States. The success of these local programs last year in recruiting labor to handle the record 1942 crop indicates a similar success this year.

It is believed that, except in a few areas of highly seasonal fruit and vegetable production, most of the additional labor needed will be found locally through local efforts. This labor supply includes townspeople, college and high school students, women, elderly people and part time workers. Preliminary recruitment surveys indicate that this labor will be available in adequate supply as needed. Reports from all areas show that it rose fully to the occasion last year when the emergencies appeared, and last year's experience in recruiting and placing should make it still more likely to develop this year when the need arises.

Farmers this year will be more receptive to inexperienced labor because of its proved value and surprising efficiency last year. Farmers will also increase the per capita production of themselves and their families as they did under stress last year. This additional effort by 8 million farm families is the equivalent of many thousands of additional workers.

Workers from Mexico, Bahama and Jamaica, brought to the United States under agreement with their respective governments, will provide a small additional supply of labor that will be highly useful in areas of seasonal labor demand. The agreement with Mexico calls for 50,000 laborers, and about 7,000 are arriving each month for work chiefly in the critical fruit and vegetable labor areas in California and Arizona. About 10,000 Jamaicans are expected, for use in the Northeast and Atlantic Coast areas, and 2,000 Bahamans are already working in the Southeast.

The efficiency of power farming is another addition to the farm labor potential. In some 2,700 counties, or 90 per cent of the 3,000 farm counties, power farming enables a substantial release of farm labor. In these counties the tractor's effect has not yet been fully discounted nor the maximum per capita production fully reached.

None of these factors in the farm labor supply will alone solve the farm labor problem, but the combination of all these indicates an adequate labor supply to meet the 1943 farm production goals.

Farm Machinery Outlook

Although the farm machinery and supplies situation for 1943 is not an entirely satisfactory one in view of the high food production goals, it has recently been improved. The War Production Board has agreed to an increase in farm machinery production from 25 per cent of the 1940 level to 40 per cent, and farm machinery repair parts production has been increased to 100 per cent of the average production during 1940 and 1941. With few exceptions this will meet the needs for repair parts.

The War Food Administration has requested the War Production Board to authorize production of 9,550 additional combines, 4,400 corn pickers, and 2,000 pick-up balers for delivery in time to relieve the farm labor problem in this fall's harvest. The War Production Board has tried to locate steel for this purpose and, after canvassing the farm implement manufacturers, has assurance that they, by exchanging steel in inventory, will produce these machines for use this fall provided component parts are available. The War Production Board is following this up.

Based on preliminary estimates, we have asked the War Production Board to authorize for 1944, 80 per cent of the 1940 production of farm implements. Estimates of minimum requirements from each of the 48 States are now being tabulated and the adjusted statement of needs will be filed with the War Production Board soon. We have recommended that the War Production Board place no limit on the manufacture of repair parts in 1944, and have been assured that the Board concurs.

The limiting factor for 1944 production is the steel supply, and the question, whether the amounts and kinds of steel tentatively allocated to farm implements will be enough to meet the 80 per cent minimum need, is still being discussed between the Food Administration and the War Production Board.

An organized effort is being directed by the War Food Administration to promote the fullest and most economical use of existing farm machinery through equipment pools, custom tillage and harvesting agencies, and other cooperative devices. A program calling for the requisition of idle farm machinery and its re-sale for productive use, has been submitted to the War Production Board with our recommendation and plans for putting it into effect.

Commercial Fertilizer

The total tonnage of fertilizers available for 1943 will exceed the amounts used in either 1941 or 1942. The increase is accounted for by about 10 per cent additional phosphate and 17 per cent additional potash as compared with last year, while a slightly smaller supply of nitrogen will be available. Control over manufacture and use of fertilizer assures 100 per cent of requirements for essential war crops including principal vegetables, long staple cotton, soybeans, peanuts and certain fruits for drying. The quantity available for other crops, including corn and cotton, will possibly equal 75 per cent of normal requirements based on historical use. Some future improvement in the nitrogen supply is expected.

Merchant Steel Products

Nails, staples and hay bale ties are now being produced in sufficient volume to meet urgent needs, although the production of farm fence has been below requirements. A War Production Board order is now in process which, if approved, will permit jobbers to maintain a workable inventory to supply farmers' essential needs for valves, fittings, pipe, small electrical motors and other incidentals required for repair of milking machines, domestic water systems and other farm plumbing repairs which are currently difficult for farmers to obtain.

Rope and Twine

Rope from jute and jute scrap, a recent importation from Mexico of henequen rope, the carryover of Manila and sisal rope, plus the 1943 manufacture will total approximately the 5,000,000 pounds needed this year. The supply of binder twine also appears adequate.

Home Canning Supplies

Programs are under way to provide tin cans, glass jars and seals for approximately five billion jars of home processed foods. Can sealers, both motor driven and hand operated types, will be manufactured in limited quantities. The manufacture of 150,000 pressure cookers has been approved and provided for.

Bags and Bale Covers

Although the cotton and burlap bag supply is not adequate, some relief will be afforded by withdrawals from government stockpiles. Producers may help the situation by making more extensive use of used bags, paper bags when practical and bulk shipments. The estimated production of cotton bale covers should be ample for the estimated cotton crop. The supply of bale ties and buckles from new steel will be limited, but the 1942 carryover, together with orders requiring the salvage and reworking of bale tie strips two feet or longer, plus the OPA ceiling encouraging the use of reworked ties, will provide adequate baling for the anticipated cotton crop.

Gasoline and Oil

The Petroleum Administration pledges a full supply of gasoline for food production even though further cuts in civilian supplies should become necessary. The production of kerosene is limited but farm uses are being protected, subject to distribution difficulties.

Rubber

Reworked rubber is a bottleneck because of limited processing capacity, although some relief is due as synthetic comes into production. The outlook is good for putting 1944 tractors, combines, corn pickers and balers on rubber tires, although this is not assured.

Insecticide and Fungicide

Adequate facilities are available to manufacture and to distribute all the insecticides and fungicides needed in food production. Sufficient arsenic has been assured to provide for 60 million pounds of lead arsenate and 90 to 95 million pounds of calcium arsenate, which should be sufficient to provide control for food and fiber crops. The supplies of copper sulphate have been increased from 85 to 100 million pounds to care for increased production of potatoes and other crops. It is expected that adequate supplies of small packaged insecticides and fungicides will be available for home and Victory gardens.

The foregoing report gives only some of the high spots of a situation that seems to be showing improved promise.

AGENDA

FOR THE BOARD OF ECONOMIC WARFARE MEETING
TO BE HELD MAY 6, 1943, AT 10:00 A. M.
ROOM 201, SENATE OFFICE BUILDING

Oral discussion of trade with Sweden, Switzerland, Spain and Portugal. Mr. Winfield Riefler, Special Representative to England will be present to report on this matter.

MAY 6 1943

My dear Mr. Secretary:

I am writing to acknowledge receipt of your letter, reference number NS 868.51/1675, of May 4, 1943, enclosing a copy of your letter of April 26, 1943 to the President reviewing the steps taken to meet the Greek Government's appeal for financial assistance and a copy of the note on the subject transmitted to the Greek Ambassador on May 4, 1943.

In my letter of December 23, 1942, I set forth the view of the Treasury that the Greek Government appears to have ample resources available to it to meet its needs for some time to come. Under these circumstances, it is difficult for us to understand why arrangements were made for Lend-Lease Administration to extend financial assistance to the Greek Government amounting to approximately \$1 million per month without giving the Treasury an opportunity to discuss the matter further.

Sincerely yours,

(Signed) Henry Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,

The Secretary of State.

File to Thompson

Photo file in Diary

HEW:EMK/gra
5/6/43

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 6, 1943

TO Secretary Morgenthau

FROM Mr. H. D. White

Subject: Draft reply to Secretary Hull regarding assistance to Greece.

On December 28, 1942, you sent a letter to Secretary Hull stating that on the basis of the information available, it did not appear to us that the Greek Government was in need of financial assistance and we added that "we shall, of course, be glad to reconsider the question in the light of any additional information on these points that may be forthcoming". I am appending a copy of your letter to Secretary Hull of December 28, 1942.

That is the last we heard of the matter until receipt of Secretary Hull's communication in which he encloses a letter written to the President on April 26th regarding the Greek financial situation. In that letter he states that the State Department had arranged with the Lend-Lease Administration for aid of \$1 million a month to the Greek Government, with the implication that we (the Treasury) were consulted. The letter to the President, besides implying that we were consulted, gives a misleading impression of the Greek dollar position. If the State Department recognizes that our views on the adequacy of the dollar assets of foreign governments should bear any weight at all in decisions on financial aid to foreign governments, it seems to me that their action in this matter if not an oversight has been both discourteous and inexcusable.

I am appending two letters of acknowledgment, one raising the issue with the State Department and the other a simple letter of acknowledgment.

Attachments.



DEPARTMENT OF STATE
WASHINGTON

In reply refer to
ME 868.51/1676

May 4, 1943

My dear Mr. Secretary:

With reference to the Department's letter of January 21, 1943, addressed to Mr. Bell, there is enclosed herewith for your information a copy of my letter of April 26, 1943, reporting to the President the steps taken to meet the Greek Government's appeal for financial assistance, to which is attached the text of a note on the subject which he has approved for transmission to the Greek Ambassador. The latter communication is being forwarded to the Ambassador under today's date.

Mr. Kyriakos Varvaressos, Greek Minister of Finance and Governor of the Bank of Greece is coming to this country in the near future as delegate of the Greek Government to the Food Conference. It seems likely that he will profit by the occasion to discuss financial problems with you, including the question of the financial position of the Greek Government, and I believe that you may find the enclosed documents useful in this connection.

Sincerely yours,

Enclosure:

To the President,
April 26, 1943, with
enclosure.

The Honorable
Henry Morgenthau, Jr.,
Secretary of the Treasury.



DEPARTMENT OF STATE
WASHINGTON

April 26, 1943

My dear Mr. President:

You will recall that King George and Prime Minister Tsouderos of Greece, during their visit to this country last June, stated that the resources of the Greek Government were declining rapidly and appealed for financial assistance. You indicated that some arrangements should be made whereby the Greek Government could be kept going.

A financial report was eventually received from the Greek Government, and was supplemented by figures obtained from the Treasury and the British Government, with which we discussed this question. It appeared, in brief: That the Greek Government would nearly exhaust its immediate resources early this year and be faced by a prospective deficit of some \$10,000,000 in the fiscal year 1943-44; that the British have been aiding the Greeks by equipping their armed forces in the Middle East and are prepared, in general, to meet Greek needs within the sterling area; and that our problem was thus mainly one of providing aid required by the Greek Government in meeting its dollar expenses.

As you know, there is no legislative authorization for direct credits to the refugee Governments, although the question of possible legislation for this purpose has been under consideration for some time, principally in connection with Polish needs. In any case, however, it seemed preferable to meet the Greek appeal under existing legislation if this were possible, and the matter has been pursued on this line.

By far the heaviest dollar obligation burdening the Greek Government was the payment of the charter-hire on Swedish vessels engaged in the Greek relief scheme, amounting to approximately \$1,000,000 per month. Following discussions between the interested agencies and on the recommendation of this Department, the Lend-Lease Administration has taken over this expenditure as from January 1, 1943.

I believe

The President,

The White House.

I believe that this assistance should adequately meet the need of the Greeks for dollars, at least for the time being. They appear still to have a small dollar balance of Government funds on hand and to have a modest dollar income from a few Greek vessels chartered to the Swiss. Their other expenditures requiring dollars consist principally of expenses connected with the maintenance of their representation in countries outside the sterling block. These can probably be met for an indefinite period from the Greek Government's own resources, possibly supplemented by modest advances from their own Bank of Issue, which holds some \$19,000,000 in dollar balances.

In addition, the Greek War Relief Association of New York is planning, with the approval of the President's War Relief Control Board and of this Department, to undertake a program of assistance to the Greek refugees in the Near East and Africa. This will provide further financial relief for the Greek Government, which has been obliged to support a constantly increasing burden in caring for these persons.

I attach for your consideration and approval a copy of a note which I propose to send to the Greek Ambassador regarding this question.

Faithfully yours,

Wardell Hall

Enclosure:

To Greek Ambassador.

My dear Mr. Ambassador:

I am glad to inform you that the report of the Greek Minister of Finance, which you submitted to the Department last December, has had the earnest and sympathetic attention of this Government in connection with its consideration of your Government's request for financial assistance.

Discussion of this matter with the British having indicated that they were, generally speaking, prepared to provide the sterling credits which may be needed by your Government, we have endeavored principally to find means of assisting, within the limits of existing legislative authorization, in meeting your Government's urgent needs in the dollar field. It was evident that the bulk of the dollar expenditure falling upon your Government was payment of the charter-hire for the Swedish vessels engaged in transporting relief shipments to Greece. As you already knew, arrangements have been made for these charges to be taken over by the Lend-Lease Administration, for the period beginning January 1, 1943 and continuing until June 30, 1944, unless the Greek relief operation shall have been terminated prior to that date.

In addition, the Greek War Relief Association, Incorporated, of New York, is planning, with the approval of this Department and of other appropriate agencies of this Government, to undertake a program of assistance for the Greek refugees in the Near East and Africa, which should likewise lighten the burden of the increasing charges which the Greek Government is having to meet in this connection.

I hope that these steps will prove adequate to enable your Government to meet its pressing financial needs.

Sincerely yours,

DEC 28 1942

My dear Mr. Secretary:

This is in reply to your letter, reference number NE 868-51/1062, of December 14, 1942, concerning the financial position of the Greek Government.

According to the report submitted to the Treasury Department by the Greek Minister of Finance, Mr. K. Varvaresos, it appears that the Greek Government and the Bank of Greece together have sufficient resources for some time to come. With present assets equivalent to \$185 million, annual revenues of \$7 million and annual expenditures of \$19 million, there seems to be some question as to the need of the Greek Government for aid from us at this time.

As the Greek Government is requesting assistance mainly to pay the salaries of the Armed Forces, we would like to know which currencies will be required for this. It is our understanding that the Armed Forces are located largely, if not entirely, in the Sterling Area. About four-fifths of the assets of the Bank of Greece consist of sterling holdings, primarily proceeds of sterling credits granted before the fall of Greece by Britain to the Greek Government for war expenditures within Greece. Under the circumstances, it seems to us that the Greek Government might be asked to consider further the possibility of obtaining what it needs from its own central bank. Even if the Greek Government does not use the Bank's sterling holdings, however, the Bank's other resources plus the Government's revenues from the merchant marine are sufficient to meet expenses for some time to come at current rates of expenditure.

It may be, however, that there are reasons such as political considerations, or claims on Greek assets or Greek legal restrictions which would make it difficult for the Greek Government to utilize these exchange resources for this purpose. We shall, of course, be glad to reconsider the question in the light of any additional information on these points that may be forthcoming.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,

The Secretary of State.

HWM:ALM:dsj
12-28-42

MAY 6 1943

Dear Mr. Stettinius:

This is to acknowledge receipt of your letter of April 29, 1943, suggesting that the Subcommittee on the Dollar Position of the United Nations reconsider our policy with respect to the dollar position of British Empire countries.

I have instructed Mr. White to call a meeting of the Subcommittee to go into the matter.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. E. R. Stettinius, Jr.,
Administrator, Office of Lend-Lease
Administration,
515 - 22nd Street, N.W.,
Washington, D.C.

Photo file in Diary

File to Thompson

TK:rl 5/5/43

OFFICE OF LEND-LEASE ADMINISTRATION
FIVE-FIFTEEN 22d STREET NW.
WASHINGTON, D. C.

R. Bettinius, Jr.
Administrator

April 29, 1943

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

My dear Mr. Secretary:

You will recall that under date of January 1, 1943, the Cabinet Committee, composed of the Vice-President, the Secretary of State, the Secretary of War, yourself and myself, made a report to the President on policy decisions relating to the dollar position of lend-lease countries. The report was approved by the President as submitted.

That report recommended the appointment of a permanent Sub-Committee under the chairmanship of the Treasury, charged with the responsibility of making recommendations to the Cabinet Committee with respect to the problem involved.

Since the adoption of the original report, a number of factors have come to the fore, which have persuaded me that, in addition to merely reporting to the Cabinet Committee the present status of the dollar position of the British Empire countries, the Sub-Committee should recommend to the Cabinet Committee a reconsideration of our policy with respect to the whole question, in the following respects:

1. We should reopen the question of what standards are to determine the appropriate level of the gold and dollar balances of the British Empire countries, including particularly reconsideration of the question whether the world financial position of the United Kingdom shall be taken into consideration in arriving at a decision on this point.
2. We should reconsider the question whether it may not be advisable to canvas the whole problem frankly and openly with representatives of the British Treasury before arriving at any final decision with respect to our policy.

BUY

BUY

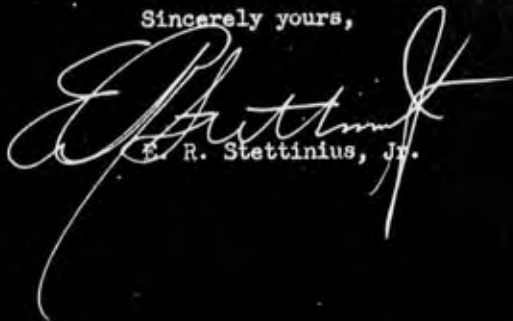
BUY

BUY

BUY

I should appreciate it if you would submit this matter to the Sub-Committee in order that they may consider the recommendations herein made, and report thereon to the Cabinet group.

Sincerely yours,

A large, elegant handwritten signature in cursive script, which appears to read "E. R. Stettinius, Jr.".

E. R. Stettinius, Jr.

A rectangular stamp, likely a library or archival mark, with some illegible text and a date that appears to be "1947".

MAY 6 1943

Dear Generalissimo Chiang:

I am deeply moved by the generous message and lovely gift you have sent me for my birthday. I shall always cherish it as a memento of the friendship of a truly great leader in a most critical period of world history.

I am happy to have had the opportunity to be of some assistance to your people and to the cause for which they are fighting under your valiant leadership. In my actions I have merely reflected the wish of the American people and their Government to help China toward a strong, unified, and independent democracy.

The mutual good will and deep understanding which characterizes the relations of our two countries will be of immeasurable aid in helping to bring victory to the United Nations and in helping to achieve the lasting peace and economic prosperity to which we are all looking forward.

Sincerely yours,

(Signed) Henry Morgenthau, Jr.

Secretary of the Treasury.

Generalissimo Chiang Kai-shek,
Headquarters of the Generalissimo,
Chungking, Szechuan,
China.

(To T.V. Soong for transmittal -
by Mess. Manus 10:13 5/7/43)

Copies in Diary

Initialed copy to White

MDW:ISP:efa
5/6/43

May 6, 1943

My dear Dr. Soong:

I would appreciate it if you would forward the enclosed letter to Generalissimo Chiang Kai-shek.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Dr. T. V. Soong,
Minister of Foreign Affairs,
Republic of China,
Chinese Embassy,
Washington, D. C.

By Mess. Manus 10:13 5/7/43
Copies in Diary
Copy to White

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MINISTER FOR FOREIGN AFFAIRS
REPUBLIC OF CHINA

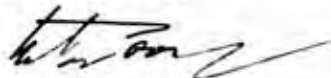
May 7, 1943

My dear Mr. Morgenthau:

Thank you for your letter of
May 6th. I shall be happy to forward the
letter you kindly enclosed for the General-
issimo.

With kind regards,

Yours sincerely,



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

PAPERS OF TEBORAK SMT

TO: American Embassy, Chungking, China

DATE: May 6, 1943, 6 p.m.

NO. 1 567

Reference is made to the Embassy's cable of April 22, no. TP-110.

SM. DV. 625 p. 94

This is a message from the Secretary of the Treasury for Mr. Adler.

The following is not to be discussed with the authorities of the Chinese Government but is for your personal and confidential information. Please reply immediately.

1. If possible you are requested to describe in more detail the arrangements referred to in the second paragraph of the cable under reference. You are also requested to clarify the meaning of its last sentence "After the war the account would be settled".
2. Has the Ministry of Finance's proposal been approved by the Board?
3. Your views on the Ministry of Finance's proposal would be appreciated by the Treasury. If you have already made some indication approving this proposal, have you in such indication gone on record as assenting to the 50 percent exchange compensation as reasonable and adequate?
4. Does the Ministry of Finance's proposal mean any basic change in the attitude towards the granting of special rates for special purposes held by the Ministry?

HULL
(PL)

NOT TO BE RE-TRANSMITTED

COPY NO. 13

BRITISH LOST SECRET
U.S. SECRET

SECRECY
OPTEL NO. 148

1943 MAY

AM 11 39

1. NAVAL Information received up to 7 a.m., 6th May, 1943.
TREASURY DEPARTMENT

3rd/4th. 3 of His Majesty's Destroyers, off CAPE BON, sank a medium-size ship loaded with bombs, mines and motor transport, and a small Destroyer of the Cassiopea Class (built 1936). One of our Motor Torpedo Boats was sunk by mine in the Gulf of TUNIS on the 2nd. Further U-Boat attacks were made yesterday and this morning on the outward Atlantic Convoy about 300 miles South of CAPE FARE ELL. Including the three ships reported yesterday, 12 ships have been torpedoed and 9 have sunk.

2. MILITARY

TUNISIA. 4th. 8th Army. Light armoured partols operated towards SAOUAF and met enemy minefields which caused some casualties.

FRENCH SECTOR. 1st Army. Stiffening enemy opposition was met with considerably increased artillery activity, progress was slow. Forward elements now established 9 miles Southeast of PONT DU FAHS across the ENFIDAVILLE PONT DU FAHS Road.

CENTRAL SECTOR. The enemy attacked our position 3 1/2 miles South-west of DJEBEL BOU AOUKAZ, 12 enemy tanks were knocked out and subsequently destroyed by R.E. 2 more tanks and a tracked vehicle were also claimed knocked out.

U.S. SECTOR. The U.S. advance continued in the WATEUR Area. Armoured patrols gained contact with the enemy 4 miles Southeast of the town. Further South infantry reached a point 8 miles East of DJEBEL SIDI MEPTAH without contact with the enemy. French troops successfully resisted an enemy counter-attack in the High Ground immediately North of Lake ACHKEL.

3. AIR OPERATIONS

WESTERN FRONT. 4th/5th. DORTMUND. 780 tons of H.E. and 671 tons incendiaries were dropped, including 222 4,000 lb., 73 2,000 lb. H.E. and nearly 19,000 30 lb. incendiaries. No cloud, excellent visibility somewhat spoilt by smoke from fires later in attack which lasted 53 minutes. Bombing highly concentrated and considerable fires developed well. Unusually large number of big explosions reported, 2 of them lit up aircraft at 15,000 feet. Heavy A/A fire and many searchlights well handled. 5th. Typhoons and Spitfires off DIEPPE and CHERBOURG Peninsula damaged 6 ships, including a 2,500 ton armed merchantman and her 2 escorts, a 7th ship was left on fire. 5th/6th. 18 aircraft laid 101 mines in enemy waters, 1 aircraft missing.

TUNISIA. 4th. In cloudy weather 122 escorted bombers operated against ZAGHOUAN in support of our troops. A further 15 bombers and over 455 Fighter Sorties were flown over the battle area and in sweeps over the Gulf of TUNIS.

ITALY. Liberators dropped 22 tons on REGGIO and 1 1/4 tons at BRANTO

RUSSIA. 4th. The successful attack on KRYVSKAYA was strongly supported by Russian aircraft. The German Air Force is reported to have been heavily defeated in this area.

BURMA. On the 3rd/4th, a total of 56 Fighters and Medium and Fighter-Bombers attacked railway targets in the MANDALAY Area and bridges near MYITKYINA.

May 7, 1943
9:31 A. M.

HMJr: Hello.

Operator: No, they haven't heard from Miss Tully, but Dorothy Brady is there.

HMJr: I'll talk to her.

Operator: All right.

HMJr: She's fine. Hello.

Dorothy Brady: Mr. Secretary?

HMJr: Hello.

B: How are you?

HMJr: I'm all right.

B: What can I do for you?

HMJr: Well, Mr. Paul is sitting here with me

B: Yes.

HMJr:and he says that he's appearing before the Senate Finance Committee on a tax bill....

B: Uh huh.

HMJr:and that the thing is going very badly up there....

B: Yes.

HMJr:and if the President could call up Senator Barkley this morning....

B: Uh huh.

HMJr:and tell him that - line up Senator Barkley and his fellow Democrats so - otherwise they're going to vote the Ruml plan out.

B: Uh huh.

HMJr: There's no interest up there whatsoever.

B: I see.

HMJr: All-time low.

B: I see. All right. I'll get the message to the President, Mr. Secretary.

HMJr: I thank you.

B: All right.

HMJr: Goodbye.



THE UNDER SECRETARY OF THE TREASURY

WASHINGTON

May 7, 1943

CABINET MEETING

The President said that he only had one thing to bring up, and that was a letter which he had from the Librarian, Library of Congress, and the Archivist, calling attention to the fact that during the last war local records in occupied territory were pretty much destroyed, and asking that something be done to see that this time the records are preserved if possible. He said he would like the Secretaries of War and Navy and possibly the Secretary of State to discuss this matter and give instructions to the commanders of occupied foreign territory that the local records, such as titles, municipal records, etc., be preserved where it is at all practicable. He thought this was mainly a War Department job as the military is in charge of local Government in the first instance.

Mr. Hull had nothing. The President asked him to tell something about Robert in Martinique. He said that the State Department had worked with the Navy in its dealings with the Martinique situation; while publicity of our control of this Frenchman had been very favorable, yet he was of the opinion that what they had done had been rather effective. He did not think that this gentleman had been able to render any assistance to Vichy or the Axis Powers. One of the things that worried both the State Department and the Navy is that if any attempt is made to go into that island, all of the ships there will be scuttled and all of our efforts will have been useless because it is the ships that we want and nothing else.

The President asked him how the food situation was. He said that it was not good yet he thought that they probably could go along for some time. He said that some one had made a suggestion that one of the French naval officers with the Bethouart Commission here in Washington be sent down there to try to swing the loyalty of the officers and sailors of these ships



- 2 -

from Robert to Giraud's cause. The President thought this might be a good thing to do, but thought they ought to try Guadeloupe Island first.

I had nothing, but the President said that at his press conference he had lauded the Treasury's efforts in the recent war financing drive; that he said he thought it was an excellent job well done and he was amazed at the number of people that participated in this drive. He said he had told the press that possibly 50,000,000 people bought bonds. I did not know where he got the figures so I did not question it. He said he had also told the press that because of this \$5,000,000,000 oversubscription the Treasury would be able to put off the next drive at least two months. I questioned this and he said he told the press that the next drive would be September or October. I told him I thought we would probably have to have it not later than September.

The President said nothing at the Cabinet about his statement about enforced savings, which came to my attention later after talking to the Secretary on the telephone when I had returned from Cabinet.

Mr. Stimson and Mr. Biddle had nothing, but both said they would like to talk to the President after Cabinet. It would seem that most of the Cabinet business is handled in this manner, as always three or four Cabinet members want to see the President after the Cabinet meeting.

Mr. Ickes raised the question as to whether Mr. Biddle wanted to discuss the memorandum he had on deferments. Biddle said that was one of the things he wanted to talk to the President about and the President said that was something that was of interest to every one and why not bring it out at the Cabinet table. Mr. Biddle then read the statement to be issued by the President.

- 3 -

It was a very good statement but I am not sure that it will satisfy the hundreds of Government employees in key positions who want to come out of this war with some kind of war record and who are now being detained because of their Department's wishes. The President said that he would like to have some examples cited in the statement without giving any names of individuals. There was quite a bit of discussion of the whole subject as to whether the individuals concerned should receive a letter or a certificate of some kind stating that they had been deferred because of their work in branches of the Government other than military. I believe that there was a strong feeling around the table that this certificate or letter would not be of much service to the individual after this war is over.

Mr. Walker had nothing.

Secretary Knox said he did not believe that it would hurt to give the Cabinet some confidential information. He said it was reported yesterday that we had sunk seven submarines in the Atlantic and also called attention to the fact that a recent convoy of some sixty ships on its way to Europe ran into a pack of submarines and before it was over they had sunk five of the submarines and possibly seven.

The President then brought up the subject of war films. He said that all of our war films are too late to do any good and they are not being sent to the soldiers. He called attention to "Desert Victory" of the British, which was out just a few weeks after Tripolitania had fallen and was sent to the boys at the front. He thought it was important that the campaign in Africa be rushed, produced and sent to the boys in Guadalcanal, and that Guadalcanal and other area pictures be produced and sent to other areas such as Africa, and he did not see why it needed to take from three to six months to do it.

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Mr. Ickes raised the question as to whether it would not be possible for the President to appoint a commission outside of the Government, preferably of conservative Republicans, to pass upon subversive cases in the Government. He said the people whose names had been brought before the committees in Congress had not been given a fair hearing and he was quite certain that what was happening was that this committee was trying to find a certain number of cases which they could throw Dies' way so as to satisfy him. There was not much agreement on this subject. I believe Biddle was against it.

Wickard had nothing.

Jones said he had been asked by Justice Byrnes, Mr. Brown and others to put up quite a sum of money for subsidies and before proceeding in the matter he would like to get the President's approval. He did not say what the amount was or what commodities were involved.

Mr. McNutt said that by August we will be drafting married men in wholesale lots. He thought that it was quite important that we immediately decide what shall be done with respect to allotments and allowances to the families. He has about 25,000 cases at the present time where married men are in the service and their allotments, plus additional amounts made available by the Government, are inadequate to sustain the families. He thinks it is important that we make up our minds as to what we want and go get legislation before August 1.

There was some discussion as to whether this could be on a needs test basis or whether we should apply it uniformly. I believe there was a general feeling that it should be applied uniformly as every one is being paid the same amount. The President asked them to work on the matter with the Army and Navy and submit to him a report.

- 5 -

The President then said that he had run across a couple of camps on his recent travel where the medical officers had performed great services in restoring psychopathic cases to normalcy and many of them have gone back into the army. At Paris Island, South Carolina, and Jefferson Barracks, in Missouri, the medical officers set aside a certain part of the post, built barracks and took these individuals out of army uniform and away from the strict army discipline, and put them to farming. He said they have a record of 80% cures and he thought the Army and Navy ought to look into these two cases and circularize all army posts with a view to establishing this as a matter of Government policy.

General Fleming said that a recent survey showed there are many more automobiles being used than at any time since rationing went into effect, and that the speed has increased from an average of 30 miles to well over 40, all this at a time when the gasoline supplies are the lowest at any time.

He raised another question as to whether Government employees could not be allowed to work 52 hours a week with time off for shopping and other purposes, to bring it down to the 48. In other words, he said that the Government employees now have no time to do their shopping and marketing and are forced to take annual leave. He said that there was no authority in the head of the Department to arrange for this schedule. I told him that under the new bill that just passed Congress and is before the President for signature, he could permit the employees to work over time any time during the week and give them an equivalent amount of compensatory leave which would permit them to do their shopping and marketing.

The President asked Fleming, Blandford and McNutt to confer with Harold Smith on the matter to see if something could be done.

Jim Landis brought up the subject of Flag Day and said that no doubt many of the people around the

- 6 -

table would be asked to participate in different occasions throughout the country and he hoped they would accept these invitations and make it a real United Nations Flag Day.

Messrs. Blandford, Nelson and Byrnes had nothing.

dwB

*Excerpt from
Press conf.*

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May 7, 1943

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Schwarz
SUBJECT: President's Press Conference, Friday, May 7,
1943 - 10:30 A. M.

SECOND WAR LOAN -- President Roosevelt said today that the heavy oversubscription of the Second War Loan very definitely decreases any need for forced savings. He said we are coming along so well on a voluntary basis that the situation is changed from what it was at the time of his budget message.

The President hailed the oversubscription as a grand job, firstly on the part of the Treasury and secondly on the part of the people of the United States. He opened his conference by announcing that he wished to express a word of commendation for the Treasury and that he had the latest figures on the Drive, which the Secretary of the Treasury had sent to him this morning. Felix Gotten asked whether the oversubscription reduces the need for 16 billion additional dollars and the President said there are certain totals we have got to get into the Treasury and they haven't changed. Does it reduce the need for increased taxes? No, the President answered, we are 5 billions better off on the savings end and it pushes off the next drive by two or three months, but I still think we need additional taxes.

The President said the reported total of \$18,300,000,000 was more than 5 billion over the goal originally set, that more than 13 billion had come from investors other than commercial banks, for whom the original goal was 8 billion. He said that of the savings of the people that were invested, 3 billion came by direct purchase and another 3 1/2 billion through insurance companies and savings banks, which acted in a very true

- 2 -

sense as repositories of the savings of millions of people. The President said the people participated to a much larger extent in the Second Loan than they did in the first drive last December, the figures being almost double. And since the E Bond has been issued, the President pointed out, more than 10 billion dollars have been subscribed by more than 50 million Americans. There are 60 million people today at work or in the armed services and five-sixths of them own one or more bonds. The President said the large oversubscription was excellent because it pushes further off the date for a third drive, which the Secretary of the Treasury originally had planned for July and now could postpone until the end of September or early October.

APRIL FINANCING

(In millions)

	Cumulative to	
	May 6	May 7
Funds from banking sources:		
Treasury bills	\$ 800	\$ 800
7/8% Certificates	2,138	2,138
2% Bonds	2,110	2,110
Total banking	5,048	5,048
Funds from non-banking sources:		
7/8% Certificates	3,106	3,106
2% Bonds	2,825	2,825
2-1/2% Bonds	3,761	3,761
Savings bonds		
Series E ... \$1,316		
Series F ... 147	1,822	1,921
Series G ... 458		
Tax notes	1,697	1,697
Total non-banking	13,211	13,310
Grand total	18,259	18,358

May 7, 1943

AWB

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE May 7, 1943

TO: Secretary Morgenthau
FROM: Robert A. LeRoux

SAN FRANCISCO

While Southern California achieved its success in the Second War Loan Bond Drive under operation of a program of conservative campaigning, Northern California went "over the top" through spectacular, theatrical-like methods of salesmanship, with no angles overlooked that would create sales for the drive at hand as well as establishing a substantial structure assuring success for the duration.

In Northern California, showmanship was in evidence on all sides. At labor meetings and at regular sessions of fraternal and civic groups, sales talks were made part of the program for two weeks. Hardly a show in Oakland and San Francisco failed to devote some time to drawing attention to the importance of the Drive. Rallies were held in Chinatown, as well as in the Italian and Greek sections of the cities, and at these rallies, substantial sales were recorded. For instance, at one of these rallies, the Greek-American Bond sales committee sold a total of \$178,000 in Bonds, while at the meeting of California Lodge No. 163, B'Nai B'Rith, Charles Rosenthal, Co-ordinator of the Payroll Savings Committee, San Francisco War Savings Staff, obtained pledges of 210 members to purchase at least one Bond each week in addition to purchases to which they were previously pledged at their respective employment firms.

It is interesting to note that at the B'Nai B'Rith rally, Mr. Rosenthal made these pledges "legally binding" by having a Notary Public on hand to notarize the pledges as for "the duration". This organization is to be presented with a Treasury Flag on May 17th, and the success achieved with this Lodge leads Mr. Rosenthal to suggest that it might be worked out most profitable with all fraternal organizations.

While Administrator Smyth and his associates of the War Savings Staff are performing their labors aggressively and enthusiastically, laboring with particular determination on the Payroll Deduction phase of the program, one frequently hears the suggestion of how much more could be accomplished if additional supervisory and clerical assistance was authorized. They point to the good-will that could be created with follow-up letters expressing appreciation for some especial service rendered, "pats on the back" that would be returned ten-fold in continued and renewed efforts. Men in charge of particular divisions of the Payroll Plan contend that theirs is a program for the "duration" and therefore they cannot afford to overlook follow-up angles.

As was found in Utah, Nevada and Southern California, organized labor in Northern California operates as if the Payroll Deduction Plan was its own creation and is enthusiastically back of the Plan. In fact, one is impressed in contacting leaders of Councils of the A. F. L. and the C. I. O., by the fact that Payroll Deductions are referred to as **THEIR PLAN**. While heads of the C. I. O. do manifest resentment at some actions by the President, and while some of these leaders "carry the torch" for John L. Lewis in the coal workers

controversy, they are not allowing these personal feelings to affect their backing of the War Bond Drives and the importance of lining up their memberships enthusiastically back of the movement. In hardly any contact, however, is opportunity overlooked by labor leaders and workers to severely criticize some of the rulings by O. P. A. regarding prices on consumer goods. They claim the buying public is being gouged right and left by profiteers and that whatever benefits they may have derived from higher wages are more than offset by the higher cost of living.

"We're behind the President in the fighting of the present war, and we're going to forget luxuries, and even necessities, to provide the sinews with which our Commander in Chief will win, but after this, we'll insist on waging a war against these gougers among our own people," said one leader.

As was the case in Southern California, San Francisco and the Bay area has been greatly agitated by the expressions in Congress by Senator Chandler and keenly feels that the vulnerability of the Pacific Coast should come in for greater protection by the Army and Navy and the Administration. While this feeling may have caused some fanatical few to withhold participation in the Second War Bond Drive altogether and others to refrain from buying to the extent they could have well afforded, a concerted campaign by the Administrator and his associates and loyal volunteer workers is said to be proving most effective.

With 75,000,000 acres in agricultural land and 100,000 farmers engaged in tilling the soil in Northern California, the potential harvest of Bond-buying is tremendously important, and

Samuel J. Hume, Deputy Administrator for Agriculture, is industriously working among farmers installing the Commodity Check Deduction Plan and is meeting fine success with the program suggested by Washington for the building up of adequate financial reserves through investment in War Bonds. With hundreds of thousands of workers to be recruited this year for agriculture from colleges, schools and other sources, Mr. Hume is now working on plans whereby most of the wages received by these seasonal workers will be converted into War Bonds.

While some time was spent in interviewing management and workers in smaller industries, contractors and their employees and small merchants and their staffs, as well as labor leaders and heads of labor Locals, especial attention was given to the operations of the Permanente Shipbuilding Company yards of the Kaiser organization. One entire day was spent at the four Richmond yards of the Kaisers, studying the set-up for Bond sales, which are handled through the Public Relations Division. With 29,000 workers at Yard No. 1; 33,000 at Yard No. 2; 23,000 at Yard No. 3; 4,500 at Yard No. 4; and 7,500 at the Prefabrication plant, one therefore finds an army of 97,000 within an area of 110 acres. Daily shows are given from special stages at all yards both at the noon lunch hour and in the early evening for swing shift workers, and in addition to the thousands who congregate at the entertainment platforms, programs are available to all workers through loud-speakers. While the entertainers generally are workers, special talent is recruited from San Francisco show houses two and three times a week, and not a program is given but that five minutes is given over to a talk

expounding the importance of the Payroll Deduction Plan for the winning of the war. On every hand are posters, painted by Kaiser workers, carrying the Kaiser slogan, "Torpedoes For Tojo"; monthly awards for best ideas are paid in War Bonds; special programs are staged by fathers having sons in service; Bond purchases among the various crafts are recorded on billboards, standing of the crafts being shown by American Flags, with the board caption, "Raise Your Flag"; Mother's Day campaign, with workers urged to purchase additional \$100 Bonds to present their mothers or in memory of mothers. Regularly, programs are staged honoring "Anchor Men", men who have been on their jobs for certain periods without being absent or tardy. Bronze medals are given employees with such records for six months of employment; silver medals for 12 months, and gold medals for 18 months and over. There are now 5,000 or more men and women proudly wearing these emblems of "Presenteeism", a term coined by Mr. Kaiser to offset "Absenteeism". Whenever these "Anchor Men" head the programs, War Bonds come in for particular plays. The "Anchor Men" are now working on a plan whereby, on Decoration Day, every "Anchor Man" will buy at least a \$100 Bond.

The effect of the Bond pep talks at the Kaiser yards is manifested at the end of each program when scores of workers call at the adjoining Bond Booths to sign pledge cards. This week is "War Bond Drive Week" at the Kaiser yards. The cover of "Fore 'n' Aft", official publication, this week is carrying a War Bond cover. Each employee receives a free copy of the magazine as he leaves the yard. The objective of the drive this week is to bring the entire organization within the Payroll Deduction Plan with at least 80% participation and an average deduction of at least 10%.

Here are statements of some of the workers at the Kaiser yards:

(a) "Many of our workers have sons, brothers and sisters in the service, and the least we can do is to work while they serve and to lend our money to our Government to carry on."

(b) "I'm a riveter here, but I'm a War Bond salesman, too. In my hours off shift, I sell life, accident and health insurance, and every penny of my commissions goes into War Bonds. That's in addition to the Bond I buy each pay day."

(c) "My boy is in the Navy and my daughter in the Waves, and their old man is turning a double trick to help win the war. I'm a boilermaker for Kaiser and off shift I sell and boost War Bonds for Uncle Sam."

(d) "My husband quit his real estate office to become a crane operator. My daughter works in the yard. And thinking of my two boys in the service, I decided I should also do useful work for the duration, I'm on a swing shift here. And we're lending every spare penny to our Government."

(e) "You can't win this war on what can be merely spared for buying Bonds. All of us must sacrifice. Therefore, I'm living on the same budget now as when I started work as a sweeper in Yard 2. Now I'm operating a 200-ton giant roll as a boilermaker and making twice more money, but every penny of that increase goes for Bonds."

(f) "I'm an equipment dispatcher in Yard One and I have five brothers in the fighting forces, and I'd be a heel if I didn't sacrifice to the limit to get them the necessary equipment. I hope they make those fellows who are getting rich overnight by raising food prices come through with proportionately as much as we workers willingly lend."

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(g) "I'm proud of the record of our family in this war. I work in the weld office of Yard Three. My father is defense worker in Illinois. Three of my six brothers are in the Army and the other three in the Navy. And I married a few weeks ago and my hubby is in the Navy. And the nine of us are putting every spare dime in War Bonds."

(h) "I'm an "Anchor Man" with Kaiser because I've been on my job for 25 months without taking a day off and not once being late. But I'm also an "Anchor Man" for Uncle Sam because I've given him two boys in naval aviation and I'm lending him every dollar of my wages excepting what I absolutely need for bare living expenses. We owe it to our Country every day of the duration."

(i) "I'm a Coast Guard plant policeman. I have four boys in the service -- one with the Medical Corps; one with the Navy, a third with the Navy and the fourth with the Marine Corps. Fifty cents of every dollar I get in wages is going into War Bonds and I'll keep that up for the duration."

Another visit was to the Bethlehem Steel Company shipbuilding yard at 20th and Illinois, San Francisco, which employs 19,500 men and women, with approximately 92% participating in the Payroll Deduction Plan with an average deduction of 9.8%. The Plan here was installed by Case Kellogg, of the Public Relations Division, and it is functioning under the direction of W. C. Britton, accountant and Chief of the War Bond Division. Mr. Britton has a staff of 18 men and women devoting its work exclusively to the War Bond program. The staff is given a "schooling" each month on War Bonds, their cost, what they accomplish, methods and value of

redemptions, etc. The staff has large and comfortable quarters, and there are eight windows at which information is given out and Bonds issued. Records show that the office has issued 700 Bonds per hour, and on Monday, the window girls go on shift at 6:30 A.M., and work until 7:00 P.M. All Payroll Deduction Bonds are issued to the buyers within eight days at most following the pay day from which the deduction is made. As pay checks are issued five days after completion of work, it will thus be seen that Bonds are given out with but a delay of three days following issuance of pay checks. Effectiveness of his organization was shown by the fact that when I conferred with Mr. Britton on May 5th, he already had on hand a check for \$91,675.00 dated May 8th to cover bond-purchase deductions for the Payroll of May 5th. Immediately the money is taken from the payroll, it goes into the purchasing of Bonds.

"After all, our Company wanted a sales organization and a distributing office to give the employees that for which they'd paid", said Mr. Britton. "And to insure utmost courtesy and efficiency, we inaugurated our Bond-School, where we compound every question that could possibly come from a Bond buyer. We have the ammunition to battle possible cancellations, and we have finally arranged so that cancellations can only be made through the foreman's office. These fellows generally continue to buy Bonds, in many instances, in a greater volume. Many workers become affected with frayed nerves on these jobs, and to effectively handle these people, we have had for our War Bond Staff schools films showing the various crafts at work in the building of a ship. This gave our staff a better

understanding as to the intricacies of certain operations and how these workers become affected with nervousness and must be handled tolerantly if we're to serve our Government and our company well. After all, our staff members should understand that War Bond sales have created employment for them, and their employers are the men and women buying Bonds. Our big job consists of Fighting and Selling. In the service, they're enlisted for the duration, and we're selling them Bonds for the duration."

Here are some statements by Bethlehem employees:

(a) "We're having a great time in our union with fellows who come in and kick against War Bond deductions from their pay. Our secretary tells them that we'll have to come through as long as the war lasts and they'd better be good and do their share. And they do."

(b) "One thing I like about the system here is that the Bond staff sold me completely before letting me sign the pledge card. They told me what the money was needed for; how much it cost to run this war, and that the longer it lasted the hotter it would get and the higher the cost. I'm loaning 20 percent of my wages now, and when the Government needs 30 percent or 40 or more, I'm ready because we've got a big job to do."

(c) "Lots of the men who at first refused to go on the Payroll Plan are signing pledge cards now because they see nearly all of their fellow-workers going to the windows cheerfully and receiving their Bonds promptly. When it took six and eight weeks to get a Bond, it was a tough pill to swallow, but it's all right now."

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(d) "They'll have to do some tall selling over again when they put in that 20 percent withholding tax, but we're very fortunate at that. If they'll only bring down prices on foods and clothing to a reasonable level we'll be able to buy more Bonds."

(e) "I admire the calmness of our President in all emergencies which have confronted him. His trips to various parts of the Country to obtain first hand information as to our Army and Navy are inspiring. We have the best fed, best clothed and best equipped forces in the world, and it's doing little when we fellows make all this possible for them."

(f) "I'm convinced, judging by expressions at the union hall and here on the job, that the President's say so is all the Nation needs as a command as to what is expected of us civilians. If Roosevelt says he needs 25 or 50 percent of what we get in wages, he'll get it."

Among other industries visited were the Marinship at Sausalito, employing 19,000, an operation that has gone to 94% in participation for an average of 10%; where they have a "Bond-A-Week-Club," with all employees pledged to purchase a Bond each week in addition to the purchase called for on the original pledge card; and where many hundreds of employees are members of the "20-Per-Cent-Club", who buy Bonds with one-fifth of their wages. It has now reached the point at Marinship where 20% of the total payroll goes into War Bonds. Then there's the Bassallt Rock Company at Napa, now building ships, employing 1,400, which has never been below 90% participation and 11% deduction, and the Barrett and Hilt Company, contractors now building cement ships, whose 1,200 employees proudly point

to 92% participation for 10.4%. There is also the Wilmington Transportation Company, operating ferries from San Francisco to Richmond shipyards, whose manager prepared a sales-booklet for his 423 employees carrying a personal letter, suggested deductions, table of redemption values, operation of the plan, and pledge card, effectiveness of which was attested by the fact that within ten days, participation was 100% for deductions of 10%.

It is interesting to note that in the Bay area, 1,000,000 workers are in employment of 25 firms. There are 102 firms employing 500 or over and of these 99% are operating under the Payroll Deduction Plan; 300 firms employ from 100 to 500 and 92% of these have the Payroll Plan, while 710 firms employ from 25 to 100, with 80% of these operating the Payroll Plan.

MEMORANDUM FOR THE SECRETARY.

May 7, 1943.

Mail Report

Aside from the enthusiasm and interest shown in the Bond mail, correspondence this week was slight and without spirit. The success of the Second War Loan drive brought many letters commending the manner in which it was carried out, clippings reporting over-subscription, copies of ads, and suggestions as to the conduct of the Third drive when that time comes. The same excellent spirit was also reflected in hundreds of telegrams replying to the form inquiry as to the length of time required to deliver Bonds to employees in industrial concerns. A number reported that Bonds are delivered along with the checks from which the last payments are deducted, but most of the replies gave periods ranging from 3 days to 2 weeks, and there were 3 or 4 which reported that the interval was as long as 5 or 6 weeks. Many spoke of tremendously increased employee participation since September, when this same question had been answered. The suggestion of using the addressograph as a means of expediting delivery was frequently made.

Before the coal miners returned to work there were 10 or 12 hot protests against John L. Lewis' stand. These letters usually stated that the writer would buy no more Bonds until the Government forced settlement of the strike.

Outstanding among the many suggestions to further Bond sales was the idea of a smaller Bond, usually a \$10 denomination suitable as a gift or purchase by school children, etc.

The total number of complaints from War Department employees is up, rather than down, so that there seems no improvement in the situation existing there. Last

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Memorandum for the Secretary.

May 7, 1943.

week we had 60 complaints, this week there have been 70.

The tax mail was surprisingly small, with about 20 endorsements of some sort of pay-as-you-go plan, about half of these disapproving any type of forgiveness, and perhaps 2 or 3 protests against a 20% withholding tax. There were several sharp criticisms of the inflexibility of the Tax Certificates.

Dissatisfaction with Salary Stabilization Regulations brought an occasional protest. There was less interest in the International Stabilization Fund, and the Report of the Committee on Intergovernmental Fiscal Relations.

Mail forwarded from the White House also fell off during the month of April. There were 624 pieces received in all -- considerably less than the heaviest April, that of 1938 when 973 were received. In 1940, however, we had only 266, and other years have had between 450 and 500. Of the 624 received last month, 230 were rerouted, and 352 acknowledged. The former figure represents almost entirely Bond sales suggestions, requests for congratulatory telegrams, etc. Tax matters ran a modest second to these, and the letters were largely acknowledged and then passed on.

H. C. Farber

General Comments

Stephen Stanton Myrick, Inglewood, Calif. The undersigned and wife cordially approve a world currency, as also some kind of a Federation of the World. Please accept our thanks for your very concrete thinking toward such goals.

Moses E. Smith, Superintendent, U. S. Mint, Denver, Colo. Your radio broadcast from Cedar Rapids was very human and impressive. May I congratulate you.

David Levy, Young and Rubicam, Inc., N.Y.C. Now that I am back in New York, I want you to know what a pleasure it was to meet you and to work with you. I speak also for the members of the staff of "We, the People" who participated in the Cedar Rapids broadcast. On every side, we've heard favorable comments about the program and particularly the manner in which you handled a difficult assignment. All of us were deeply impressed with your cooperative spirit, your kindness and above all with your sincerity. And I do hope I will have the pleasure of working with you again. With kind personal regards.

Paul M. Deac, President, Americans-All, Penobscot Building, Detroit, Mich. The German-American Central Organization of Michigan, Inc., is offering a standard field ambulance to the U. S. Armed Forces. Inasmuch as Americans-All has handled similar arrangements for other nationality groups in the past, the German-American Central Organization of Michigan, Inc., has asked us to extend them the same courtesy. Therefore, may we request that in pursuance of the Second War Powers Act, the enclosed manager's check of \$1,607.02 be transmitted at once to the War Department in payment of the ambulance which is to be displayed Sunday, May 16, in Detroit in the American-All parade and rally in celebration of "I am An American Day".

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Wasil Bowanko, Waterbury, Conn. I am herewith enclosing a Money Order in the sum of one hundred dollars, payable to your order, which sum is to be considered a gift to the U. S. Government, and which is to be applied to such War purposes in which the Government is engaged as you deem advisable. I am making this gift to the U. S. Government in appreciation of citizenship which has recently been conferred upon me, and for the many privileges which this country has given me while I have lived here. In the meantime, I shall continue my purchase of War Bonds to the utmost of my financial ability.

C. F. Hummel, Secretary-Treasurer, Washington Bankers Association, Wenatchee, Washington. The banks of North Central Washington are seriously alarmed over the threatened elimination of the Regional Agricultural Credit Corporation from the fruit financing program of this district. A special meeting of the bankers of this area was called in Wenatchee on April 29, for the purpose of discussing the situation. * * * The bankers of this district recognize that the present orchard financing plan has been of inestimable benefit to the fruit industry in North Central Washington District, and urge that it be continued with Federal funds. It is hoped, however, that by the time the existing program expires in 1946, the growers will be in a position to finance their operations independent of Governmental aid. But until that time, we ask your assistance in maintaining the present plan of the U. S. Department of Agriculture now in operation for grower financing.

Herbert W. Haldenstein, Wolf & Kohn, Counselors at Law, N.Y.C. Since April 9 the Wage and Hour Division, acting as agent for the National War Labor Board in the New York Region, has refused to pass upon applications filed on NWLB Form 1. The Salary Stabilization Unit of the Treasury Department for the New York Region is now also "frozen". The New York Regional Board of the National War Labor Board is partially "frozen". No regulations have been issued explaining what merit or

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reclassification increases or changes in compensation within a wage or salary range are permissible under the President's Order of April 8. In almost all cases decisions are not rendered by the National War Labor Board for a period varying from one month to five months. The Salary Stabilization Unit of the Treasury Department was, until the recent "freeze" order, practically up-to-date and acted promptly. Consequently, employers have been left in a state of confusion and bewilderment. Since the penalties for error in salary or wage changes are severe, even though the errors are made in good faith, and since it is impossible in most cases to obtain formal, written advice or rulings, I respectfully urge that steps be taken promptly to remedy this unfair situation, to arrange for prompter decisions, and to eliminate the necessity of referring simple, non-contested cases to Washington, and to expand the authority of the Treasury Department and thereby relieve the National War Labor Board.

Herlov Jorgensen, Somewhere in the Atlantic. I am a Radio Operator in the Merchant Marine, and had the pleasure to listen to your speech on the opening of the Second War Loan drive. It was a most inspiring speech, the best of them all, and when you had finished, I am sure that many, like myself, decided to put forth all conceivable effort. * * * I am on board an oil tanker, belonging to the Atlantic Refining Co. of Philadelphia, sailing under Panama flag. I am a Danish citizen, but have my application in Washington for a visa to the United States, and it is my intention to stay over here after the war. * * * There are many men in similar situations, sailing for the U. S. Maritime Commission. * * * Immediately after the United States declared war, several of us officers aboard (6 or 7 out of 9), made a request to our company to buy War Bonds. The orders were for \$50 - \$100 Bonds for each of us per month. Our Captain received the reply, however, that the company could not fulfill

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our wish as War Bonds could only be sold to people having legal residence in the United States or its possessions. Not until I heard your speech did I realize that you are the man who can change these rules. We have many nationalities here, but the majority are Americans. I am certain that if we, the officers, begin to buy War Bonds, the whole bunch of sailors here, Americans or not, will buy Bonds. Sailors make good money nowadays, and some (too many) of the young men just spend it for useless things. Once the example is set from the top, I am positive that every one will order his monthly War Bond. Trusting that you will take up this matter immediately, I remain yours -- for victory sailing.

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Favorable Comments on Bonds

Miss Edith R. Markley, Philadelphia, Pa. This letter is written you in the hope that you will give some publicity to the Series G War Bonds. * * * Numbers of women, whom I do not know, have asked me at the Saving Fund, and other places, about investing in War Bonds, and they know nothing of the Series G. I have taken several such women to the counter at the Saving Fund and told the man there to explain about the Series G on which the owner receives the interest semi-annually. Even men at the counter for the sale of War Bonds do not know that in the event of the death of the owner, the full amount may be redeemed if notice of death is given within four months of date of death. I feel sure you would sell more Bonds if older people knew of the Series G War Bonds. Always I hear the statement that when the Bonds are redeemed, the owner will receive 25% more than was invested. That is o.k. for those employed.

H. V. Nocton, Captain, War Bond Committee, The Newburgh-Beacon News, Newburgh, N.Y. Please be informed that the employees of the Newburgh News set a goal of 150 extra Bonds in the Second War Loan Drive. We are happy to inform you that we purchased 171 extra Bonds during this drive, thereby qualifying for three jeeps.

Sidney Weil, Cincinnati, Ohio. May I congratulate you upon the simplicity and marvelous effectiveness of the contents of the Worker's Kit prepared for use in the Second Loan Drive? It made any ordinary person into an efficient order taker. * * *

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Unfavorable Comments on Bonds

Evelyn Gould, N.Y.C. * * * I bought a \$25 Bond (and so did 2 of my friends) as the entry fee for viewing the captured Jap sub touring New York City; but I received no receipt of any kind for the \$18.75 which I gave over to the person transacting the sale. Now, it isn't the \$18.75 that I'm worried about, but hearing the remarks of many people around me, "What, to lay down \$18.75 without even a receipt?". It seems to me that with so much paper printed these days, any 2-inch piece of paper would do to inspire confidence in the authenticity of the sale.

Beth M. McArthur, Second Officer, W.A.A.C., Assistant Recruiting Officer, Portland Armed Forces Induction District, Portland, Maine. * * * I think it is reflecting gravely on the Government that men and women in the service must wait so long for their Bonds. I have had the following deductions from my pay: (Lists Sept. through April) In these eight months I have not received one Bond, or one receipt, or one word from the Treasury Department. In voicing my opinion, I speak not only for myself, but for many others who have had the same experience.

Eugene B. Troy, Lemoore, Calif. I am vox populi. Your payroll deduction plan for selling Bonds was a stroke of genius. Unfortunately, the administration thereof seems to be in the hands of morons. Together with other civil employees of the War Department, I am still waiting for Bonds paid for last June. Our local finance office assures us the delay is in your City of Washington. Personally, Henry, I must allow a great admiration for you -- and I'm an un-reconstructed rebel!

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Alice G. Merrill, Cambridge, Mass. I think I speak for the majority of New Englanders when I say we resent your criticism of recent date concerning our War spirit and the buying of Bonds. I am enclosing an item from the Boston Herald which will disprove your allegations. Incidentally, we could (and justifiably) show our resentment at the discrimination practiced against us on fuel, gas, meat, etc., but apparently our background forbids such pettiness on our part. If you recall, it was the ancestors of the people of New England who settled this country of ours, consequently, we inherit the ability to make sacrifices, particularly when our Government is in jeopardy. Can you say the same for your ancestors?

Stanley V. Modell, Signal Corps Inspector, San Francisco, Calif. Since the War Savings Bonds, Series E, are issued from your office, and bear the signature of the Secretary of the Treasury, I am bringing the matter directly to your attention, in the hope your office can and will expedite the delivery of War Savings Bonds due me by virtue of payroll deductions started August 15, 1942, and ending December 31, 1942. * * * I shall expect a reply to this letter with some information as to when I will receive these Bonds. I shall further expect a refund of \$300.00 if the Bonds cannot be delivered before I die, for I may like to get some use of this money, or I may want to go to a local bank and purchase the Bonds there. I am sure I could have them in 5 minutes, where the Treasury Department cannot give them to me in 5 months. I may add that I have receipts from local office to which I am attached for all deductions made and signed by the Bond Officer.

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Favorable Comment on Taxation

James A. Lawrence, Jr., Bronx, N.Y.C. Permit me to congratulate you in regard to your stand against the Ruml Plan. It is certainly too bad that even real Americans in our National Government have not the far-seeing mentality to see the ill effects of such a program. I applaud the President's stand behind you in your effort to forestall this movement.

Unfavorable Comments on Taxation

S. E. Hallagan, Captain, U.S. Army Air Corps, Fort Myers, Fla. I'm appealing, not for a reduction in taxes, but for a more simplified method of paying them. The forms are so complicated and involved that an ordinary citizen like myself, and I know of hundreds of us who want to pay our share, throw up our hands in disgust, saying, "The hell with it!" That's not the spirit and we know it, but your complicated forms are making us all dishonest because we don't understand them. * * * So here's to you -- to throw those "slide rule" boys out you've got around you and inject a little common sense in the program.

Congressman Ed. V. Izac (California) forwards a letter he has received from George H. Stone, Attorney at Law, San Diego, California, which reads as follows: "I am mad and I wondered if you could help relieve me. I have just learned that Tax Anticipation Bonds purchased in my name with my earnings will be received by the Internal Revenue Department in payment of my tax only, and not that of my wife whose sole income is also from my earnings. Further, that of the Bonds I purchased to pay the 1942 tax, only one-half of them can be used for payment of my tax, and the other one-half has to be cashed without interest, and one of the

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Bonds has two year's interest. This is a very silly and unreasonable and not understandable situation and one of the very many Government kinks that are nevertheless very irritating. Inquiry at the bank informs me that many others are having this same trouble, so much so that the bank is urging people not to buy those Bonds any more. * * * "

Len Bulson, Stevens Point, Wis. I did not believe we would get mixed up in this war, but when we did get mixed into it, I started buying a \$50 War Bond every month, that is a little more than 10% of my earnings, but when it looked as though they were going to skip a year's taxes, I felt like a coward buying Bonds, so I quit. It just does not make sense to sell Bonds and forgive taxes. It is all right for those people who can make the swag during the war and skedaddle to some other country after the war. I have no complaint if they forgive those who had an income smaller than I. But I will buy no more Bonds to save myself and those with larger incomes from paying taxes. It sounds too much like that 1928 stuff that we will travel steadily onward to greater and greater prosperity.

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

May 7, 1943

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended April 26, 1943, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

Aut. E. M. B.

Kna: 5/8/43

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P
YFEDERAL RESERVE BANK
OF NEW YORK

May 6, 1943

CONFIDENTIALDear Mr. Secretary: Attention: Mr. H. D. White

I am enclosing our compilation for the week ended April 26, 1943, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knobe

L. W. Knobe.
Vice President.

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

Enclosure

copy:km:5/8/43

PERIOD	BASE OF HONOLULU (HAWAIIAN GOVERNMENT)								BASE OF STAMPA				
	Total Debits	DEBITS			Total Credits	CREDITS			Net Incr. (+) or Decr. (-) in \$ Funds (d)	Total Debits (e)	Total Credits (e)	Net Incr. (+) or Decr. (-) in \$ Funds (d)	
		Gov't Expenditures (a)	Transfers to Official Canadian Account	Other Debits		Proposals for Sale of Securities (official) (b)	Transfers from Official Australian Account	Other Credits (c)					
First year of war (a)	1,793.2	805.6	20.9	1,166.7	1,828.2	1,356.1	52.0	3.9	416.2	+ 35.0	866.3(f)	1,095.3(g)	+299.0
Year period through December, 1940	2,782.3	1,425.6	20.9	1,335.8	2,793.1	2,109.5	108.0	14.5	561.1	+ 10.8	878.3	1,098.4	+220.1
Second year of war (h)	2,203.0	1,792.2	3.4	407.4	2,189.8	1,293.7	274.0	16.7	705.4	- 13.2	38.9	8.8	- 30.1
Third year of war (i)	1,235.6	904.8	7.7	223.1	1,361.5	21.8	5.5	57.4	1,276.8	+125.9	18.5	4.4	- 14.1
1942													
Sept. 1 - Sept. 30	56.1	37.3	-	19.0	81.6	-	0.5	20.5	60.6	+ 25.5	10.1	0.4	- 9.7
Oct. 1 - Oct. 31	46.7	27.4	-	19.3	57.5	-	-	12.0	45.5	+ 10.8	-	0.3	+ 0.3
Nov. 1 - Nov. 30	56.6	35.5	-	61.1	83.7	-	-	5.5	78.2	- 12.9	0.2	0.3	+ 0.1
Dec. 1 - Dec. 31	30.4	13.3	-	17.1	51.9	-	-	8.0	43.9	+ 21.5	-	-	-
1941													
Jan. 1 - Jan. 31	168.6	20.9	125.0	22.7	58.9	-	-	8.0	50.9	-109.7	-	-	-
Feb. 1 - Feb. 28	87.2	17.8	37.7	31.7	120.8	-	-	15.0	105.8	+ 33.6	-	-	-
Mar. 1 - Mar. 31	35.3	12.9	-	22.4	64.4	-	-	5.0	59.4	+ 29.1	-	-	-
Apr. 1 - Apr. 28	37.0	16.3	-	20.7	87.4	-	-	15.1	72.3	+ 50.4	-	-	-
TOTAL REPORT:													
Apr. 7	12.3	3.3	-	9.0	30.8	-	-	-	30.8	+ 18.5	-	-	-
14	6.6	2.3	-	4.3	33.0	-	-	13.0	20.0	+ 26.4	-	-	-
21	5.8	2.3	-	3.5	9.0	-	-	2.1	6.9	+ 3.2	-	-	-
28	12.3	8.4	-	3.9	14.6(j)	-	-	-	14.6(j)	+ 2.3	-	-	-

Average Weekly Expenditures Since Outbreak of War
 France (through June 19, 1940) \$19.6 million

England (through June 19, 1940) \$27.6 million
 England (June 20, 1940 to March 12, 1941) \$54.9 million
 England (since March 12, 1941) 22.9 million

See attached sheet for footnotes.

- [REDACTED]
- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
 - (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
 - (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts.
 - (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
 - (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
 - (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
 - (g) For monthly breakdown see tabulations prior to April 23, 1941.
 - (h) For monthly breakdown see tabulations prior to October 8, 1941.
 - (i) For monthly breakdown see tabulations prior to October 14, 1942.
 - (j) Includes \$6.1 million deposited by British Ministry of Supply, \$1.4 million transferred from New York accounts of British authorized banks, and \$1.0 million held for credit of U. S. Navy abroad.

STATEMENTS OF CANADIAN AND AUSTRALIAN ACCOUNTS
(In Millions of Dollars)

Week Ended April 28, 1943

Strictly
Confidential

PERIOD	BANK OF CANADA (and Canadian Government)								COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)							
	DEBITS				CREDITS				DEBITS				CREDITS			
	Total Debits	Transfers to Official British A/C	Others Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C		Other Credits	Net Incr. (+) or Decr. (-) in \$ Funds(d)	Total Debits	Transfers to Official British A/C	Others Debits	Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in \$ Funds(d)
First year of war (a)	323.0	16.6	306.4	504.7	112.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9
War period through December, 1940	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+ 230.2	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5
Second year of war(b)	460.4	-	460.4	462.0	246.2	3.4	121.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 9.0
Third year of war (c)	525.8	0.3	525.5	566.3	198.6	7.7	-	360.0	+ 40.5	107.2	57.4	49.8	112.2	17.2	95.0	- 5.0
1942																
Sept. 3 - Sept. 30	46.3	-	46.3	53.6	13.2	-	-	40.4	+ 7.3	28.0	20.5	7.5	18.1	-	18.1	- 9.9
Oct. 1 - Oct. 28	44.9	-	44.9	51.5	16.6	-	-	34.9	+ 6.6	14.3	12.0	2.3	14.6	-	14.6	+ 0.3
Oct. 29 - Dec. 2	56.5	-	56.5	80.8	14.4	-	-	66.4	+ 24.3	10.2	5.5	4.7	9.4	-	9.4	- 0.8
Dec. 3 - Dec. 30	48.2	-	48.2	43.9	2.9	-	-	41.0	- 4.3	14.1	8.0	6.1	11.7	-	11.7	- 2.4
1943																
Dec. 31 - Feb. 3	52.5	-	52.5	217.1	-	125.0	-	92.1	+ 164.6	16.2	8.0	8.2	17.3	-	17.3	+ 1.1
Feb. 4 - Mar. 3	35.1	-	35.1	101.2	-	77.7	-	63.5	+ 66.1	15.9	15.0	0.9	16.0	-	16.0	+ 0.1
Mar. 4 - Mar. 31	36.2	-	36.2	51.6	-	-	-	51.6	+ 15.4	7.1	5.0	2.1	6.7	-	6.7	- 0.4
Apr. 1 - Apr. 28	29.0	-	29.0	39.6	-	-	-	39.6	+ 10.6	16.4	15.1	1.3	19.3	-	19.3	+ 2.0
MONTH ENDING:																
Apr. 7	9.7	-	9.7	12.1	-	-	-	12.1	+ 2.4	1.2	-	1.2	15.1	-	15.1	+ 14.1
14	2.6	-	2.6	12.0	-	-	-	12.0	+ 9.4	13.0	13.0	-	3.5	-	3.5	- 9.5
21	10.6	-	10.6	11.5	-	-	-	11.5	+ 0.9	2.1	2.1	-	0.1	-	0.1	- 1.8
28	6.1(e)	-	6.1(f)	4.0(d)	-	-	-	4.0(f)	- 2.1	0.1	-	0.1	0.2	-	0.2	+ 0.1

Annual Expenditures.

First year of war	6.2 million.
Second year of war	8.9 million.
Third year of war	10.1 million.
Fourth year of war (through April 28, 1943)	8.6 million.

- (a) For monthly breakdown see tabulations prior to April 23, 1941.
 (b) For monthly breakdown see tabulations prior to October 8, 1941.
 (c) For monthly breakdown see tabulations prior to October 14, 1942.
 (d) Reflects changes in all dollar holdings payable on demand or maturing in one year.
 (e) Does not reflect transactions in short term U. S. securities.
 (f) Includes \$ 2.1 million deposited by War Supplies, Ltd.
 (g) Includes \$1.8 million transferred to New York account of Canadian bank for account of Canadian National Railway Co.

NOT TO BE RE-TRANSMITTED

TREASURY DEPARTMENT

9:55 AM 8 AM 11 29

OFFICE OF THE SECRETARY OF THE TREASURY

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRETOPTTEL NO. 149

Information received up to 7 a.m., 7th May, 1945.

1. NAVAL

Russian warships have sunk a transport and trawler in the BARCELONA SEA. On 22nd, one of H.M. Submarines sank a schooner off N.W. SICILY and on 27th torpedoed a 6,000 ton outward bound ship off PALERMO. No more ships in the outward Atlantic convoy have been reported sunk or damaged. There were 24 attempted attacks during the night 5th/6th, all of which were beaten off and 5 U-boats claimed sunk by escorts. Total ships sunk now 7 and 2 abandoned.

2. MILITARY

TUNISIA. To 7 p.m. 6th. 8th Army. Strong enemy positions were located south of SAOUAF and the area astride the ENPIDAVILLE-SAOUAF road is reported heavily mined. In the coastal sector, there was increased enemy artillery activity.

French 19th Corps. The enemy has heavily mined the area west and southwest of PONT DU FANS during the past few nights. Although he is noticeably thin on the ground here, the enemy is holding well-sited positions. A French attack towards ZAGHOUAN on 6th is making progress against stiff opposition.

Central Sector. On the 5th U.K. forces preceded by an intense air and artillery bombardment attacked the DJEBEL BOU AOUKAZ feature at 5 p.m.; by last light, all objectives had been secured and 30 prisoners were taken. Enemy M.T. north of the feature were successfully engaged by our artillery and aircraft. At 3 a.m. on 6th U.K. 9th Corps with Fourth Indian Division on left and 200th British Division on right, strongly supported by air attacked north-eastwards from MEDJEZ EL BAB area. By 10:30 a.m. the first infantry objectives were reported captured. 6th and 7th U.K. Armoured Divisions were later passed through and by 3 p.m. were within 2 miles of MASSICAUT. Enemy movement southwards through TEBOURBA was shelled. Considerable enemy M.T. was reported moving southwards down the DJEBELDA-ST. CYPRIAN road. Enemy has suffered heavy casualties and many prisoners taken.

Northern Sector. On the 5th the high ground north and south of LAKE ACHKEL was cleared and about 250 prisoners taken. Stiffer resistance was met east of MATFUR. Further south several enemy counter attacks were repulsed and about 50 prisoners taken. 6th. U.S. forces are now 4 miles east of MATEUR, but further south are meeting stronger opposition. They have advanced to within 3 miles of CHOUGLIL. The advance along the north shore of LAKE ACHKEL continued.

3. AIR OPERATIONS

WESTERN FRONT. 6th. Mustangs damaged 3 A/A ships north of TEXEL.

TUNISIA. 4th/5th. 35 Wellingtons bombed TUNIS.

SICILIAN CHANNEL. 5th. 273 escorted fighter-bomber sorties were flown against shipping. One stationary merchantman was set on fire and another hit.

BURMA. 4th. U.S. Liberators effectively attacked railway and other objectives at TOUNGOO.

May 8, 1943

Mr. Fred B. Smith

Miss Marjorie L. Spriggs

Confirming my telephone conversation with your secretary this afternoon, we have received the following information from Mr. Ferdinand Kuhn of the Office of War Information, Overseas Bureau:

The portion of Secretary Morgenthau's speech with reference to the spirit on the home front here in America was short-waved in all major languages -- English, French, Italian, Spanish, Portuguese and German.

The program was probably not used by medium wave from London. Mr. Kuhn has had no definite report on this but assumes that it was not used.

MAY 8 1943

Dear Dave:

Well, you've done it again.

I have had several good reports about the speech last Thursday, and I think I can lay much of the success to your direction. I hope I can count on your help when the next drive comes along and I am elected again to go on the air.

I would appreciate it if you would send me the names and addresses of the men you brought along. I should like to thank them for their contribution and for taking the trouble to answer this emergency call.

Sincerely yours,

Mr. David Levy
Young & Rubicam, Inc.
285 Madison Avenue
New York, New York

Copies in Diary

Initialed copy to Smith

FS:cf
5-7-43

MAY 8 1943

Dear Mr. Smith:

I want you to know that you have my deepest appreciation for the way in which you answered Mr. Stammer's call and rounded up a radio group for us Thursday. You have earned the gratitude of all of us.

I realize fully that such a casting job is not normally done in so short a time, but the men whom you sent were able to put something into the speech which took it out of the category of simply a Washington pronouncement. I think it greatly increased the effectiveness of the message.

Sincerely yours,

(Signed) H. Mergenthaler, Jr.

Mr. Adrian Smith
MARCH OF TIME
Time, Inc.
Time and Life Building
New York, New York

Copies in Diary

Initialed copy to Smith

FS:af
5-7-43

MAY 8 1943

Dear Don:

I want to thank you for your enthusiastic assistance in connection with my radio speech last Thursday.

The reports that are coming in indicate that the speech was quite successful, and in no small measure this is due to your quick work on the telephone, and the cooperation you were able to get from the radio men in New York.

Some time soon I should like to sit down with you and discuss our entire radio operation, particularly as it involves cooperation with the Office of War Information. With such help as you gave me last week I certainly have no complaint to make. On the other hand, before we launch any new drives, we ought to carefully look over everything that can contribute to smoother operations and success.

Sincerely yours,

Mr. Donald D. Stauffer
Chief, Domestic Radio Bureau
Office of War Information
Room 3114
Railroad Retirement Building
Washington, D. C.

File in Diary

Initialed cc to Smith

FS:cf
5-7-43

Secretary Morgenthau

Fred Smith

Stauffer has suggested that we discuss the radio problem, particularly where it involves cooperation by the OWI. He believes he can be of great assistance, and that there are many needless complications to our picture here. I think it would be a good thing to do while we are reviewing our own radio problems.

FSief
5-7-43

MAY 8 1943

Dear Mr. Rubicam:

Fred Smith has told me how generously and promptly you responded to my request through him to make his services available to me on a full-time basis for a period of six months. He has been very helpful to me over the past few weeks and I know he will continue to be. I would not of course have felt justified in asking you to give him up to me if I had not considered what he has done and will do a real and important contribution to the war effort, and I know that it is on that basis that you have been willing to release him.

I want you to know how deeply I appreciate your action and to convey my very sincere thanks. It adds one more substantial item to the fine war service your agency and you personally have been giving to the Government.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Raymond Rubicam,
Young and Rubicam, Inc.,
285 Madison Avenue,
New York, N. Y.

Copies in Diary
Initialed cc to Gaston

MAY 8 1943

Dear Mr. Whipple:

I want to thank you, as President of the Investment Bankers Association of America, and your members for the fine cooperation and help that you gave to us in making the Second War Loan Drive the greatest single financing operation in all history.

We have had much evidence that the securities industry patriotically set to work on the task of attaining our goal with energy and enthusiasm, both in organization and education of workers and solicitation of investors.

I am sure that the Treasury can count on your continued cooperation and help in future drives, for which I am most appreciative.

Sincerely,

Mr. J. E. Whipple
President, Investment Bankers
Association of America
195 South LaSalle Street
Chicago, Illinois

REHobbs:deb 5/7/43

MAY 8 1943

Dear George:

The totals attained in the Second War Loan Drive clearly indicate the tremendous energy and enthusiasm with which the great army of volunteer workers accomplished the greatest single financing operation in all history. I want to thank you, the Chairman of the Life Insurance Coordinating Committee, for the help given by the life insurance industry.

We have had such evidence that life underwriters throughout the country gave unselfishly of their time and talents as workers for the United States Treasury War Finance Committee to make the Drive the great success that it was.

We know that the Treasury can count on your continued cooperation and help in future drives, and both are very much appreciated.

Sincerely,

Mr. George L. Harrison
Chairman, Life Insurance
Coordinating Committee
51 Madison Avenue
New York, New York

RBHobbs:deb 5/7/43

5/8/43

Dear Harriner:

All of us here in the Treasury are delighted with the results of the Second War Loan Drive. Much of the success of the Drive was due to your counsel and guidance and I want to thank you personally, the Board, and the entire Federal Reserve System, for your cooperation.

I am sure you will agree, however, that there is much yet to be done in broadening distribution among individuals who are benefiting from the increase in war activities. Future campaigns will require all the energy and ingenuity that we can muster in order to reach the objectives you and I know are important.

I know I can count on your continued cooperation.

Sincerely,

Honorable Harriner S. Eccles,
Chairman, Board of Governors
of the Federal Reserve System
Washington, D. C.

GBuffington:dwb
5/7/43

MAY 8 1943

Dear Mr. Hemingway:

Now that the final figures for the Second War Loan Drive have been computed, we know that the American people have accomplished by far the greatest single financing operation of all time. I want to thank you, the President of the American Bankers Association, for the fine cooperation given the Treasury.

The bankers of the nation played a large part in the successful First War Loan Drive, and the results attained in the Second War Loan Drive clearly indicate that the bankers entered with even greater energy and enthusiasm their task of making this Drive the success that it was.

I know that we can continue to count on the fine cooperation of the American Bankers Association and its member banks, for which we are most appreciative.

Sincerely,

Mr. W. L. Hemingway
President, American Bankers
Association
Mercantile-Commerce Bank & Trust Co.
St. Louis, Missouri

REHobbs:deb

THE AMERICAN BANKERS ASSOCIATION
OFFICE OF THE PRESIDENT

MERCANTILE-COMMERCE BANK AND TRUST CO.
ST. LOUIS, MISSOURI

W. L. HEMINGWAY
PRESIDENT

May 10, 1943

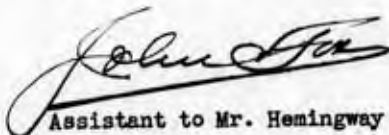
Hon. Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.

Dear Mr. Secretary:

This will acknowledge receipt of your letter
mailed on May 8 to Mr. Hemingway.

He is at the present time in Mexico, where
he addressed the Mexican Bankers Association in Chihuahua
last week. We do not expect him back in Saint Louis before
the end of the month, but you may sure that your letter will
be placed before him on his return.

Very truly yours,


Assistant to Mr. Hemingway



THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

May 7, 1943

MEMORANDUM TO THE SECRETARY:

I believe the attached letters for your signature to Marriner Eccles, George Harrison, Mr. Whipple and Mr. Hemingway are the only ones that you need to send out at this time. I thought at first that you might send one to each of the Presidents of the Federal Reserve Banks, but your wire of last Saturday thanked them and their workers for their cooperation and assistance in the Second War Loan Drive.

swB



W/S
175

May 8, 1943

TO: HAROLD N. GRAVES
SUBJECT: WEEKLY REPORT FROM WAR SAVINGS STAFF

NATIONAL ORGANIZATIONS DIVISION

Labor Section

At a luncheon April 28 for business representatives of the Building Trades Unions in Cook, Lake and DuPage Counties, Illinois, admission to which was gained by the purchase of a War Bond, total War Bond sales were \$105,500.

The Teamsters' Unions of Chicago are sponsoring a War Bond drive which will terminate May 30. The goal is \$250,000 in Bond purchases by local union treasuries.

Independent Teamsters Local 705 of Chicago (one of the few independent unions of teamsters in the country) with a membership of almost 6,000, has recently received a \$5.00 per week wage increase retroactive to January 1. The union is campaigning for members to invest a substantial part of their back pay in War Bonds.

W/S
EA 5/12

NATIONAL ORGANIZATIONS DIVISIONLabor Section (Continued)

At a luncheon on April 30, member unions of the Central Trades and Labor Council of New Orleans invested \$198,250 in Second War Loan securities.

The employees of the Delta Shipyards of New Orleans have to date invested over \$6,000,000 in Payroll Savings. On April 1, the average weekly deduction was \$145,000. As a result of a drive by the Central Trades and Labor Council, it is now \$200,000.

Employees in the Higgins Industries, who have purchased \$3,000,000 in War Bonds to date, brought their weekly average from \$50,000 to \$80,000 during April and now are investing 13% of total pay in War Bonds.

The Georgia Federation of Labor has unanimously endorsed the building of a Liberty Ship in a Georgia shipyard by Georgia labor, to be financed by American Federation of Labor unions and their members through the purchase of \$2,500,000 of War Bonds.

A recently completed analysis of the Payroll Savings records of CIO shipyard workers will be used as a basis for a union drive to increase Payroll Savings allotments of its members.

The Amalgamated Clothing Workers of America invested \$500,000 in Treasury securities during the April drive. Purchases by various locals and joint boards brought the total to \$1,783,817. In addition, the Amalgamated Bank of New York and the Amalgamated

NATIONAL ORGANIZATIONS DIVISION

Labor Section (Continued)

Trust and Savings Bank of Chicago, affiliated institutions, purchased \$3,000,000 and \$1,000,000 of Bonds, respectively.

United Automobile, Aircraft, and Agricultural Implement Workers of America (CIO) invested \$50,000 in Treasury securities during the April drive. As of April 30, Local Unions of this organization had invested approximately \$2,000,000 in Second War Loan Bonds.

Textile Workers Union of America (CIO) purchased \$121,074 worth of Bonds during the April drive, while Local Unions invested \$125,000.

Of the Elgin, Joliet, and Eastern Railroad's 6,096 employees, 88% were participating to the extent of 9.74 of gross payroll on March 31.

Payroll Savings on the Illinois Central System for the month of February showed 73.2% participation and 4% deductions from gross payroll.

The Colorado and Southern Railway Company's March Payroll Savings report shows deductions from gross payroll of 8.4%.

Business and Trade Association Section

Eighteen member firms of the Toilet Goods Manufacturers Association invested \$1,396,500 in Second War Loan securities during April.

NATIONAL ORGANIZATIONS DIVISION

Business and Trade Association Section (Continued)

Nine member firms of the Lead Industries Association invested \$9,032,725 in Second War Loan securities.

The National Confectioners Association is developing a plan for a nation-wide War Bond program in the confectionery industry. The plan will probably include the promotion of "Candy War Bond Auctions" at various distributing points throughout the country, at which jobbers will bid in War Bonds for "ex-quota candy". Candy auctions held in Chicago on April 16 and in St. Louis on April 19 resulted in sales of \$370,000 and \$257,000, respectively.

Nine members of the Northern Hemlock and Hardwood Association, operating in Wisconsin and the Upper Peninsula of Michigan, invested \$324,125 in Second War Loan securities.

Foreign Origin Section

The Office of War Information has asked the Foreign Origin Section to cooperate in the program for United Nations' Day (Flag Day) on June 14. Plans for enlisting the support of foreign origin groups in the Flag Day program are being developed.

Plans for celebration of "I Am An American Day" have been completed through this Section for Los Angeles, San Francisco, Seattle, Portland and Dallas. Similar programs for many other large cities are being developed.

NATIONAL ORGANIZATIONS DIVISION (Continued)

Fraternal Section

Incomplete returns, as of May 4, show that the Knights of Columbus \$25,000,000 War Bond Campaign went over its quota by \$6,000,000, representing a per capita sale to the 400,000 members of approximately \$77.50.

During July, B'nai B'rith District #2, which covers the North Central States, will inaugurate a \$12,000,000 War Bond campaign.

Inter-Racial Section

A mass meeting was held on April 20 at the Negro Public School Auditorium in Newport News to present an award of merit to the employees (mostly Negro) of the Newport News Shipbuilding and Drydock Company, in recognition of their record of 95% participation in Payroll Savings and 9% of gross payroll invested. Governor F. W. Dowden, of Virginia, presented the award. The principal speaker at the ceremony was a representative from the inter-racial section.

FIELD DIVISION

Women's Section

As the result of a conference with a representative of this Section, the Garden Club of America in New York is mimeographing a suggested War Savings program for distribution to member clubs throughout the country.

FIELD DIVISION

Women's Section (Continued)

Material on the progress of the "Outfit The Outfit" program was supplied to the Ladies' Home Journal at their request, for use in the magazine.

Retail Section

Attached outlines are typical retailer cooperation in 8 cities during the Second War Loan Drive. (Attachment #1)

Agricultural Section

Secretary of Agriculture Claude Wickard devoted his regular portion of the National Farm and Home Hour broadcast on April 30 to "A Savings Plan For Post-War Farm Needs." He urged farm people to invest in War Bonds to help finance the war, to help curb inflation, and especially to build reserves with which to buy farm and home equipment and other necessities after the war.

The chairman of the Delaware Agricultural War Savings Staff Committee, who is also a director of the state's Agricultural Extension Service, sent all neighborhood leaders a letter which included "A Message To The American Farmer" by Secretary Morgenthau, and which also urged them to support the War Bond program in their contacts with their neighbors.

The Nebraska AAA chairman, Abner K. Chestem, has written urging all Nebraska AAA committeemen to do everything they can to increase War Bond sales among farm people.

FIELD DIVISION

Agricultural Section (Continued)

Both the Oregon State Administrator and Morton Tompkins, master of the Oregon State Grange, have written 13,000 Grange members in the state suggesting Grange funds be put in Bonds and that members with savings accounts put as much as possible in Bonds.

The National Association of Rural Electrification Cooperatives is developing plans to sponsor a "Buy A Bomber" campaign among member cooperatives.

The American Farm Bureau Federation is urging state farm bureau organizations to cooperate with State Administrators.

The Farm Credit Administration has been sending War Savings literature to its local production credit associations and national farm loan associations for distribution to their borrowers. In most areas both types of associations are issuing agents, and have sold several million dollars worth of Bonds in connection with "Victory Pig" sales and other related activities.

Education Section

Faculty and student representatives of sixteen colleges and universities participated in the War Savings Conference held at the University of Virginia on April 30. Resulting recommendations for cooperation in the War Savings program by colleges will be mimeographed and sent out to other state education committees.

FIELD DIVISION

Education Section (Continued)

In Birmingham, Alabama, April War Savings purchases through the schools totalled \$250,000 -- almost twice the amount purchased from September through March. In Passaic, N.J., the schools bought Bonds to pay for 138 jeeps, which is 1/3 of the school jeep quota for the entire state. With a jeep quota of 113, Kansas schools purchased 1400 jeeps.

A special broadcast of the new War Savings radio script, "There Are No Little Things", was presented recently at one of the general sessions of the Association for Education by Radio.

One-thousand copies of the film-strip, "The Story of Billy Dollar", are being distributed to elementary schools through the Society for Visual Education, Inc. The strip consists of 25 pictures prepared for a 16 mm. machine and designed for classroom use. It is accompanied by a suggested script to be read by the teacher or by pupils, as well as topics for classroom discussion and activities. (Attachment #2)

Motion Pictures and Special Events Section

The Special Events Section furnished the following personalities during the past two weeks: For the "Four Freedoms" show at the Hecht Company, Washington, D. C. -- Anna Kaskas and Lansing Hatfield, Metropolitan Opera stars; Bob Ripley, "Believe It Or Not"; Irving S. Cobb, author; Ted Straeter, orchestra leader;

FIELD DIVISION

Motion Pictures and Special Events Section (Continued)

Col. C. B. Adair, Army Air Forces; Marjorie Gainsworth, singing star; Martin Agronsky and Earl Godwin, news commentators. For "Freedom's Corner" at Gimbel's, Philadelphia, Pa. -- Lucy Monroe, singing star. For War Bond Rally in Austin, Texas - - Anna Lee and Mary Brian, movie stars.

War Bond subjects were carried by Universal, Movietone, and Paramount News this past week.

The Spokane, Washington, broadcast of "Truth or Consequences", booked through this Section, resulted in Bond sales of \$7,518,830.

Attached are Chinese newspapers carrying War Bond advertisements. (Attachment #3)

The Motion Picture Committee for Hollywood is running special War Bond advertisements in many California trade papers. (Attachment #4)

Payroll Savings Section

The attached list of companies have been reported as having achieved the goal of 10% during the past week. (Attachment #5)

Attached is the analysis of exposure to payroll savings plans of April 24, 1943. (Attachment #6)

The Consolidated Steel Corp., Ltd., Shipbuilding Division, Orange, Texas, with approximately 17,000 employees, reports over 18% of gross payroll being invested regularly in War Bonds. A special

FIELD DIVISION

Payroll Savings Section (Continued)

April drive boosted this percentage for the five-week period beginning April 19, 1943, to over 27 $\frac{1}{2}$ % of their gross payroll.

Employees of the Steel Recover Corp., Pittsburgh, who achieved the 90% and 10% goals in February, 1943, now have over 98% participation with 15% of gross payroll being invested in War Bonds.

Every employee of the Missouri Valley Bridge & Iron Company last week invested his entire week's pay in War Bonds. For the past several months these employees have maintained an average of over 14% of gross payroll invested in Payroll Savings.

Field Memoranda

Recent memoranda sent to the field include numbers 599, 600, 601, 602, 603, and 604. (Attachment #7)

Special Activities Section

Vineland, N. J., bought over \$2,000,000 in Second War Loan securities, or \$225 per capita. This is over twice the quota allocated to it for April. Vineland has always oversubscribed its monthly goals. Its plan of War Savings organization has been published by the New Jersey War Savings Staff as a pattern for other cities to follow.

Personal appearances in Brooklyn plants and factories by members of the Brooklyn Dodgers baseball team accounted for more than \$75,000,000 of the \$180,000,000 in War Bonds sold in April in Kings County, New York. The Second War Loan quota for

FIELD DIVISION

Special Activities Section (Continued)

Kings County was \$95,000,000.

The Virginia American Legion and Auxiliary will spearhead the State's June campaign. Every Legion Post in Virginia will be given a June quota.

The Connecticut War Savings Staff has developed an industrial radio quiz broadcast that is conducted among employees in the plants themselves. The plan will this month be adopted throughout the state to stimulate Payroll Savings. The broadcasts entail no expense to the War Savings Staff, as the radio station's cooperation is gratis and the employers meet other expenses, including Stamp and Bond prizes for employees participating.

Bakery workers of New York's local 50, A.F. of L, in the year ending April 15th devoted over a million and a half dollars to Payroll Savings. Last week, when this annual Payroll Savings report was made, the Union voted to set a goal of two million dollars for the next twelve months.

At Kingsport, Tennessee, a War Bond rally on Sunday, April 25, featured the Mutual Broadcasting Company's "Stars & Stripes In Britain" program, which was dedicated to Kingsport on that day. Two local servicemen with our forces in Britain talked to the folks back home at the rally. Approximately \$45,000 in War Bond sales were realized. Mutual's foreign broadcast service is now being offered to State Administrators as a regular

FIELD DIVISION

Special Activities Section (Continued)

Sunday War Bond feature.

RADIO, PRESS AND ADVERTISING DIVISION

Radio Section

Secretary Morgenthau spoke over the CBS network Thursday, May 6th, 10:30 - 10:45 P.M. His message included thanks to the workers in the Second War Loan Drive.

William S. Robbins, Assistant to the Secretary, spoke at the annual meeting of the National Association of Mutual Savings Banks in New York May 6th. His talk, "The Financial Mobilization of America", was broadcast over the NBC network.

War Bond sales amounted to \$11,190,045.00 as a result of the special Treasury Department Concert conducted by Arturo Toscanini on Easter Sunday, April 25th. The manuscript of Toscanini's original arrangement of "The Star Spangled Banner" was offered to the highest bidder in War Bond purchases and went to the purchaser of \$1,000,000 in War Bonds.

Radio Station WBYN, New York City, in conjunction with the Village Barn night club, sold \$100,000 in War Bonds in one evening. Admission was by purchase of War Bonds.

"The Parker Family" admitted a studio audience for the first time April 30th, when the first purchaser of a \$100 War Bond was permitted to select and invite the guests to the broadcast.

RADIO, PRESS AND ADVERTISING DIVISION

Radio Section (Continued)

A three-hour musical fete by ten of radio's top-ranking dance bands was broadcast May 1, over WEAJ in a War Bond Rally in Central Park, New York City.

Advertising Section

Previous estimates of volume of Second War Loan newspaper advertising were too low, as evidenced by tear sheets returned through the Advertising Checking Bureau. It is now clear total lineage will approximate 60,000,000 agate lines, the equivalent of 25,000 full pages of daily newspaper space.

The post-drive "continuing campaign" is increasing daily. On May 6 the New England Newspaper Advertising Executives Association wired that at their meeting this week over half the papers represented had started, or were preparing to start, the 52-week War Bond page selling plan. They stated that there was urgent need for them to be supplied with at least two pages weekly and asked whether or not the Treasury was going to supply them with 2 mats per week. This association includes about one hundred important daily newspapers in the New England area.

Five full-page advertisements and five small newspaper advertisements for May are already out. Future advertisements, featuring Payroll Savings and anticipating the effect on Bond sales of the withholding tax, are now being prepared by the Advertising Council. Some 6,000 daily and weekly newspapers now

RADIO, PRESS AND ADVERTISING DIVISION

Advertising Section (Continued)

carry our regular War Bond advertising.

The American Association of Advertising Agencies has submitted a request for 450 extra copies of the National Advertising Portfolio, to be distributed to their member advertising agencies throughout the country to promote War Bond advertisements under local sponsorship.

Policy-making officials of the Treasury and the War Savings Staff met with research experts in New York during the past week to discuss a proposed research study by Dr. Likert.

As a result of conferences in Washington, the Timken Roller Bearing Company has now scheduled a campaign of twelve full pages in the Saturday Evening Post.

During the week of April 26 we received 99 War Bond mentions and 6 complete ads all together in Collier's, Liberty, Life, Newsweek, New Yorker, Saturday Evening Post, and Time. Attached is a list of the War Bond advertisers and the publications they used. (Attachment #8)

Attached is a color photograph of the War Bond copy painted on trucks of the Kentucky Acres Dairy of Crestwood, Kentucky. (Attachment #9)

Attached are illustrations of posters distributed by the makers of Double Cola. (Attachment #10)

Attached is a copy of a corner single-sheet, 50,000 of

RADIO, PRESS AND ADVERTISING DIVISION

Advertising Section (Continued)

which have been produced for use on outdoor 24-sheet billboard structures. (Attachment #11)

Press Section

Attached is a proof of 24 new features in the "What You Buy With War Bonds" series. These were released to all dailies and mat-using weeklies. (Attachment #12)

Attached is a 20-page edition of the War Savings Staff News, sent to all newspaper editors and publishers, thanking them for their support of the Second War Loan, giving examples of that support, and pointing out that the War Bond publicity samples from other papers might suggest ideas for features for their own publication. (Attachment #13)

A special story was arranged for and carried by the Times Herald, featuring Mrs. Morgenthau's War Stamp table centerpiece.

A round-up statement was prepared for Mr. Harold N. Graves' signature, at the request of OWI, covering the first two years of the War Savings program, for short-wave broadcast.

Material was prepared for a speech by Mr. Graves over the Mutual Network's "Saturday Night Bond Wagon".

A speech was written for Mr. Robbins for a quarter hour broadcast over the National Broadcasting Company network.

Attached are five examples of the use of War Bond mentions on book jackets. (Attachment #14)

RADIO, PRESS AND ADVERTISING DIVISIONPress Section (Continued)

Attached are tear sheets from a recent issue of POPULAR PHOTOGRAPHY promoting War Bonds photographs featuring the "Four Freedoms". (Attachment #15)

The two attached movie magazines carry seven War Bond mentions. (Attachment #16)

The attached issue of RADIO MIRROR carries two "Penny Wise" boxes. (Attachment #17)

The May issue of MADEMOISELLE carries the Mother's Day War Stamp corsage. (Attachment #18)

The May issues of PERSONAL ROMANCES, TRUE EXPERIENCES, TRUE STORY and the April issue of TRUE EXPERIENCES carry ten War Bond mentions. (Attachment #19)

The March issue of LIBERTY carries a one-column article containing War Bond copy and also a cartoon based on the War Bond theme. (Attachment #20)

The April 17 issue of THE SATURDAY EVENING POST carries an editorial stressing the importance of War Bond purchases to combat inflation. (Attachment #21)

The March issue of McCALL'S carries a picture and copy on War Bonds. (Attachment #22)

OFFICE OF THE EXECUTIVE DIRECTORPromotional Research Section

Attached is the analysis of newspapers using the carrier plan as of May 6, 1943. (Attachment #23)

OFFICE OF THE EXECUTIVE DIRECTOR

Promotional Research Section (Continued)

Attached is the analysis of redemptions of all series
E, F, and G Bonds through April 1943. (Attachment #24)

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 8, 1943

TO: Secretary Morgenthau
FROM: Mr. Waldman

"If the Government doesn't really do something soon about rolling back prices there'll be hell to pay. The men want eats for themselves and their families ... at decent prices ...!"

This statement was made by one of the approximately 52 shipyard workers with whom I spoke between May 5 and May 8, in my tour of 13 shipyards in Camden, New Jersey, the metropolitan New York area and Newburgh, New York, and described the feeling of the men (with whom I spoke) in twelve of those sixteen shipyards. The feeling was less vehement in the remaining four shipyards; and least vehement among the shipyard workers of Newburgh, New York.

The main preoccupation among the workers in the three Bethlehem shipyards I visited (one in Hoboken and two in Brooklyn, New York), however, had to do with labor-management relations. These shipyards do work for the Navy and the Maritime Commission.

From what the workers said, relations between management and labor at the Bethlehem yards could not be worse. At all three yards, the workingmen charged that, if management willed, production would be improved tremendously. Following are some statements made by workers in the Bethlehem shipyards:

BETHLEHEM, HOBOKEN (Navy, Maritime and Army)

"Seventy-five men who broke a minor rule were told to lay off work for three days. Sure ... these men should have been punished

but not by laying them off. That's a big waste of man hours."

"The men 'shape-up' every day." (This means that the men report for work every day and may or may not work, depending on which ones are picked out by the foreman to work on that day.) "If a man does not 'shape-up' on any day, then the next day -- when he does 'shape-up' -- he is told by the foreman that he will not get any work for from two to eight days. It does not matter if that day you do not shape-up is a religious holiday -- such as a Jewish holiday or Christmas." "And," commented this man, "how can they expect you to shape-up for a 10-hour day, seven days a week? A man has got to have a day off once every other week or so. Why, they give vacations in the Government, don't they...? The way the Bethlehem Company handles shaping-up it hurts the morale of the workers..."

"The management brings in a lot of young guys as supervisors. We call them 'fugitives from Ft. Dix.' Most of these guys don't know one end of a ship from the other... A man with experience in the shipyards can't get to be a supervisor. Only the management can name supervisors and they bring in a lot of young guys who've got influence... This doesn't help morale either..."

"They don't have any advancement system at Bethlehem. That means you stay what you are when you start in at the yards, no matter how much you learn. You can stay at the same job in the yards for 15 years..."

"There's what we call a bunch of 'Dutchmen' in foremen's jobs. These men are enemy aliens, and the management got to keep them by posting bonds. But the management would not help to keep on

ordinary workers who were enemy aliens, even if they knew they were loyal. This bunch of 'Dutchmen' work as a tight little bunch and play favorites... And they're in charge of the machine shop. If they wanted to they could really do a job of sabotage. As it is, what with their favoritism and going out to a saloon for a drink in the middle of the day -- about which nobody says anything -- they're hurting morale..."

"What it all adds up to is that the management is 100% hostile to labor..."

"Sure we like to buy War Bonds ... to help win the war and to save money ... We buy as many as possible 'irrespective' of the management. But we don't like to buy them through payroll savings at Bethlehem. You got to wait two months or more to get your Bonds through payroll savings at Bethlehem..."

"The company holds onto our dough to collect interest on it..."

"No... that's not it," another man said. "It's because all the payroll savings Bonds at all the Bethlehem yards clear through the home office. That's what takes up all the time..."

"Well ... I don't like to wait two months or more to get my Bonds. I'd rather buy them at the post office..."

(All agreed at this point that, under payroll savings, they would buy more Bonds than if they bought them at the post office or bank.)

At this point one of the men brought up the payroll savings case of the East Coast Shipyards, in Bayonne, New Jersey, (Maritime) where he had worked. This shipyard was known formerly, he said, as the Marine Maintenance Corporation. Said he: "The

president and treasurer of this firm were indicted by the Government and all the company's assets were confiscated. Among these assets were about \$13,000 of payroll savings-War Bond money ... belonging to the men. These men don't know where they stand on their payroll savings Bonds. These Bonds were due from last November... Right now, this yard is building up again but the Bond drive there is sour due to the men not knowing what happened to their \$13,000 in Bond money..."

"After July 1, when they start deducting 20% for income tax the Bond drive is going to suffer. Just look at the way that 20% adds onto deductions for social security, state unemployment, the Bethlehem Company's relief plan ... and then consider the way prices are going ... Where are the men in the lower pay brackets going to find the money to buy Bonds... They won't have money to eat decently and feed their families...!"

The mention by this man of the Bethlehem Company's relief plan touched off considerable comment. It seems that, under this relief plan, the men pay \$1.50 to \$2.00 a month, depending on what they earn. "But," the men complained, "if you pay into the relief plan for 15 years -- or more -- and then get laid off or quit to go to another job you get nothing back. A man must join up in the company's relief plan or get fired: It does not matter that he may have his own policy..."

"No matter what the records say, the production record at this plant could be much better... Ships on which we work are overloaded with men ... not because they are needed but because the Government pays for it... And a man is not 'shaped-up' because

he's had a lot of experience but because the foreman wants him. There's nothing like a seniority method of hiring workers..."

"Speaking of production ... if a man makes a suggestion for speeding up production he doesn't get a pat on the back or anything like that ... he gets fired..."

"The way they work now, the Navy says do it one way, the Army comes in and says do it another and then the Maritime Commission says do it a third way... We spend too much time setting up and tearing down jobs..."

"And this company 'rigs' prices against the Government ... We've got all the facts on this... We went down to Washington and told the Maritime Commission about it but nothing happened... Right now they're charging the Navy \$4,000 for cleaning out two holds. That's just a sweeping job. And they charge \$750 for swinging a gangplank into place. And they charge men's time to the Navy when these men are working on a private job... And, if you don't think all this has an effect, when a Bond drive starts and the men are asked to buy more Bonds ... then you're crazy!"

"And there's another thing," one of the Bethlehem-Hoboken men added, "these Navy inspectors -- they act and talk as though they were working for Bethlehem and not for the Government... Lots of them, besides, don't know bow from stern of a ship...!"

At this point a night-shift worker entered the room and the conversation. He brought up the subject of eating facilities for night-shift workers, of whom there are about 6,000. Said he: "Eating facilities for night-shift workers are terrible. Most restaurants around here are closed at night. Bethlehem has a

restaurant here at the yard but won't keep it open at night -- even though we've gone to the management and told the management that we'll guarantee any and all losses for operating the restaurant at night..."

"What it all amounts to," said the local union official, "is that the management knows it's got us over a barrel. We've got a no-strike pledge in our contract. And we won't strike if there is anything we can do to keep from striking. But, if things keep on as they are, you'll see the biggest wave of strikes you can imagine in the Bethlehem shipyards...!"

BETHLEHEM, BROOKLYN
27th St. and 56th St. Shipyards -- (Navy and Maritime)

There were the same bitter comments, by workers at the two Bethlehem Brooklyn yards, on Bethlehem's "relief plan".

Workers at the 56th Street Bethlehem yards were more vocal than workers at the other two Bethlehem yards on the question of safety precautions -- which they said were very lax. The workers blamed this laxness on the fact that the management did not cooperate with the union committee. Specifically, the workers said that there were not enough lights in the yards, and that men fell down "holds" due to this lack, causing many injuries.

There was also bitter comment by the Bethlehem, Brooklyn workers, on the lack of toilets for the men. The men said that there were only ten "seats" for 4,900 men.

As was true of the Bethlehem, Hoboken workers, the Bethlehem, Brooklyn workers commented on the freedom with which men were laid off for a week's time, for minor omissions: "How come, if our labor in building ships is so needed to help win the war...?"

As at Bethlehem, Hoboken, there is no advancement system at the Bethlehem yards in Brooklyn. This also seems to be a sore point with the Bethlehem, Brooklyn workers -- who also commented on the management's bringing in young, inexperienced men for the best-paying supervisory jobs.

The Bethlehem, Brooklyn workers also complained about the long wait for Bonds bought through the company's payroll savings plan. Again several of the men commented that the company was holding onto their money to use it for its own ends. Two of these men said they had paid up for Bonds in February and got them just the other day. A number of these men said they either had dropped out of the payroll savings plan or were planning to do so, due to this delay.

Though the men agreed that they would buy more Bonds through payroll savings they said they would rather buy their Bonds from the post office because there was no wait.

At only one other shipyard (Federal, Kearny, New Jersey) was there as bitter expression on the subject of high prices and the cost of living. The men at the Bethlehem Brooklyn yards offered such examples as 34 cents a pound for string beans and 11 cents a pound for potatoes -- when you could find a store which had them. And, they said, none of the stores seemed to have any meat -- though you could get all you wanted at expensive restaurants in the area; if you could afford to pay the price. The food at the low-cost restaurants near the yards was very bad, they said.

The Bethlehem, Brooklyn workers also were vociferous (as at Bethlehem, Hoboken) on the subject of vacations. "Take a day off and you get laid off for a week," they said. "In order to get a

week's vacation a man has to work three years for Bethlehem..."

At this point a welder entered into the conversation and brought up other complaints, with which the men agreed; "At the 56th Street shipyard, where I work, there are no lockers for 70% of the men. That means we have to go home dirty. And, because we've got no lockers in which to put our lunches, the rats get into our food and we have to throw it away..."

Another welder, who followed the first one into the conversation, said: "How about suction blowers in the holds, to keep us welders from getting gas poisoning? I just got back from a week's sickness because of gas poisoning. We ought to have suction blowers in the holds to draw off the fumes from our welding work. Lots of us welders get gas poisoning... It isn't just a matter of our health, it's also important to keeping up production..."

"But the most important thing is to roll the prices back and put price limits on food," said a pipe fitter.

"And we shipyard workers need more ration points. We do hard, tough work, and we need more to eat ... And we need more shoes than three pair a year. This work uses up shoes."

"It takes too much time to get out of the plant, and the food is lousy at these restaurants around the plant," said another. "We have a shanty in the yard, where they sell sandwiches, but we want a restaurant inside the yard..."

"I'd like to bring up a point about War Bonds," another said. "Of course, we buy War Bonds ... to help out the country. But how about the way this Bethlehem management does? They put kids who don't know anything in as "snappers" (foremen and/or supervisors)

and they won't let an experienced man be a snapper ... You know why? To keep down production! Hell, this yard doesn't want production. One day you put up a job and you tear it down the next. You know why they don't want better production? Because they make more money this way!"

"Sure," said another man. "If material ... like a five foot length of cable ... is left over it's wasted. It's thrown to the 'junkie', even if it's needed on another job. All they do with that wastage is charge it to the first job and let it go at that."

"And," said another, "men are charged to the Navy even when they are working on a private job." (As was charged at Hoboken.)

"Say, we could boost production 100% if the management wanted to," one worker said. "And, about those Army and Navy inspectors, lots of whom have never seen a ship before, they ought to be shifted around and not let to stay in one place. After they stay here a while you can't tell them from a Bethlehem boss, the way they talk and act..."

Following this, there was a discussion of the pay-as-you-go income tax, and one of the men said that "when they start deducting 20% for income tax, along with all the other deductions, I won't have the money to buy Bonds ... if I want to be able to feed myself and my family..."

It was during this discussion that one of the Bethlehem, Brooklyn men made the statement which leads off this report.

FEDERAL SHIPYARDS -- Kearny, New Jersey (28,000 men)
and PORT NEWARK (8,000 - 10,000 men)
MARITIME

The dozen or so shipyard workers with whom I spoke, from these yards, were more War Bond and war conscious than the others.

- 10 -

They were agreed that labor-management relations were excelled and they must and would do everything possible to help win the war. But they were disgruntled and disturbed about the rise in prices and the cost of living.

"The payroll savings plan works fine," one man said, and the others agreed with him. (The yard is an issuing agent and the men get their Bonds 8 to 10 days after their money is in.) "Where I work," he said, "at Kearny, we've bought more than ten and a half million dollars worth of Bonds. And, along with payroll savings, we've got Bond booths on the grounds. Ninety-eight percent of the men are signed up in payroll savings..."

"But that cost of living," another said. "A man in the lower brackets ... making about \$42.50 a week ... just can't seem to make out. And we guys in the lower brackets are buying Bonds, don't forget that! But that cost of living is making it tough. My wife started complaining to me about two weeks ago ... she just can't make out and feed the family on what I make ..." (At this point four or five of the other men laughed and said the same thing.) "She made me go shopping with her. We were lucky to be able to buy some fish. It cost 60 cents a pound. A year ago, my wife says, it cost her 18 cents a pound. We got a head of lettuce, for 19 cents. A year ago it was 5 cents. We wanted to get some peas. They cost 65 cents a pound!"

"It's the black market as well as price boosting which is causing the trouble," another said. "Sometimes my wife can't get out to shop ... because the kids are sick or something ... and I have to try and buy on my way home. But I just can't find anything in the stores..."

- 11 -

"Our kids are not getting the green vegetables they need," a worker said. "Our women can't afford to buy them. And, believe you me, our women are sore about that..."

"And what are we going to do when they start deducting 20% from our pay for income taxes," a machinist said. "I make better money than most of the men. I get \$59 a week, for a six-day week. I don't live like a king. But here are my expenses: \$42 a month for rent; \$12 on a monthly average for fuel; \$1.40 a month for insurance; something else for gas and electricity ... Hell, add in what I put out for Bonds and I find that I've got to draw out a little bit regularly from my savings account to fill out my food bills... When that 20% tax goes through I'm going to have to cut out buying Bonds on the payroll plan..."

"The men don't like these prices shooting up. They don't think it's fair. That isn't helping their morale..."

"You know what?" another said. "Labor would be better off being drafted. Say, it's not so bad, with food and clothes and housing and those allowances for the family. It's not so bad compared to the way it looks now and later on, when they start slicing out another 20%..."

"Add up everything we've said and you'll see that we don't want a wage boost so much as to have prices rolled back. Tell you what. If prices are rolled back to September 1942 you won't hear a squawk out of a single shipyard worker for more dough..."

"You look up our record and you'll find that we are subscribing as heavily as possible to War Bonds and War Relief ... We used to give \$3,000 a month to the Navy Relief's cigarette fund. Now, with

prices the way they are, we're able to give only about \$2,000 a month. We're doing this because we know what's at stake for us in this war. But those food prices have got to come down. Sure, they stabilized wages, all right. But they stabilized them on the basis of food prices in 1942, and those food prices don't exist any more ... There's no question of us being sold on the war, but we must get equalization of prices and wages in order for us and our families to live..."

One of the men said that he had a relative who works for a loan organization and this relative told him (in February) that the shipyard workers' loans fell into these categories, at the following percentages: 70% for fuel; 20% for clothing; 10% for automobiles.

EUREEKA SHIPYARD, NEWBURGH, NEW YORK (270 men)
MARITIME

I spoke with seven men who work at the Eureka Shipyard, all of whom said that relations between management and labor were perfect -- with the exception only of very minor grievances which they were taking up with the management.

Their major complaint had to do with the fact that the weather limits their work. If the weather is bad they are sent home; and this often limits their earnings to between \$30 and \$40 a week. They can't make out on this weather-limited pay, they said. But, they added, too, they expected less of such pay losses due to the fact that the weather now will be better.

"We've got swell working conditions ... on the whole," one said.

"And the payroll savings plan works fine. It's a fine way of saving money and of helping to win the war..."

There was some disagreement on whether the cost of living was too high. Four of the men said that it was. Three said that "it's not too much out of line, considering prices here and in Baltimore, for instance."

Food prices are going up, they agreed. And all commented on the fact that there was a housing shortage.

"On the whole I'm satisfied and I think all the men are with working at the Eureka Shipyards. We work steadily, except for that weather business. And production really is picking up. All of us men are really broken in to working together now and our production is going to climb..."

"I think I can say for the men that we're satisfied with wages ... except, of course, I never did see a man ... myself included ... who didn't want a raise. But wages are fair, except for that weather business..."

TODD, HOBOKEN, SHIPYARD (Maritime and Navy)

Relations between management and labor are fine, according to the Todd workers with whom I spoke. They like the fact that there is an advancement system at the Todd yards, and that the men "shape up" at Todd, at night; in other words, they are told at the end of the day's work whether they are to work the next day.

"The payroll savings plan works fairly well at Todd. You only have to wait about a month or so to get your Bonds..."

"The Navy inspectors at Todd are real guys ... real Navy guys who know what their job is and how to handle it..."

"But there's no where to eat for a man on the night shift. You see, there's a bunch of shipyards around here ... Bethlehem, Todd, Erie, Tietzen and Lang ... and all us guys pile out at the same time. If they staggered the night lunch time it would be better..."

**ERIE, TIETZEN AND LANG ... Small Hoboken Shipyards
(mostly MARITIME)**

I spoke with three workers from these smaller shipyards and it was agreed among them that "working conditions couldn't be better. When you got an idea to help production the boss is glad to hear it..."

**SULLIVAN DRY DOCK (MARITIME & NAVY), IRA BUSHEY & SONS (MARITIME)
ROBBINS DRY DOCK (MARITIME) -- Three smaller shipyards in the
Brooklyn area.**

At Sullivan and Ira Bushey the workers I spoke with commented on discrimination against union workers and the fact that the management laid off workers for minor reasons. At Sullivan, the men complained that there were only ten toilets (seats) for 2,200 workers. Also at Sullivan, there was the complaint (as at Bethlehem, Brooklyn) that there were not enough lights for night workers and that, as a result, men often fell down holds and injured themselves. At Sullivan and at Robbins, the men said that the payroll savings plan was working out very well and that they were getting their Bonds quickly.

**PENN-JERSEY SHIPBUILDING CORPORATION, CAMDEN, NEW JERSEY
MARITIME**

Conditions here are on the same high level with that of the New York Shipbuilding Company in Camden. Labor-management relations

are good. The men are extremely war and War Bond conscious. There was some talk of high prices and the high cost of living, but not such vehemence as at the Federal Shipyards in Kearny and Port Newark, New Jersey and in Brooklyn, New York.

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FEDERAL RESERVE OPERATIONS IN GOVERNMENT SECURITIES

Page 1

Column A shows Federal Reserve operations in millions of dollars as follows:

Marketable issues:
 Market purchases 1/..... -
 Market sales 1/..... -
 Direct purchases from Treasury +
 Maturities..... -
 Special one-day certificates 2/.....
 Net increase..... +
 Net decrease..... -

Column B shows price changes in 32nds for all securities except certificates. For certificates, Column B shows yield changes in decimals.

STRICTLY CONFIDENTIAL

Last Week										Index	Description	This Week																	
Monday		Tuesday		Wednesday		Thursday		Friday				Saturday		Full Week		Monday		Tuesday		Wednesday		Thursday		Friday		Saturday		Full Week	
Apr. 26	Apr. 27	Apr. 28	Apr. 29	Apr. 30	May 1	May 2	May 3	May 4	May 5			May 6	May 7	May 8	May 9	May 10	May 11	May 12	May 13	May 14	May 15	May 16	May 17	May 18	May 19	May 20	May 21	May 22	May 23
I. Summary												Marketable issues:																	
Market purchases												Market purchases																	
Market sales												Market sales																	
Direct purchases from Treasury												Direct purchases from Treasury																	
Maturities												Maturities																	
Special one-day certificates: Net change												Special one-day certificates: Net change																	
Total net increase (+) or decrease (-)												Total net increase (+) or decrease (-)																	
Wednesday report of total portfolio												Wednesday report of total portfolio																	
II. Taxable securities												Bills - all issues combined																	
Market purchases												Market purchases																	
Market sales												Market sales																	
Maturities												Maturities																	
Total net increase (+) or decrease (-)												Total net increase (+) or decrease (-)																	
Certificates												Certificates																	
7/8 0 - 5-1 43												7/8 0 - 5-1 43																	
7/8 8 - 8-1 43												7/8 8 - 8-1 43																	
7/8 D - 11-1 43												7/8 D - 11-1 43																	
7/8 8 - 12-1 43												7/8 8 - 12-1 43																	
7/8 A - 2-1 44												7/8 A - 2-1 44																	
7/8 8 - 4-1 44												7/8 8 - 4-1 44																	
7/8 0 - 5-1 44												7/8 0 - 5-1 44																	
Treasury notes												Treasury notes																	
3/4 0 - 9-15 44												3/4 0 - 9-15 44																	
1-1/4 0 - 5-15 45												1-1/4 0 - 5-15 45																	
3/4 8 - 12-15 45												3/4 8 - 12-15 45																	
1 A - 3-15 46												1 A - 3-15 46																	
1-1/2 8 - 12-15 46												1-1/2 8 - 12-15 46																	
Treasury bonds												Treasury bonds																	
2 8 - 5-15 46-50												2 8 - 5-15 46-50																	
1-3/4 8 - 5-15 48												1-3/4 8 - 5-15 48																	
2 2 - 5-15 49-51												2 2 - 5-15 49-51																	
2 2 - 5-15 49-51												2 2 - 5-15 49-51																	
2 2 - 12-15 49-51												2 2 - 12-15 49-51																	
2 6 2 - 3-15 50-52												2 6 2 - 3-15 50-52																	
2 7 2 - 9-15 52												2 7 2 - 9-15 52																	
2 8 2 - 12-15 52												2 8 2 - 12-15 52																	
2 9 2-1/2 - 3-15 52-54												2 9 2-1/2 - 3-15 52-54																	
2 10 2-1/4 - 5-15 52-55												2 10 2-1/4 - 5-15 52-55																	
2 11 2-1/2 - 3-15 56-58												2 11 2-1/2 - 3-15 56-58																	
2 12 2-1/2 - 5-15 58-57												2 12 2-1/2 - 5-15 58-57																	
2 13 2-1/2 - 12-15 53-64												2 13 2-1/2 - 12-15 53-64																	
2 14 2-1/2 - 5-15 64-69												2 14 2-1/2 - 5-15 64-69																	
2 15 2-1/2 - 5-15 67-72												2 15 2-1/2 - 5-15 67-72																	
Government securities												Government securities																	
COG 1-1/8 8 - 2-15 45												COG 1-1/8 8 - 2-15 45																	
RPO 1-1/8 8 - 7-15 43												RPO 1-1/8 8 - 7-15 43																	
RPO 1 8 - 4-15 44												RPO 1 8 - 4-15 44																	
All taxable securities												All taxable securities																	
Market purchases												Market purchases																	
Market sales												Market sales																	
Direct purchases from Treasury												Direct purchases from Treasury																	
Maturities												Maturities																	
Special one-day certificates: Net change												Special one-day certificates: Net change																	
Total net increase (+) or decrease (-)												Total net increase (+) or decrease (-)																	

Office of the Secretary of the Treasury, Division of Research and Statistics.

1/ Purchases and sales recorded as of day of transaction and not day of delivery. Transactions after 4 o'clock are included in the next day.
 2/ Transactions are entered as of the day following that to which they apply, since data are not available until the following morning.
 Net: Data are rounded and may not add to the totals.

Regraded Unclassified

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

MAY - 8 1943

TO Secretary Morgenthau
FROM Mr. Paul

Senator George had inserted in the Appendix of the Congressional Record on May 3 a copy of an address he delivered before the War Council of the United States Chamber of Commerce on April 29.

In this address the Senator stated that, while most plans for the future give some attention to taxation, in his view "dependable post-war planning in the business field begins and all but ends within the four corners of our Federal revenue laws". Referring to the Revenue Act of 1942, he stated that "Its high rates frequently extract for the Treasury as much as 95 cents out of every dollar of industry's profits. It can remain in force during the war only if there is hope of reasonable taxation after the cessation of hostilities."

In conclusion, Senator George summarized his views as follows (I have underscored the points which may be of special interest to you):

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"1. Corporate and individual income taxes cannot be greatly increased.

"2. Reserves for post-war contingencies and for conversion to peacetime activities, and for deferred maintenance and repairs, must be established and built up out of earnings during the war.

"3. The present rate of tax upon capital gains may prove too high--certainly it should not be increased--and the greatest benefit of the special treatment of capital gains and losses lies in a certainty of their stability.

"4. A system of encouraging the purchase of War bonds out of current earnings is preferable to a scheme of compulsory saving.

"5. Our tax laws and policies should not be nullified by the imposition of taxes by uncontrolled administration under the guise of renegotiation or price fixing.

"6. There are several potent mistakes which must be corrected, particularly in the excess-profits tax and the post-war credit provisions.

"7. A reasonable pay-as-you-go plan for individuals should be adopted.

"8. If we require greater revenues than the present laws will produce, they should be sought from new sources, and a general sales tax should be considered.

"9. The nonwar expenditures of our Government, both during and after the war, must be maintained at a minimum.

"10. The excess-profits tax should be repealed or greatly reduced promptly upon the cessation of hostilities.

"11. The profits of industry should be taxed but once, and we must find a satisfactory substitute for the present system of taxing them as earned and again as they are distributed."

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An excerpt from the Record containing Senator George's address is attached.

A handwritten signature in cursive script, appearing to be 'BBP', is written in the center of the page.

Attachment

of Inter-American unity, toward the end that the Bolivarian ideal may be perpetuated for the mutual benefit of all the American republics in every field of human relations after we have effected the peace which we so anxiously await.

Planning for the Post-War Period

EXTENSION OF REMARKS

HON. WALTER F. GEORGE

OF GEORGIA

IN THE SENATE OF THE UNITED STATES

Monday, May 3, 1943

Mr. GEORGE. Mr. President, I ask unanimous consent to have printed in the Appendix of the RECORD an address I delivered in New York City on Thursday, April 29, before the War Council of the United States Chamber of Commerce.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

The war is not yet won, but we are moving forward on many fronts toward final victory. We are witnessing the mobilization of our manpower and resources on a scale hitherto unknown. A vast production program is approaching its peak and may reach the peak in the early winter months.

By the end of 1943 we will have about 9,700,000 men in the armed forces. We will have about 20,000,000 men and women engaged in direct war industries. Perhaps 1,000,000 men in the armed forces will not seek to return to private employment. Factory employment today is half again as large as the average for 1929, and about two and one-half times that of the low of 1932. After the war some of the women in industry, both peacetime and war, will wish to return to the home; many of them will be reluctant to give up their jobs. Many of the aged groups will want to get at once on the pension list, but gainful employment for about 58 to 66 millions will be necessary after the war. How will we meet the imperative demand for reasonable and constant employment of fifty-five or fifty-six million workers? Of one fact we are certain: Employment, production, and economic demand are interdependent.

We may find it necessary to make temporary provision for the men and women in the armed forces and services. This should be done now and before the war ends. If postponed, political groups and parties will vie with one another in trying to secure the soldiers' support and vote. Through slow demobilization over a period of many months, with wartime compensation continued, we may in part meet the immediate problem. But the American soldier will not be long content with this or any like plan; he will be looking for constant employment. We may find it expedient to continue temporarily the operation of some of the war plants. But this is not the final answer.

Much official post-war planning is proceeding on the theory that with the end of the war the Government must embark upon a program of public spending in order to avert widespread unemployment and an economic crisis. It is now possible to state with more or less accuracy the steps in the evolution of public spending in the United States. Until recent date, public spending has been defended as a means to be employed by Government in periods of economic crisis to restore balance and to provide relief. A public-works reserve was first proposed; that is to

say, in times of normal or above-normal production, the Government should abstain from public-works expenditures but should make plans for needed public works and carry these plans into execution at the beginning of a depression for the purpose of supplementing the income of private business and checking unemployment. This idea did not involve the borrowing of money by the Government. It sought a condition of balance by which the Government would not add to the boom tendencies during a period of expanding production but would withhold its spending for a period of declining production.

In 1933 the pump-priming theory was advanced. Deficit financing by Government was defended upon the theory that public money in quantities would set the slackened private-business machine working again. This was an emergency device, to be abandoned as soon as the private-enterprise system began to work. Later, however, the theory of certain academic economists was heard in Government circles, to wit, that depression is a chronic phenomenon in the free-enterprise system, if indeed it does not grow out of it. It was said that the capitalist system or the system of free enterprise is no longer capable of functioning effectively because the dynamic element in the system has been private investment; that the savings of millions of people must be brought back by the Government into the stream of spending; and that private investment cannot be revived on a scale sufficiently broad to absorb the savings of the people because opportunities for investment are no longer open. Generally, it was asserted that the frontiers had disappeared with the opportunity for territorial and resource expansion; that the population increase was slowing down, and that technological development had matured. You remember the familiar statements that there were no longer in sight any great inventions as the railroads, as the automobiles, which called for huge expenditures and investment. If the premise is accepted, then the conclusion necessarily follows that the free-enterprise system is helpless to recover its energy and that this is not purely an emergency condition but a characteristic of the system itself which will remain constant.

For these reasons, and more which need not be repeated, a new type of economic organization was recommended—a system under which the Government will become a continuous borrower of the savings of the people and will use these savings on various kinds of projects for the purpose of creating national income. It follows as a corollary that continuous increase in the national debt is contemplated, not as a matter to be feared and resisted but as a desirable means by which the national income will be increased, even though the national deficit continues at five, ten, or even fifteen billions of dollars, or more. We are admonished that this condition need not create alarm because of the savings of the people will be marshaled to support a permanent program of public works, supported by high taxation and deficit borrowing.

A few influential leaders in Government have accepted this theory and much of the planning for the post-war world is built upon it. It is not the character or size of the projects to be carried on which is important, the matter of high importance is the philosophy upon which it rests. Plainly stated, it is that our system of free economy is through; that it cannot provide the consumptive demand which will enable it to produce at a rate and on a scale sufficient to provide constant employment. The theory, which has been but inadequately described, has been called the dual consumptive economy as distinguished from a dual productive economy. At first it was not suggested that the Government would borrow money to take over industries or to operate them either in competition with or to the exclusion of private

industry. Under the system Government would merely assume responsibility to assure a sustained consumption by providing all the additional income necessary. Lately, and since the outbreak of the war in Europe, the idea that we have built up our great national income by vast expenditures of public money and that the same device can be retained not merely in a period of emergency but continuously to produce the same results in peacetime, has been pressed home with increasing vigor.

The theory that public spending of borrowed money must not be considered as an emergency device but as a permanent instrument of public policy is too widely accepted. The majority of those who have accepted the theory have done so on the implicit understanding that Government would borrow money to invest in needed public improvements, to supply the consumptive demand for increased and increasing production, but that the Government itself would not enter into direct competition with private industry. Already, however, the recommendation for a form of partnership between Government and private industry in certain enumerated key industries has appeared. Clearly, the idea is held that the Government must borrow the savings of the people to be used to invest in private industries, purchasing the overriding and controlling stocks and securities in great industries; and it will follow as a corollary that Government itself must eventually become more and more the sole owner of such industries. It is difficult to envision a system of enterprise half Government owned and half privately owned.

Let it be clearly understood that Government responsibility in the economic field will increase rather than decline in the post-war period; that Government control will be exerted as it has not been exerted in the past to correct the abuses in our highly complex economic system. In short, that the private-enterprise system is not an end but that back of it are people with privileges and rights to be preserved, and that, above all, human values must be conserved.

That the private-enterprise system has sometimes failed or else has proven itself to be inadequate cannot be denied, in view of our experience of one short decade past. That system is definitely on the spot again, or will be when the war ends. If fairly constant employment cannot be provided, the American people will turn to Government, even through the mistakes, inadequacies, or policies of Government are, ironically, responsible for the failure. It is this turn which must be forestalled. By and large, the American people do not wish to see their Government turned general employer. In this thought we are united. Again, we believe the vast majority of the American people are willing to rely upon our free-enterprise system as the surest means of preserving essential human values and freedoms with which we are blessed. If we are to succeed, public policies must be adopted and followed which will make possible, not only the operation of the free-enterprise system but its constant expansion.

There are factors favorable to the post-war prosperity of private enterprise. These have been often stated. First, it may be noted that the major engineering problems of reconversion to peacetime operation may not be as great as commonly supposed. An economist of note has estimated that difficult engineering problems of reconversion will be confined to industries responsible for less than 10 percent of commodity production. At the end of the war it is certain that deferred demand and shortages will be large—perhaps twenty-five to thirty billion dollars by mid-1946. It is also certain that the expendable surplus of the people in the form of cash, demand deposits, time deposits, War Savings bonds, etc., will be larger than ever before in our history. This expendable sur-

CONGRESSIONAL RECORD—APPENDIX

1943

plus has been referred to as liquid surplus assets, and it is reasonably certain that the people are holding such assets, not for the purpose of permanent saving but for the purpose of spending when the opportunity to spend again exists.

During the period of depression business accustomed itself to think of levels of production and income which we now know to be low. Several careful students have concluded that the present level of employment, if sustained, will produce a gross national product at current prices of approximately \$155,000,000,000. This is above the production in 1942—slightly under the present rate of production. But a normal increase over 1929 would fall far short of the \$155,000,000,000 figure. We must again accustom ourselves to think in terms of the normal, despite the lingering memories of the low levels of the depression years. There are also factors unfavorable to the prosperity of post-war enterprise which need not be here listed.

The matter of supreme importance is the prompt approval of public policies which will make it possible for the enterprise system to furnish the jobs and to meet the certain obligations of the post-war period. Private enterprise must face termination of contracts with huge sums due from the Government. It must also face the possibility of a huge volume of Government-owned surplus property. These factors, on the one hand, with excessive taxes and severe regulations of many kinds, on the other hand, can place enterprise between the jaws of a vise. There must be no serious errors in these matters.

Most plans for the future give some attention to taxation, but it may be stated (with regard to the errors of generalization) that dependable post-war planning in the business field begins and all but ends within the four corners of our Federal revenue laws. Many post-war problems which now engage attention will take care of themselves. Industry by industry, plant by plant, through the ordinary operation of the incentive system if the revenue laws permit. We are excluding in this generalization, as a matter of course, the all-important question of our relations with the rest of the world after this war and of our participation in any kind of world organization. Most of the anticipated troubles which are likely to arise out of labor relations, tendency toward monopoly, unemployment, and the like, will largely adjust themselves if the free economy is preserved.

Certainly more than one-half of the capital in American business is so-called equity capital. From what sources have we obtained this capital? We have issued and sold common and preferred stock; we have borrowed money from individual investors; but more than one-half of it, by and large, represents reinvested earnings. Public issues of common and preferred stocks and direct personal investments of the owners of business will remain important sources of equity capital. There are strong reasons supporting the belief that in the immediate future reinvested earnings must be depended upon to furnish even a greater part of the equity capital of industry. Industry was generally prosperous as it entered World War No. 1, and taxes did not prevent business from making large earnings and creating considerable reserves during that war. We had but shortly emerged from a great depression at the beginning of World War No. 2. Government debt was very high and taxes were already high. Tax rates have rapidly risen. The national debt is still rising. I need not remind you that our tax rates at present are the highest in our history and that the "tax take" is much larger than many of the experts estimated at the time of the passage of the 1942 Revenue Act. The expansion of our industries for war production is a familiar tale. Certain it is that with the end of the war and the wholesale cancellation of Government orders, many workers will be out of jobs and many industries, such as aviation, shipbuilding,

etc., will face very difficult problems if not bankruptcy or receivership. This undoubtedly will be true unless we meet the threat through some form of savings for use in the post-war years, and the speedy change in our revenue laws to permit the creation of reserves, before taxes or at least upon favorable tax terms. Reserves must be adequate, not only to finance conversions back to peace, but for new enterprise, the building of new industry.

We must reexamine the tax treatment which we are now giving to dividends paid. I do not suggest that dividends in the hands of individual stockholders should be exempted but even here some favorable tax treatment must be considered. I do not suggest that the tax burden should be lighter now during the progress of this war, either on the individual or the corporation. It is better that taxes be placed as high as we can now bear them, provided always that a reasonable portion of the earnings of individuals and organized business is covered into the Treasury and there held as a certain reserve against the day when the war ends. Direct tax levies cannot be greatly increased, if at all, during the war but additional levies may be made for the purpose of savings or loans. Provision should be made at once legislating adequate reserves both to the individual and to the corporation.

The sum up, industry must be financed. Free enterprise supplies the required funds from savings—from accumulated earnings, from investors, from creditors. The savings of the people, in turn, have their source only in earnings. The circle is simple: The system lives upon the savings of the people; those savings are available only if industry can offer an attractive inducement; and hope of profit after taxes is the sound incentive. But the circle is also fragile: It is broken, perhaps beyond repair, if taxes destroy all hope of profit. When the circle is broken, then free enterprise cannot function; and the Government steps in.

During war, at least during a war of reasonably short duration, the immediate return to the industry, and to its owners and creditors, becomes a secondary consideration. Our "take" for the Treasury can be much greater. Industry generally has turned to war production without regard to profits. Industry is to be commended upon its position that it seeks no profit from war. But we must not destroy confidence in future profits.

The Revenue Act of 1942 was framed and adopted by the Congress with all these factors, and many others, considered and balanced. Its high rates frequently attract for the Treasury as much as 85 cents out of every dollar of industry's profits. It can remain in force during the war only if there is hope of reasonable taxation after the cessation of hostilities. Speaking, as I can, only for myself, I am happy to outline briefly my present views:

- 1. Corporate and individual income taxes cannot be greatly increased.
- 2. Reserves for post-war contingencies and for conversion to peacetime activities, and for deferred maintenance and repairs, must be established and built up out of earnings during the war.
- 3. The present rate of tax upon capital gains may prove too high—certainly it should not be increased—and the greatest benefit of the special treatment of capital gains and losses lies in a certainty of their stability.
- 4. A system of encouraging the purchase of War bonds out of current earnings is preferable to a scheme of compulsory saving.
- 5. Our tax laws and policies should not be nullified by the imposition of taxes by uncontrolled administration under the guise of renegotiation or price fixing.
- 6. There are several potent mistakes which must be corrected, particularly in the excess-profits tax and the post-war credit provisions.

7. A reasonable pay-as-you-go plan for individuals should be adopted.

8. If we require greater revenues than the present laws will produce, they should be sought from new sources, and a general sales tax should be considered.

9. The nonwar expenditures of our Government, both during and after the war, must be maintained at a minimum.

10. The excess-profits tax should be repealed or greatly reduced promptly upon the cessation of hostilities.

11. The profits of industry should be taxed but once, and we must find a satisfactory substitute for the present system of taxing them as earned and again as they are distributed.

The American people are united for victory, for final victory. In the crucible of war, which is not yet won, America is finding her soul again, and more and more our people will shake themselves free of the seductive voices, speaking in terms of Old World theories and concepts falsely advertised as the basis of progress and a final Utopia. We will constantly strive for security—security for all our people—but we will not forget that all the large pages in human history have been written by the men and races who were willing to fight for economic freedom, civil and political liberty. The vast majority, at least, understand that political liberty is inseparably linked with economic freedom. In the meantime, "the good-neighbor policy" at home between government and the people, without class division or distinction, will strengthen America's arm for the hard task of peace ahead.

Money—The Most Important Issue in the World Today

EXTENSION OF REMARKS OF HON. COMPTON I. WHITE OF IDAHO IN THE HOUSE OF REPRESENTATIVES Friday, April 16, 1943

Mr. WHITE. Mr. Speaker, by the indulgence of the House there is presented herewith the ninth installment of Senator Cockrell's speech on money. In this installment of Senator Cockrell's speech he brings us to the most momentous international monetary undertaking ever tried, up to that time, in the world's financial history. The monetary convention of France, Belgium, Italy, and Switzerland—joined later by Greece, Rumania, and the States of the Church—in a convention or contract to standardize their coinage and do away with the inequalities of international exchange, more commonly known as the Latin Union.

In the succeeding installments of Senator Cockrell's speech, we will find the record of the negotiation of the representative of this Government in dealing with the representative of European governments in an effort to effect one of the greatest monetary reforms of that or any other time.

The review of the reports and recommendation of the Department of the Interior of that day as to the tribute to be extracted by the Government from mining the ores in public land closely resembles the present-day policies of the head of this great Government depart-

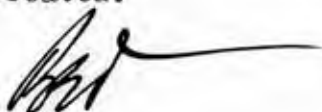
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

*AA*DATE **MAY - 8 1943**

TO Secretary Morgenthau
FROM Randolph Paul

Confidential

We have learned from an application recently filed and approved at the request of the State Department that the son of Admiral Darlan, who is suffering from infantile paralysis, his doctor, and members of the family are enroute to Warm Springs, Georgia, where Darlan's son will be treated.



NOT TO BE RE*TRANSMITTED

TREASURY DEPARTMENT

1943 MAY 11 AM 11 50

SECRET

COPY NO. 13BRITISH MOST SECRET
U.S. SECRETOPTTEL NO. 152

Information received up to midnight 8th May

TUNISIA. 8th Army. Still no sign of general enemy withdrawal. Slight advance by our forces on right and left of army front. French 19 Corps. On right hand fighting against stubborn resistance. Steady advance by Centre Division and rapid progress on left Northeast of PONT DU FAHS. ZAGHOUAN occupied.

1st Army. 6th Armoured Division engaged all day in hard fighting against enemy rear guard near HALLAM LIF. 1st Armoured Division advancing eastwards from area Southeast of MASSICOULT met no opposition and joined up with 6th Armoured Division at CRETEVILLE, 12 miles Southeast of TUNIS. 7th Armoured Division cleared Area Northwest of TUNIS, taking large number of prisoners. TUNIS is completely occupied and all fighting there has ceased. 1st British Infantry Division captured TEBOURBA and DJEJEDA and joined up with 7th Armoured Division. U.S. Sector. U.S. Forces reached DJEJEDA Area and continued advancing north, northeastwards. Their armour was clearing area Southeast of BIZERTA. Heavy casualties inflicted on enemy who showed signs of disorganisation, much equipment captured.

NOT TO BE RE-TRANSMITTED

TREASURY
1943 MAY 10 AM 11
SECRET

U.S. SECRET
BRITISH MOST SECRET

COPY NO. 13

OPTEL No. 150

Information received up to 7 a.m. 8th May.

1. MILITARY

Tunisia. Advance elements of British and U.S. Forces entered Tunis and Bizerta on afternoon 7th. This morning it is officially reported that both towns have been occupied, although details of the later fighting are not yet available.

U.S. Sector. During the afternoon of the 6th, French-Colonial troops on the coastal sector made further progress in the hills. To the South U.S. Forces continued to advance towards Chougui. On the 7th they occupied Djebel Lanserine, 8 miles west of Tebourba. Ferryville was captured and they pressed on towards Bizerta taking many prisoners.

First Army. The attack astride the Medjez El Bab-Tunis road continued to go forward on the afternoon of the 6th. To the south of the road, 6th Armoured Division with a Guards' brigade in support, met increasing resistance and a tank battle developed to the south of Furna. Having suffered loss the enemy drew off to the southeast. The Furna area was cleared and forward elements had reached Massicault by evening. Enemy remnants remaining in the Ksar Tyr area being thus isolated meanwhile to the north of the road 7th Armoured Division passing through 4th Indian Infantry Division found Furna defended. The armour by-passed the village and advanced rapidly to the East. Some enemy opposition was overrun and our troops were established in the area immediately north of Massicault by 1800 hours, the town itself having been occupied during the afternoon. During the evening 20 enemy tanks which were engaged on the Massicault-Tebourba road, withdrew. On the morning of the 7th, 6th Armoured Division continued their advance south of the road and captured La Mornaghia. To the north of the road our armour occupied St. Cyprien by 0830 hours and then pushed on 4 miles to the northeast, whence they were directed on Le Bardo, a suburb 2½ miles northwest of Tunis.

French 19th Corps. Some progress was made on the south of the sector and enemy counter-attack on 6th/7th was repulsed.

Eighth Army. On the left the New Zealand Division made a further advance south of Saouaf in spite of opposition and extensive minefields.

Burma. Arakan Front. Some further withdrawals have been made by our troops. An enemy force thought to be at least one battalion has succeeded in infiltrating through our positions and is firmly established astride the Buthidaung-Maungdaw road about 3 miles west of Buthidaung, where a bridge has been destroyed. Counter measures are being taken. Fighting is continuing in the hills to the south of the road.

2. AIR OPERATIONS.

Western Front. 7th. 6 Spitfires damaged a large ship south of Ushant. 10 enemy aircraft flew over East Anglia, one was destroyed. 7th/8th. 7 enemy aircraft flew over southwest England and South Wales. 2 were destroyed and a third was also destroyed over its base in northern France. 8th. 6 enemy aircraft flew over southeast England. 3 of them penetrated to the Greater London area. Spitfires destroyed 2 and probably destroyed a third.

Tunisia. 5th. A total of 53 Fortresses bombed Tunis and La Goulette harbours. One large and several small ships were hit. Fighter-bombers attacked an enemy airfield near Protville, destroying or damaging about 25 aircraft on the ground. 6th. The heaviest scale of air effort ever attained in Africa was made in support of First Army operations.

Sicilian Channel. 5th. 6 escorted Mitchells met 6 escorted S.M. 82 transport aircraft destroying all of them, as well as 3 fighters for the loss of 2 fighters. On 5th and 6th, Allied aircraft made several attacks on enemy shipping. A large ship, 3 small ones, and a destroyer were sunk. A medium-sized ship and a destroyer were set on fire and 2 more ships were damaged.

Italy. On 5th/6th and 6th, heavy bombers dropped 133 tons on shipping in Reggio Harbour. At least 3 ships were hit and set on fire.

3. HOME SECURITY.

7th. In the morning bombs and cannon fire caused considerable damage to house property at Great Yarmouth, where 13 persons were killed.

BRITISH MOST SECRET
U.S. SECRET

OPTTEL NO. 154

Following is a supplementary resume of operational events covering the period 1st to 8th May, 1943.

1. NAVAL

MEDITERRANEAN. H.M. Destroyers sank a Destroyer and a lighter-carrying Merchantman off MALIBIA 3rd/4th. H.M. Submarines report 1 Destroyer and 1 Schooner sunk, 1 6,000-ton Merchantman probably sunk. 4 Storcohips and a Troop reached MALTA in convoy 4th. During the week about 6,000 tons of enemy shipping and 1,500 troops in Destroyers arrived at LISIS.

SUBMARINE WARFARE. U-Boat activity concentrated mainly between NEWFOUNDLAND and GREENLAND, escorts of an outward bound ocean convoy made highly successful counterattacks after the convoy, dispersed by heavy weather had sustained some losses from a large force of U-Boats; some U-Boat activity against local convoys off FREETO/W. Week ending 5th, 37 attacks on enemy submarines of which 7 promising.

SHIPPING CASUALTIES. During week 1st-7th, 29 ships have been torpedoed and presumed lost. In attack on outbound convoy off GREENLAND, 9 British, 2 U.S. and 1 Norwegian ship torpedoed, 1 large British ship also torpedoed Northwest approaches. Panamanian tanker off East coast of U.S.A. Greek ship mid-Atlantic. Local convoy attacked off FREETO/W, 5 British, 1 Dutch, 1 Belgian torpedoed, also one independent Swedish ship. In Indian Ocean, 1 British tanker, 1 Dutch ship torpedoed southsoutheast DURBAN. In Pacific, 4 ships torpedoed; 2 U.S. ships southeast of FIJI ISLANDS, 1 British and 1 Norwegian off East coast AUSTRALIA. In Mediterranean, Dutch ship mined or torpedoed, 1 British tanker and merchant ship sunk by aircraft.

TRADE. Imports in convoy into United Kingdom week ending 2nd: 337,000 tons, including 144,000 oil.

2. MILITARY

TUNISIA. Operations fully reported in daily telegrams.

3. AIR OPERATIONS

WESTERN FRONT. Night. 707 of our bombers operated, 31 are missing. One very heavy attack on DORTMUND believed successful, though details not yet available. 167 Sea Mines laid, 1 Aircraft lost. Day. U.S. Fortresses made 2 heavy attacks; 1st on ST. NAZAIRE in heavy cloud was disappointing, but 2nd on Ford and General Motors Assembly Plant near ANTWERP believed very successful.

Enemy. 23 Aircraft crossed our coasts. 6 were destroyed.

TUNISIA. Up to 5th, our air offensive was on moderate scale. On 6th, we put in heaviest attack so far. Details not yet available, but believed Allied aircraft flow between 2,000 and 2,500 Sorties on that day alone.

MEDITERRANEAN. TARANTO and MESSINA both bombed, also REGGIO twice. 2 more successful interceptions of transport aircraft, 11 destroyed. Heavy attacks on enemy shipping. Following losses inflicted in SICILIAN CHANNEL, 2 Destroyers, 1 large and 3 small ships, a large launch and an E-boat were sunk, 1 light Cruiser, 1 Destroyer, 5 Ships, a Sicel Ferry and an E-boat were hit and set on fire.

RUSSIA. Considerable activity reported in KAVKASSISK Area, where Russian Air Force is actively supporting their ground troops both by engaging the German Air Force and by attacking Ground objectives in the forward battle zone. In the IZYUM and BALAKLAVA Sectors, Russian activity was mainly against Airfields and Railway Stations. Russian long-range bombers again raided KOOVIGSBERG. German scale of air operations in KUBAN Area somewhat less during last 2 weeks, though still greater than a month ago. German Air activity on remainder of front considered not great.

4. EXTRACTS FROM PHOTOGRAPHIC AND INTELLIGENCE REPORTS ON RESULTS OF ALLIED AIR ATTACKS FROM UNITED KINGDOM BASES.

STETTIN. Photographs taken 36 hours after attack show 24 fires still burning. Particularly severe damage in POSENDORF District where about 100 acres of closely grouped industrial buildings is completely devastated. Damage to shipyards and the naval base. Military buildings have suffered severely, including the police barracks. Eye witness report states Firemen unable to cope with number of fires and had to concentrate on public utilities and dockyard buildings. An appeal to BERLIN firebrigades was rejected owing to apprehension caused by a small diversion by mosquitoes. Residential property was left to burn. 8 days later, some districts still depended on candles and oil lamps for lighting and water had to be pumped from the river and boiled for drinking.

5. HOME SECURITY. No serious civilian casualties reported.

NOT TO BE RE-TRANSMITTEDCOPY NO. 13

TREASURY DEPARTMENT

1943 MAY 10 AM 10 54
BRITISH MOST SECRET

U.S. SECRET

OPTTEL NO. 151

Information received up to 7 a.m., 9th May, 1943.

1. NAVAL

3 medium-sized ships, 2 British and (? one) U.S. were damaged yesterday morning by external explosions in GIBRALTAR Bay and beached. 3 of H.M. Destroyers bombarded KELIBIA twice during 8th/9th. Very little opposition at first but resistance increased during second attack at dawn. Operation completed successfully.

2. MILITARY

TUNISIA. To 12 noon 8th. In the coastal sector, French-Colonial troops are clearing up the high ground Northwest of BIZERTA and U.S. Infantry are clearing the Area North of Lake BIZERTA. Further South, the general U.S. advance continued and considerable Axis forces are being pushed back towards the coast in the area between TUNIS and BIZERTA. British forces have entered TEBOURBA and are now operating in the Area Northwest of TUNIS, in conjunction with U.S. troops. Their patrols are pushing Northwards, being now about 2 miles South of PROTVILLE, in contact with enemy tanks, and are also moving Northwards from DJEDEIDA, on the road to MATEUR. LA GOULETTE has been occupied and 7th Armoured Division are clearing up the MARSALA Peninsula. South of the MEDJEZ EL BAB - TUNIS Road, our forces have made a further Eastward advance and are now on approximate line CHEYLUS - MASSICAULT. Southeast of TUNIS, we are now in contact with the enemy in the region of (? Hammamet). Our Armour is pushing Southeastwards along the TUNIS - HAMMALET Road. French troops have captured PONT DU FANS and are continuing their advance Northeastwards, while British patrols as far North as DEBIENNE have made no contact with the enemy. There has been no advance on the 8th Army Front. About 15,000 prisoners have so far passed through the British and U.S. cages.

BURMA. ARAKAN Front. Our troops have evacuated BUTHIDAUNG.

3. AIR OPERATIONS

TUNISIA. 6th. About 1,000 aircraft attacked objectives near MASSICAULT and elsewhere in the battle area. Enemy casualties - 20, 4, 11. Ours - 2, 0, 0.

SICILY. 6th. 80 escorted Heavy and Medium Bombers attacked docks at MARSALA, TRAPANI, and FAVIGNANA. One ship was probably sunk, another set on fire, and 2 more possibly damaged. These places were attacked the same night by Wellingtons. On the 6th and 7th, our aircraft destroyed 12 small craft and damaged many others in the SICILIAN Channel.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau
FROM Randolph Paul

May 10, 1943

Following my conversation with you this morning, I telephoned Mrs. Brady and told her I would have a memorandum over to her as promptly as possible. I sent one over about 11:05. A copy of this memorandum is attached hereto.

After the hearing, I talked with Senator George who said he was disposed to file a minority report but that he was puzzled as to whether a fight on the floor would do any good. I told him that I had talked with Senators Barkley, Connally and Hill and that I was to report back to Hill after I had talked with him. He said he would get in touch with Hill himself and discuss the matter of a fight on the floor.

Senator George and I talked while walking over to the Senate and when we got there I discussed the situation with Bob LaFollette who was sending down his minority report for suggestions. Currie happened to be in the same room and was present at this conference. We talked about the possibility of a fight on the floor and LaFollette urged the view that the Administration would not be able to make any capital on the pro-Ruml stand unless it makes a record in the Senate. This he thought the Administration ought to do even if it loses.

I then called my office and found that Miss Tully had called during my absence. I immediately called her on the telephone and she said that the President had read my memorandum and immediately telephoned Senator George. Senator Connally happened to be with Senator George at the moment of the call and the President apparently talked with both of them. This may account for George's attitude that he

- 2 -

might file a minority report and his speculation as to whether a floor fight would accomplish anything.

Apparently George had not realized how sick Barkley was and was disturbed by the prospect of his absence. I told Senator George about my conversation of this morning with Senator Barkley, a copy of which is attached hereto.

Attachments

C
O
P
Y

May 10, 1943

Memorandum on Taxes

The Senate Finance Committee on Saturday, by a vote of twelve to seven, decided to report a pay-as-you-go bill closely modelled on the Ruml-Carlson bill, providing for full forgiveness of a year's tax with two so-called "windfall" provisions, the first providing for forgiveness of the lesser of the 1942 and the 1943 tax, and the second providing for a special tax on the excess of the income of the forgiven year over the income of 1938, 1939, or 1940, whichever is larger.

The Senate Finance Committee is meeting at 11:00 a. m. today, Monday, to put the bill in final form and officially report it. There is no expectation that any substantial change will be made.

If the bill passes the Senate in substantially its present form Lyndon Johnson believes (and I agree) that there will be no conference. The House was so nearly equally divided on the Ruml plan at the time of the last vote that it appears they would accept the Senate bill and not risk the danger of having some compromise like Senator George's adopted in conference.

Senator George has indicated his opposition to the House Bill, and seems to favor a uniform 75 percent forgiveness from top to bottom, with the remaining 25 percent payable over a two-year period. His reason for supporting this plan as against the 100 percent forgiveness appears to be the additional revenue that the Government would receive. I doubt if Senator George will make any determined fight on the floor against the bill in general.

I have just talked with Senator Barkley and he regrets that he will not be available to lead a floor fight against the bill on account of illness. Senator Lister Hill is not familiar with the subject and is not in a good position to lead a fight. Senator LaFollette expects to file a minority report

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and to make a speech against the bill, but does not care to carry on an extended fight unless he gets strong support from the Democrats.

The only man in a position to lead any fight is Senator Connally. He is going to make a speech against the Ruml plan, but is unwilling to lead a fight because of his many other irons in the fire. If the President were to talk the situation over with Senators Connally and George the former might be willing to make an active fight on the floor. This seems the only hope on the Senate floor. Even if we lose on the Senate floor, a strong fight might help the President later.

(signed) Randolph Paul

Mr. Paul's conversation with Senator Barkley 10:00 a.m., May 10, 1948

P: I hear the doctor was with you.

B: I have been laid up ever since Friday. I think I will have to go back to the hospital. I had a terrible rheumatic attack in my feet, hands and legs; I have been unable to walk since Friday.

P: What is it, a flu condition?

B: Yes. I was at the hospital the week before last and felt all right until last Friday and it hit me again and I have been laid up ever since. I think I have to go back to the hospital for the rest of the week. I am not going to be able to be on the floor on the tax bill.

P: I called you because I wondered what would be the Administration position on the floor. Saturday afternoon, I knew you were sick, and I talked to two or three people - Connally and Hill. Hill said he was with us but didn't know enough about the subject.

B: What is George going to do?

P: George said he wasn't going to make a fight. He expected to do something in conference but I don't think the bill is going to conference.

B: I doubt it myself.

P: I had a talk with Lyndon Johnson yesterday and he said he was pretty sure they would adopt a motion to take the Senate bill. The only thing that can be done will have to be done on the floor. I think George may make a speech in favor of 75% forgiveness as a compromise. I don't know what will happen. Connally is going to make a speech against the bill but didn't feel he could in your absence take charge because he had too many irons in the fire.

B: When I am away Hill takes over formally to run things, but he wouldn't feel justified in undertaking.....

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- P: If he wanted to organize a fight I would get the material to him, but I didn't want to do anything definite until I found out about you.
- B: When will the bill be up?
- P: Tomorrow.
- B: They are going to file a report today. I think it is going to be hard to beat the Senate with the Republicans lined up for it. There are 38 Republicans, 57 Democrats and Bob LaFollette.
- P: LaFollette is going to file a minority report and will make a speech but would like to have the Democrats with him.
- B: I haven't made a canvass to see how this stands on our side. Take fellows like Scott Lucas and George Radcliffe in the Committee who voted for the bill - there are going to be a good many Democrats that will vote for it.
- P: I don't know what the President's position is, of course. I know he is against the Rural plan, but I don't know what his position will be with respect to a veto. I am afraid he is going to ask what he should do and that's a tough question. Is there anything you would like me to do? I would like to help in any way I can in regard to your position or if you want anybody else to take over.
- B: I think Connally and George... Maybe Harry Byrd will speak against the bill. I should think that he is with us.
- P: I think he is with us for the wrong reason.
- B: Yes, that's true. Lister is not in a very good position to make a very good fight.
- P: The real key man is Connally.
- B: I think so. You have to be careful. George is with us but you've got to be careful not to make him feel....

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- P: Oh I will talk to him and I will ask him and be perfectly frank.
- B: Have a chat with Connally, and you get together with the three of them. Hill doesn't attempt to speak for me when I am not there and really isn't an assistant leader. But because he is the Whip he takes over to make formal motions and have the meetings adjourned, etc. He wouldn't like undertaking to speak for me on this bill.
- P: That's what he told me.
- B: It might be well to get the three of them together and talk it out. I am chagrined to death that I can't function.
- P: Let me repeat I am awfully sorry. I am sorry that you are not feeling right and from the standpoint of this bill it puts a hole in our leadership, but you can't help that. Take care of yourself and I will follow your suggestion and talk to George and Connally.
- B: Good luck.
- P: Good luck to you.

APRIL FINANCING

(In millions)

	Through May 8	Final May 10
Funds from banking sources:		
Treasury bills	\$ 800	\$ 800
7/8% Certificates	2,138	2,138
2% Bonds	2,110	2,110
Total banking	5,048	5,048
Funds from non-banking sources:		
7/8% Certificates	3,106	3,106
2% Bonds	2,825	2,825
2-1/2% Bonds	3,761	3,761
Savings Bonds Series E ... 1,481)		
Series F ... 154)	2,015	2,149
Series G ... 504)		
Tax Notes	1,697	1,697
Total non-banking	13,404	13,538
Grand total	\$18,452	\$18,586*

* Includes Series A Tax Notes whereas figures released today do not.

May 10, 1943

SWB

Analysis of Subscriptions to Securities Offered During Second War Loan
By Classes of Investors and By Issues

Class of investor	Amount of subscriptions - In millions of dollars							Total
	Savings bonds		Tax notes- Series C	2-1/2% bonds 1964-9	2% bonds 1950-2	7/8% Certif- icates	Bills 1/	
	Series E	Series F and G						
I. Nonbanking investors:								
(a) Individuals, partnerships, and personal trust accounts.....	1,473	425	132	540	472	246	-	3,290
(b) Insurance companies.....	-	-	-	1,582	703	123	-	2,408
(c) Savings banks.....	-	-	-	550	539	105	-	1,195
(d) Eleemosynary institutions.....	-	-	-	35	41	41	-	117
(e) State and local governments.....	-	-	-	181	82	241	-	503
(f) Other corporations and associations	-	242	1,520	504	789	1,983	-	5,038
(g) Subtotal - all nonbanking investors	1,473	667	1,652	3,392	2,626	2,738	-	12,550
II. Banking sources (allotments only).....	-	-	-	-	2,110	2,138	800	5,048
III. Other sources:								
(a) Dealers and brokers ^{2/}	-	-	-	-	139	355	-	544
(b) U. S. Government agencies and trust funds.....	-	-	-	369	10	13	-	391
IV. Total - all investors.....	1,473	667	1,652	3,761	4,935	5,244	800	18,533

May 10, 1943.

Note: Classifications are preliminary and some figures are partly estimated. Figures are rounded and do not necessarily add to totals.

^{1/} Net increase in amount outstanding during month only.

^{2/} Excluding the amounts distributed or earmarked for distribution to nonbanking investors. These have been redistributed among the appropriate nonbanking investor classes.

Comparison of the Subscriptions to Securities Offered
During Second War Loan with the Goals Set for These Subscriptions
By Major Classes of Investors and By Federal Reserve Districts

District	Amounts in millions of dollars												Percent of goal accomplished			
	Nonbanking investors						Banking sources		Other sources ^{1/}		Grand total		Individuals, partnerships and personal trust accounts	Corporations and associations	Subtotal - all non-banking sources	Grand total - all investors
	Individuals, partnerships and personal trusts		Corporations and associations		Subtotal for all nonbanking investors											
	Subscriptions	Goal	Subscriptions	Goal	Subscriptions	Goal	Allotments	Goal	Subscriptions	Goal	Subscriptions	Goal				
Boston.....	166	200	933	600	1,099	800	-	-	-	-	-	-	83	156	137	-
New York.....	737	600	4,119	2,400	4,856	3,000	-	-	-	-	-	-	123	172	162	-
Philadelphia...	202	150	444	325	645	475	-	-	-	-	-	-	135	137	136	-
Cleveland.....	304	250	668	300	972	550	-	-	-	-	-	-	122	223	177	-
Richmond.....	195	150	393	200	588	350	-	-	-	-	-	-	130	197	168	-
Atlanta.....	236	125	211	125	448	250	-	-	-	-	-	-	189	169	179	-
Chicago.....	495	400	1,210	650	1,705	1,050	-	-	-	-	-	-	124	186	162	-
St. Louis.....	155	100	251	150	406	250	-	-	-	-	-	-	155	167	162	-
Minneapolis....	126	75	170	100	296	175	-	-	-	-	-	-	168	170	169	-
Kansas City....	163	100	175	125	338	225	-	-	-	-	-	-	163	140	150	-
Dallas.....	149	75	183	125	333	200	-	-	-	-	-	-	199	146	167	-
San Francisco..	333	275	502	400	835	675	-	-	-	-	-	-	121	126	124	-
Unallocated....	29	-	-	-	29	-	5,048	5,000	935	-	6,012	-	-	-	-	-
Total.....	3,290	2,500	9,259	5,500	12,550	8,000	5,048	5,000	935	-	18,533	13,000	132	168	157	143

May 10, 1943.

Note: Classifications are preliminary and some figures are partly estimated. Figures are rounded and do not necessarily add to totals.

^{1/} Consists of U. S. Government agencies and trust funds and those subscriptions of dealers and brokers not distributed or earmarked for nonbanking investors.

Summary of the Business Connections of the Chairmen
and Co-Chairmen of the County War Finance Committees
Washington

Business connections	War Savings Chairmen	Victory Fund Chairmen
Banking	18	2
Insurance	2	-
Other business	12	7
Professions	2	-
Government	9	-
Other	-	1
Not available	-	5
Total	<u>43</u>	<u>15</u>

Office of the Secretary of the Treasury,
Division of Research and Statistics.

May 10, 1943.

Note: There are 39 counties in Washington. Some of these have two or more persons who hold the title of Co-Chairman. Persons who are members of both War Savings and Victory Fund Staffs are counted in each column.

County Chairmen of the War Finance Committee
Washington

County	Chairman	Occupation	VFC	WSS
Adams	David Hoefel Rex Phillips	Automobiles Retailer	*	*
Asotin	M. L. Martin	Government		*
Benton	Ted Robertson C. W. Dykes	Publisher Banker	*	*
Chelan	Perk W. Low	Insurance		*
Clallam	Roy Jensen	Banker		*
Clark	Marion Sexton	Radio		*
Columbia	Mrs. Levi Ankeny	Banker		*
Cowlitz	H. Sanford Saari	Banker		*
Douglas	J. M. G. Wilson	Government		*
Ferry	Lawrence Brown	Merchant		*
Franklin	O. H. Olson C. H. Brewer	Not available Banker	*	*
Garfield	H. H. Cardwell	Retailer		*
Grant	J. Robert White C. F. Burke	Not available Banker	*	*
Grays Harbor	Stuart Polson	Lumber		*
Island	G. H. Ruthford	Banker		*
Jefferson	H. E. Anderson Morris Sterrett	Government Government		*
King	Charles F. Clise Dietrich Schmitz	Banker Banker	*	*
Kitsap	Clifford R. Christensen	Merchant		*

Office of the Secretary of the Treasury,
Division of Research and Statistics.

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County Chairmen of the War Finance Committee
Washington

County	Chairman	Occupation	VFC	WSS
Kittitas	John Kelleher	Automobiles	*	
	R. E. Rudolph	Communications		*
Klickitat	A. C. Keefhover	Banker		*
	Oscar Gardner	Merchant		*
Lewis	R. W. Sprague	Government		*
Lincoln	Joe K. Alderson	Not available	*	
	W. P. Gray	Government		*
Mason	C. C. Cole	Oil Business		*
Okanogan	V. B. White	Government		*
Pacific	Ed. Pederson	Auto Dealer		*
Pend Oreille	Fred L. Wolf	Newspaper Man	*	
	E. L. Sheldon	Attorney		*
Pierce	J. I. Kaufman	Banker	*	
	Leon E. Titus	Automobiles		*
	Harry P. Cain	Government		*
San Juan	H. B. Averill	Newspaper Man	*	
	Cecil L. Carter	Banker		*
Skagit	H. B. Averill	Newspaper Man	*	
	George Monson	Insurance		*
Skamania	George F. Christensen	Banker		*
Snohomish	J. H. Pilz	Not available	*	
	Thomas W. Paul	Banker		*
Spokane	Harper Joy	Business		*
Stevens	J. Lou Johnson	Government		*
Thurston	A. K. Matzger	Banker		*
Wahkiakum	C. Edwin Carlson	Banker		*

Office of the Secretary of the Treasury,
Division of Research and Statistics.

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County Chairmen of the War Finance Committee
Washington

County	Chairman	Occupation	VFC	WSS
Walla Walla	D. F. Baker	Investment Banker		*
	F. E. Quist	Banker		*
Whatcom	Jack Green	Fisherman	*	
	Harry C. Heal	Banker		*
Whitman	Wyman Cox	Business	*	
	S. R. Clegg	Attorney		*
Yakima	Ted Robertson	Not available	*	
	Frank D. Arnold	Banker		*

Office of the Secretary of the Treasury,
Division of Research and Statistics.

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Summary of the Business Connections of the Chairmen
and Co-Chairmen of the County War Finance Committees
Illinois

Business connections	War Savings Chairmen	Victory Fund Chairmen
Banking	44	100
Insurance	2	3
Other business	35	11
Professions	8	1
Government	4	1
Other	5	1
Not available	6	-
Total	<u>104</u>	<u>117</u>

Office of the Secretary of the Treasury,
Division of Research and Statistics.

May 10, 1943.

Note: There are 102 counties in Illinois. Some of these have two or more persons who hold the title of Co-Chairman. Persons who are members of both War Savings and Victory Fund Staffs are counted in each column.

County Chairmen of the War Finance Committee
Illinois

County	Chairman	Occupation	VFC	WSS
Adams	Howard T. Fuller	Banker	*	
	Andrew Schnack	Banker		*
Alexander	V. M. Brown	Banker	*	
	Harry B. Emerson	Banker		*
Bond	G. J. McGune	Banker	*	
	George V. Weise	Banker		*
Boone	A. V. Dempsey	Banker		*
	John Foley	Banker		*
	Sidney Gorman	Banker	*	
Brown	Carl Husted	Banker	*	
	E. W. Steinbeck	Banker		*
Bureau	A. W. Boyden	Banker	*	
	L. H. Luther	Banker		*
Calhoun	R. O. Stout	Banker	*	
	George W. Carpenter	Government		*
Carroll	Laurence H. Miles	Banker	*	
	Chas. E. Stuart	Not available		*
Cass	Floyd Condit	Banker	*	
	M. M. Cruft	Banker		*
Champaign	Frank Amsberry	Public Utility	*	*
Christian	Bert Hopper	Industry	*	*
Clark	D. E. McReaken	Banker	*	
	Victor C. Miller	Business		*
Clay	H. D. Friend	Banker	*	
	C. C. Hemphill	Banker		*
Clinton	Leo B. Frerker	Banker	*	
	D. W. Foran	Industry		*
Coles	F. W. Claar	Banker		*
	E. W. Vollmer	Banker	*	

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Division of Research and Statistics.

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County Chairmen of the War Finance Committee
Illinois

County	Chairman	Occupation	VFC	WSS
Cook	J. N. Whipple	Banker	*	
Crawford	J. B. McKnight Joe P. Benson	Banker Banker	*	*
Cumberland	Wilton A. Carr B. C. Willis	Attorney Banker	*	*
De Kalb	Clifford Danielson	Banker	*	
De Witt	T. S. Dinsmore Raymond Luttrell	Banker Banker	*	*
Douglas	Grover R. Helm Boyd Pond	Banker Public Utility	*	*
Du Page	H. L. Engstrom E. H. Krele C. B. Weaver	Banker Banker Banker	*	*
Edgar	Ward E. Dillavou Wm. W. Lucas	Industry Banker	*	*
Edwards	Alan B. Gill	Banker	*	
Effingham	George I. Danks George L. Delin	Banker Banker	*	*
Fayette	H. E. Rogier Coral H. Brooks	Banker Banker	*	*
Ford	D. A. Frederick Ernest Swanson	Banker Industry	*	*
Franklin	Charles M. Johnson Francis C. Spence	Banker Chamber of Commerce	*	*
	R. H. Havens H. E. Morgan	Banker Business		*
Fulton	H. B. Heald Fred Mercer	Banker Not available	*	*

Office of the Secretary of the Treasury,
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County Chairmen of the War Finance Committee
Illinois

County	Chairman	Occupation	VFC	WSS
Gallatin	W. B. Phillips	Banker	*	
	J. T. Colnon	Not available		*
Greene	W. W. Wilkinson	Banker	*	
	S. P. Vaughn	Banker		*
Grundy	Arley Munts	Attorney		*
	W. G. Penn	Banker	*	
Hamilton	George W. Hogan, Jr.	Banker	*	
	Herman E. Gibbs	Banker		*
Hancock	James L. Garretson	Banker	*	
	Fred J. Reu	Banker	*	
	Judge Burton A. Roeth	Government		*
Hardin	E. F. Carter	Banker	*	*
Henderson	Arlington Gittings	Government		*
Henry	Arthur Cook	Business	*	
	Fred A. Pope	Banker		*
Iroquois	J. S. Evans	Banker	*	
	C. R. Clark	Industry		*
Jackson	J. E. Mitchell	Banker	*	
	R. A. Crawshaw	Industry		*
	Richard L. Beyer	Industry		*
Jasper	William E. Shackmann	Banker	*	
	Roy McCormack	Banker		*
Jefferson	George W. Howard, Jr.	Attorney		*
	Marlin Rich	Banker	*	
Jersey	Earl Adams	Banker	*	
	R. Leo Smith	Business		*
Jo Daviess	Paul Jones	Business		*
	F. F. McGuire	Banker	*	

Office of the Secretary of the Treasury,
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County Chairmen of the War Finance Committee
Illinois

County	Chairman	Occupation	VFC	WSS
Johnson	P. T. Chapman	Banker	*	*
	Max McGraw	Business		*
Kane	A. J. Wilkening	Banker	*	
	C. W. Ross	Banker	*	
Kankakee	George H. Cooley	Business	*	*
Kendall	P. H. Miller	Business		*
	Ed. I. Gutel	Banker	*	
Knox	Sidney F. Smith	Banker		*
	R. C. Worchester	Banker	*	
Lake	James F. Stiles, Jr.	Business		*
	Charles Steele	Banker	*	
LaSalle	Fred A. Gerding	Banker	*	
	W. NeVoy Strawn	Banker		*
Lawrence	H. W. Madding	Banker	*	
	Karl A. Glover	Banker		*
Lee	Clyde Lennox	Banker	*	
	O. L. Dehant	Business	*	
Livingston	J. C. Greenebaum	Banker		*
	Ed. M. Hoffman	Banker	*	
Logan	Roy H. Johnson	Business		*
	James M. McGrath	Banker	*	
McDonough	H. Dewey Ewing	Attorney		*
	James H. Foster	Chamber of Commerce	*	
McHenry	H. T. Cooney	Banker	*	
	W. M. Carroll	Business	*	
McLean	George R. Morrison	Banker	*	
Macon	Lynn W. Clark	Business		*
	E. B. Evans	Business	*	

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County Chairmen of the War Finance Committee
Illinois

County	Chairman	Occupation	VFC	WSS
Macoupin	Ira McCollom	Banker	*	
	Geo. W. Darmstaedter	Business		*
Madison	Lawrence Keller	Banker	*	
	Henry D. Karandjeff	Banker		*
Marion	Ben Ober	Banker	*	
	A. H. Bachman	Banker		*
	T. G. Braden	Not available		*
Marshall	Robert V. Dewey	Farmer		*
	B. J. Ghiglieri	Banker	*	
Mason	Lyle W. Anno	Banker	*	
	Clyde D. Easton	Public Utility		*
Massac	Lindell Sturgis	Banker	*	
	Paul Miller	Business		*
Menard	Rev. B. H. Seleke	Clergyman		*
	Elmer L. Primm	Banker	*	
Mercer	L. Boyd Finch	Business	*	*
Monroe	J. F. Schmidt	Banker	*	*
Montgomery	E. R. Davis	Business	*	
	Omer Poos	Not available		*
Morgan	C. A. Johnson	Banker	*	
	Francis R. Rantz	Not available		*
Moultrie	Chester Horn	Retailer		*
	Paul M. Krows	Banker	*	
Ogle	L. G. Lundgren	Banker	*	
	Gerald M. Poley	Banker		*
Peoria	N. Curtis Cation	Banker	*	
	Lester O. Schriver	Insurance		*

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County Chairmen of the War Finance Committee
Illinois

County	Chairman	Occupation	VFC	WSS
Perry	Harry Lancaster	Banker	*	
	A. J. Guerrettaz	Banker		*
	William Crawford	Banker		*
Piatt	W. B. Porterfield	Banker	*	
	Bela M. Stoddard	Farmer		*
Pike	E. J. Stauffer	Banker	*	
	Dallas Wellborne	Public Utility	*	
Pope	O. R. Kerley	Banker	*	*
Pulaski	H. H. Melton	Government	*	*
Putnam	E. R. Harris	Banker	*	
	Robert V. Dewey	Business		*
Randolph	C. R. Torrence	Banker	*	
	E. J. Karsch	Banker		*
Richland	Alan Hyde	Banker	*	
	James P. Wilson	Banker		*
Rock Island	J. E. Schearer	Banker	*	
	H. Parker Weeks	Attorney	*	*
	F. B. White	Insurance	*	
Saint Clair	Arthur Erdman	Banker	*	
	Paul S. Abt	Banker	*	
	Dan D. Goodell	Banker		*
	C. A. Herligenstein	Banker		*
Saline	F. B. Gray	Banker	*	
	G. O. Davenport	Industrialist		*
Sangamon	H. B. Bartholf	Insurance	*	
	George W. Bunn, Jr.	Banker	*	
	Logan Coleman	Banker	*	
	Noah Dixon	Business	*	
	H. Goodsett	Banker	*	
	Benjamin Harrison	Insurance	*	
	Fred H. Luers	Banker	*	
	R. E. Patton	Banker	*	
	John L. Taylor	Insurance		*

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County Chairmen of the War Finance Committee
Illinois

County	Chairman	Occupation	VFC	WSS
Schuyler	Robert A. Lawler	Retailer		*
	C. S. Loring	Banker	*	
Scott	S. G. Smith	Banker	*	*
Shelby	G. L. Tullman	Business		*
	Russell Younger	Banker	*	
Stark	Dr. Fred Brown	Physician		*
	Earl O. Turner	Banker	*	
Stephenson	J. H. Rosenstiel	Banker	*	
	Paul Seitz	Attorney		*
Tazewell	Fred J. Moenkemoeller	Business		*
	I. M. Weimer	Banker	*	
Union	Melvin C. Lockard	Banker	*	
	W. P. Harper	Banker		*
Vermilion	Harold C. Grays	Banker	*	
	Philip F. Theurer	Business		*
Wabash	J. E. Williams	Banker	*	
	L. R. Leach	Public Utility		*
Warren	M. G. Soule	Farmer		*
Washington	A. H. Maschhoff	Banker	*	
	Charles R. Huegely	Banker		*
	J. K. Williamson	Business		*
Wayne	D. R. Garrison	Banker	*	*
White	J. G. Endicott	Banker	*	
	J. F. Marlin	Railroad		*
Whiteside	W. L. Hendrioks	Banker		*
	Lyle B. Wilcox	Business		*
Will	Louis R. Peyla	Banker	*	
	C. R. Reardon	Banker	*	*

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County Chairmen of the War Finance Committee
Illinois

County	Chairman	Occupation	VFC	WSS
Williamson	Floyd P. Bracy	Banker	*	
	H. A. Whittenberg	Banker		*
	J. C. Keltner	Banker		*
Winnebago	F. P. Berriger	Business		*
	P. N. Peterson	Banker	*	
Woodford	Richard Dickinson	Labor		*
	Frank M. Rice	Banker	*	

Office of the Secretary of the Treasury
Division of Research and Statistics

May 10, 1943.

Summary of the Business Connections of the Chairmen
and Co-Chairmen of the County War Finance Committees
Indiana

Business connections	War Savings Chairmen	Victory Fund Chairmen
Banking	22	81
Insurance	7	-
Other business	25	6
Professions	10	-
Government	10	1
Other	3	-
Not available	2	4
Total	<u>79</u>	<u>92</u>

Office of the Secretary of the Treasury,
Division of Research and Statistics.

May 10, 1943.

Note: There are 92 counties in Indiana. Some of these have two or more persons who hold the title of Co-Chairman. Persons who are members of both War Savings and Victory Fund Staffs are counted in each column.

County Chairmen of the War Finance Committee
Indiana

County	Chairman	Occupation	VFC	WSS
Adams	Earl Caston	Banker		*
	T. F. Graliker	Banker	*	
Allen	Merle J. Abbett	Government		*
	Charles H. Buesching	Banker	*	
Bartholomew	Edwin S. Andersen	Business	*	
	Meredith Lienberger	Banker		*
Benton	Glen E. Buzick	Banker	*	
	F. Edward Dumas	Attorney		*
Blackford	Mrs. Hazel H. Cook	Housewife		*
	James Cronin	Banker	*	*
Boone	J. M. Cline	Banker		*
	Lester Jones	Banker	*	
Brown	Howard S. Zody	Banker	*	*
Carroll	Chris Chamales	Business		*
	C. D. McKinley	Banker	*	
Cass	W. A. Deniston	Banker	*	
	Wilbur H. Van Horn	Public Utilities		*
Clark				*
	Harry Leist	Banker		
Clay	Dane E. Burns	Banker	*	
	John H. Riddell	Banker	*	*
Clinton			*	
	Paul C. Cullom	Banker		*
	Arthur Lorretti	Insurance		
Crawford	Irwin A. Fahr	Banker	*	
Daviess	Theodore Reininga	Banker	*	
Dearborn			*	*
	Cornelius O'Brien	Banker		*
	Crawford A. Peters	Attorney		
Decatur			*	
	George Redelman	Investment		*
	Judge Raymond Rolfes	Jurist		

Office of the Secretary of the Treasury,
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County Chairmen of the War Finance Committee
Indiana

County	Chairman	Occupation	VFC	WSS
De Kalb	J. D. Haggerty	Banker	*	
	Fisher C. West	Insurance		*
Delaware	Frank B. Bernard	Banker	*	
	James Clawson	Chamber of Commerce		*
Dubois	J. O. Sanders	Banker	*	
Elkhart	Robert E. Proctor	Attorney		*
	C. B. Wright	Banker	*	
	Roy S. Ruckman	Not available		*
	Gordon Pease	Industrialist		*
Fayette	Angus E. Deaton	Banker	*	*
Floyd	A. R. Rue	Banker	*	
Fountain	Marvin H. Cook	Banker	*	*
	Benno Scheidler	Business		*
Franklin	John P. Goodwin	Banker	*	
	Carl C. Hofer	Banker		*
Fulton	Lisle Kriegbaum	Amusements		*
	Percy Smith	Banker	*	
Gibson	Henry W. Reinhart	Banker	*	
Grant	T. C. Wilson	Banker	*	
	Robert Batton	Attorney		*
Greene	Charles B. Hollars	Banker	*	
Hamilton	Alden H. Baker	Banker	*	*
	B. F. McLaughlin	Banker		
Hancock	A. C. Downing	Banker	*	
	J. S. Fletcher	Banker		*
Harrison	R. Earl Miller	Banker	*	

Office of the Secretary of the Treasury,
Division of Research and Statistics.

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County Chairmen of the War Finance Committee
Indiana

County	Chairman	Occupation	VFC	WSS
Hendricks	John A. Kendall	Attorney		*
	C. G. Pike	Banker	*	
Henry	R. R. Jones	Banker	*	
	Willard T. Jordon	Banker		*
Howard	Carl F. Johnson	Industrialist	*	
	Huber Waggaman	Industrialist		*
Huntington	D. R. Wygant	Banker	*	
	Delano Trovinger	Merchant		*
Jackson	C. G. Steinwedel	Banker	*	
Jasper	R. L. Helvie	Banker	*	
	Phil Wood	Merchant		*
Jay	Orren E. Holsapple	Business		*
	L. W. Hoover	Banker	*	
Jefferson	Richard Johnson	Banker	*	
Jennings	Leslie Helm	Merchant		*
	A. E. Siener	Banker	*	
Johnson	Harry Grosse	Banker	*	
	Will R. Johnson	Banker		*
Knox	M. W. Welsh	Broker	*	
	Harold Axe	Government		*
	L. V. Phillips	Government		*
Kosciusko	Herbert L. Espich	Public Utility		*
	Eugene T. White	Banker	*	
Lagrange	Floyd Perkins	Banker	*	
	Howard Yoder	Government		*
Lake	Lawrence Dorsey	Public Utilities		*
	W. W. Gasser	Banker	*	

Office of the Secretary of the Treasury,
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County Chairmen of the War Finance Committee
Indiana

County	Chairman	Occupation	VFC	WSS
La Porte	John M. French	Government		*
	Ara K. Smith	Government		*
	J. C. Smith	Banker	*	
Lawrence	Arch C. Voris	Banker	*	
Madison	James R. Day	Insurance		*
	Linfield Myers	Banker	*	
Marion	Robert Adams	Attorney		*
	William C. Griffith	Banker	*	
Marshall	H. M. Cox	Banker	*	
	Marshall F. Kizer	Attorney		*
Martin	J. T. Prather	Banker	*	
Miami	Paul Grodian	Government		*
	O. A. Life	Banker	*	
Monroe	M. R. Currie	Business	*	
	A. O. Henry	Baker		*
Montgomery	Herbert C. Morrison	Banker	*	*
Morgan	T. A. Hendricks	Insurance		*
	M. R. Wilson	Banker	*	
Newton	George Sammons	Attorney		*
	Edgar Teague	Banker	*	
Noble	Donald M. Campbell	Banker		*
	Eugene V. Carteaux	Insurance		*
Ohio	Leonard G. Gibson	Merchant	*	
	J. M. Glatz	Merchant		*
Orange	Raymond Stout	Banker	*	
Owen	Carter C. Jackson	Not available		*
	Frank R. Stewart	Brugs	*	

Office of the Secretary of the Treasury,
Division of Research and Statistics.

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County Chairmen of the War Finance Committee
Indiana

County	Chairman	Occupation	VFC	WSS
Parke	R. P. Crays	Banker	*	
	Curtis Hostetter	Publishing		*
Perry	Sam Anderson	Banker	*	
Pike	R. L. Burns	Banker	*	
Porter	Paul Nuppnau	Banker	*	
	Harold A. Sievers	Insurance		*
Posey	L. P. Cox	Banker	*	
	Herbert Leffel	Newspaper Man		*
Pulaski	Ralph E. Horner	Banker	*	
	Clarence G. Long	Banker		*
Putnam	Fred L. O'Hair	Banker	*	*
Randolph	Russell McHatton	Business		*
	Purl I. Turner	Banker		*
Ripley	John A. Hillenbrand	Banker	*	*
Rush	I. Lee Endres	Furniture		*
	Judge William F. Marshall	Jurist	*	
Saint Joseph	William Klusmeier	Insurance		*
	Albert McGann	Securities	*	
Scott	E. B. Johnson	Banker	*	
Shelby	William F. Loper	Government		*
	Walter R. Myers	Banker	*	
Spencer	R. E. Schroer	Banker	*	
Starke	G. C. Johnson	Banker	*	
	Perry W. Uncapher	Banker		*
Steuben	Hon. Alphonso C. Wood	Attorney		*
	A. E. Jackson	Banker	*	
Sullivan	Gus Lowry	Banker	*	

Office of the Secretary of the Treasury,
Division of Research and Statistics.

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County Chairmen of the War Finance Committee
Indiana

County	Chairman	Occupation	VFC	WSS
Switzerland	E. W. Tilley	Banker	*	
Tippecanoe	Harry G. Jenkins	Mail Order		*
	Ralph M. Mayerstern	Not available	*	
	Burr S. Swezey	Banker	*	
Tipton	R. S. Martin	Banker	*	
	Judge Frank B. Russell	Jurist		*
Union	Robert B. Driggs	Merchant		*
	Norman H. Johnson	Banker	*	
Vandenburg	F. J. Bernhardt	Banker	*	
Vermillion	V. N. Asbury	Banker	*	
	Mrs. Della S. Swinehart	Housewife		*
Vigo	Thomas J. Doherty	Not available	*	
	Anton Hulwan	Industrialist		*
Wabash	B. P. Allen	Banker	*	
	Claude E. Minear	Industrialist		*
Warren	R. H. Shannon	Banker	*	*
Warrick	Kenneth Weyerbacker	Not available	*	
Washington	Paul A. Graves	Not available	*	
Wayne	Dudley N. Elmer	Banker	*	
	Wm. E. Roney	Furniture		*
Wells	Don. L. Carnall	Public Utilities	*	*
White	C. H. Gladen	Banker	*	
	Charles Siferd	Attorney		*
Whitley	F. N. Northam	Banker	*	
	Foster W. Riddick	Publisher		*

Office of the Secretary of the Treasury,
Division of Research and Statistics.

May 10, 1943.

Summary of the Business Connections of the Chairmen
and Co-Chairmen of the County War Finance Committees
New York

Business connections	War Savings Chairmen	Victory Fund Chairmen
Banking	20	50
Insurance	3	1
Other business	19	3
Professions	6	-
Government	9	-
Other	5	-
Not available	2	3
Total	<u>64</u>	<u>57</u>

Office of the Secretary of the Treasury,
Division of Research and Statistics.

May 10, 1943.

Note: There are 62 counties in New York. Some of these have two or more persons who hold the title of Co-Chairman. Persons who are members of both War Savings and Victory Fund Staffs are counted in each column.

County Chairmen of the War Finance Committee
New York

County	Chairman	Occupation	VFC	WSS
Albany	Herbert J. Kneip	Banker	*	*
	Thomas W. Cantwell	Lawyer		*
	Harold E. Deuel	Broker		*
Allegany	George B. Rooth, Jr.	Banker	*	*
Bronx	John Kadel	Attorney		*
Broome	Bruce L. Babcock	Industry		*
Cattaraugus	Mark M. Holmes	Banker	*	
	Robert L. Davis	Banker		*
Cayuga	Frederick E. Worden	Banker	*	
	William B. Haeffner	Industry		*
Chautauqua	C. George Niebank	Banker	*	
	Charles Teschner	Banker	*	*
	Elmer W. Sellstrom	Not available		*
Chemung	W. H. McElwain	Public Utilities		*
Chenango	Otis A. Thompson	Banker		*
Clinton	Roger B. Prescott	Banker	*	
	E. B. Doherty	Banker		*
Columbia	F. I. Ellenberger	Banker	*	
	C. E. Dooley	Business		*
Cortland	Hugh H. Williams	Banker		*
	Geo. C. Marsted	Business		*
Delaware	E. Burnham Guild	Banker		*
Dutchess	Paul J. Miller	Government		*
	John R. Evans	Banker	*	
Erie	Stanley A. Neilson	Banker	*	
	Walter J. Monro	Banker	*	
	Howard Kellogg	Business		*
	Carlton P. Cooke	Banker		*

Office of the Secretary of the Treasury,
Division of Research and Statistics.

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County Chairmen of the War Finance Committee
New York

County	Chairman	Occupation	VFC	WSS
Essex	Roger B. Prescott	Banker	*	
	W. W. Waite	Attorney		*
Franklin	Roger B. Prescott	Banker	*	
	E. T. Rider	Chamber of Commerce		*
Fulton	Everett Karg	Banker	*	
	John Lafabregue	Banker		*
Genesee	Charles A. Graham	Banker	*	
	Rev. William C. Kirby	Clergyman		*
Greene	F. I. Ellenberger	Banker	*	
	Judge Paul Fromer	Government		*
Hamilton	Everett E. Karg	Banker	*	
	John Collins	Business		*
Herkimer	Arthur M. Roberts	Banker	*	
	George J. Sluyter	Banker		*
Jefferson	B. A. Gray	Banker	*	
	Lester H. Morgan	Not available	*	
Kings	Nole Maxey	Insurance		*
Lewis	G. H. P. Gould	Banker	*	
	C. D. Kingsbury	Government		*
Livingston	James E. Welch	Banker	*	
	Mrs. F. D. L. Stowe	Housewife		*
Madison	William F. Santry	Banker	*	
	Lynn E. Johnson	Government		*
Monroe	Elmer B. Milliman	Banker	*	
	Mrs. John R. Booth	Housewife		*
Montgomery	James E. Vorhees	Banker	*	
	Ed. W. Shineman	Business	*	
Nassau	William F. Ploch	Banker	*	
	Leone D. Howell	Government		*

Office of the Secretary of the Treasury,
Division of Research and Statistics.

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County Chairmen of the War Finance Committee
New York

County	Chairman	Occupation	VFC	WSS
Niagara	George F. Bates	Banker	*	
	George W. Hetley	Business		*
New York	W. Randolph Burgess	Banker		*
Oneida	Francis P. McGinty	Banker	*	
	Graham Coventry	Taxpayers League		*
	Edwin D. Bevitt	Insurance		*
Onondaga	Albert B. Merrill	Banker	*	
	Paul H. Conway	Insurance		*
Ontario	Philip E. Thomas	Public Utilities		*
Orange	William E. Cross	Banker		*
	John S. Sammis	Banker	*	
Orleans	Clayton A. House	Banker	*	
	Francis H. Blake	Business		*
Oswego	John K. O'Connor	Banker	*	
	William G. O'Brien	Business		*
Otsego	M. P. Neal	Government		*
	B. C. Lauren	Banker	*	
	Judge S. P. Harrington	Government		*
Putnam	Leland Ryder	Banker		*
Queens	Louis C. Gosdorfer	Banker	*	
Rensselaer	R. O. Kennedy	Business	*	
	John Tower	Not available		*
Richmond	Richard H. Crowe	Banker	*	*
Rockland	M. Montgomery Maze	Banker	*	
St. Lawrence	Ralph H. Michaels	Banker	*	
	C. Peter Scheller	Public Utilities		*

Office of the Secretary of the Treasury,
Division of Research and Statistics.

May 10, 1943

County Chairmen of the War Finance Committee
New York

County	Chairman	Occupation	VFC	WSS
Saratoga	W. M. Bowden	Insurance	*	
	F. P. Moynehan	Banker	*	
	Neil Hodsoll	Banker		*
Schenectady	J. W. Lewis	Business	*	
	W. W. Trench	Public Utilities		*
Schoharie	B. C. Lauren	Banker	*	
	W. H. Golding	Attorney		*
Schuyler	Warren W. Clute	Business		*
Seneca	Thomas P. Bevins	Banker	*	
	Henry W. Koch	Attorney		*
Steuben	William H. Curtiss	Industry		*
Suffolk	Hon. L. Barron Hill	Government		*
Sullivan	Elmer Dell	Banker	*	
Tioga	Harold C. Watrous	Banker	*	
	E. B. Cornell	Banker		*
Tompkins	John C. Burns	Business		*
Ulster	Mrs. Howard Lewis	Housewife		*
	W. H. Van Etten	Banker	*	
Warren	W. M. Bowden	Not available	*	
	F. P. Moynehan	Banker	*	
	Hubert C. Brown	Banker		*
Washington	W. M. Bowden	Not available	*	
	F. P. Moynehan	Banker	*	
	James Gibson, Jr.	Government		*
Wayne	John W. Hickey	Banker	*	
	Harrison C. Bloomer	Business		*

Office of the Secretary of the Treasury,
Division of Research and Statistics.

May 10, 1943.

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County Chairmen of the War Finance Committee
New York

County	Chairman	Occupation	VFC	WSS
Westchester	Andrew Wilson, Jr.	Banker		*
	John Krepps	Banker	*	
	O. W. Birkhead	Banker	*	
	Richard A. Greer	Banker	*	
Wyoming	T. G. Lindstrom	Banker	*	
	Reade Clarke	Publishing		*
Yates	Harry M. Putnam	Banker	*	
	Wells Jewett	Business		*

Office of the Secretary of the Treasury,
Division of Research and Statistics.

May 10, 1943.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE May 10, 1943

TO Secretary Morgenthau
FROM Mr. Hagg
Subject: The Business Situation,
Week ending May 8, 1943.

Summary

Wage control: The outlook for effective wage stabilization continues uncertain, with the United Mine Workers still refusing to participate in WLB proceedings and organized labor generally critical of existing policies. Indicative of the pressure to which it is being subjected, the WLB has been pressing Stabilization Director Byrnes for "clarifications" of the wage provisions of the hold-the-line order.

Subsidies: Increased use of subsidies to cut living costs is foreshadowed in the food subsidy program announced last week by the OPA. Effective June 1, retail prices of meats, butter and coffee are to be rolled back 10 percent by means of subsidy payments from the RFC. Actually, subsidy payments for various purposes already are being made on an extensive scale, with press reports estimating amounts thus being spent at more than \$600 millions annually.

Price control: In furtherance of its recently announced 4-point price control program, the OPA has just put into effect specific dollar-and-cents ceiling prices on about 50 percent of all grocery products in 150 cities. This move is expected to reduce prices in high-cost areas. During the next few weeks the OPA expects to impose further community ceiling prices until most foods are covered.

National income payments: Income payments attained an annual rate of \$137.7 billions in March, as compared with \$135.0 billions in the previous month and only \$107.0 billions in March 1942. Salaries and wage payments during March were nearly 32 percent above 1942 levels. In contrast, interest and dividend payments were only 2 percent higher.

Stock prices: Both stock prices and trading activity rose to new highs for the year last week, as prices more than regained last month's loss. Despite a rather sharp drop on Friday, industrial stock prices at the close on Saturday were about 2 percent higher than a week earlier.

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Progress of anti-inflation program

Some significant shifts in the hold-the-line program appeared to be under way last week as evidence accumulated that modifications in policy would have to be made before effective stabilization of prices and wages can be achieved. The WLB resumed hearings in the coal wage dispute despite the continued refusal of the United Mine Workers to participate. While maintaining an outward show of strength and reaffirming adherence to the "Little Steel" formula, the WLB admitted that it had been pressing Stabilization Director Byrnes for "clarifications" in connection with the wage provisions of the hold-the-line order.

Meanwhile increased reliance on subsidies in the struggle to cut living costs was foreshadowed in the OPA announcement that retail prices of meats, butter and coffee would be rolled back on June 1 by means of subsidy payments from the RFC. In another move to tighten price control, the OPA has just put into effect specific dollar-and-cents ceiling prices on about 50 percent of all grocery products in 150 cities.

Wage control outlook uncertain

Confronted with the general discontent of organized labor and the absolute defiance of John L. Lewis, it remains to be seen whether the WLB will be able to cope with the labor situation without some further changes in present wage stabilization policies. Under the "Little Steel" formula the WLB aims to limit wage increases to the 15 percent rise which occurred in the BLS cost-of-living index during the period from January 1941 to May 1942.

However, as is well known, living costs have shown a further substantial rise since last May. Thus by February, the latest month for which the BLS cost-of-living index is available, living costs were 20 percent above the January 1941 level. To further complicate matters, the BLS index has been officially discredited by the Price Administrator as failing to reflect the full rise in actual living costs. A new BLS index is now being constructed which will doubtless show a greater rise than 20 percent since the base date used in the "Little Steel" formula, as compared with the 15 percent rise covered by the formula. This new index is expected to be published in the near future.

In the light of the foregoing, the WLB position is technically vulnerable. However, from a practical standpoint,

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the WLB position is fortified by the fact that workers' average weekly earnings have increased much faster than living costs, owing to the longer work week, larger earnings from overtime, and higher basic wage rates. Average weekly earnings of factory workers have risen 54 percent since January 1941, through February 1943.

Subsidy plan to reduce living costs announced

As part of a major effort to roll back living costs 2-1/2 percent to the level of September 15, 1942, and thus in part remove the ground for increased wage demands, a food subsidy program estimated to cost \$495 millions was announced Friday by the Price Administrator. Under this program, to be financed by RFC funds paid to processors of these commodities, retail prices of meats, butter, and coffee will be reduced approximately 10 percent beginning June 1. The inclusion of only rationed goods will help to insure the workability of the program and will tend to minimize costs.

Extension of the subsidy to canned vegetables is looked for shortly. Together with the subsidies already announced, this part of the program is expected to bring about a reduction of 1 percent in the cost-of-living index. A plan to reduce prices of fresh vegetables (without use of subsidies) is also under consideration, intended to reduce living costs an additional 1/2 percent. Finally, a 1 percent reduction is expected from rigid enforcement of existing and forthcoming OPA regulations, as black markets are brought under control.

The subsidy plan will apparently face some opposition from the farm bloc in Congress. Labor interests, on the other hand, have called for an expansion of the program to include all essential foods, and for a roll-back to the May 15, 1942 levels. The Wholesale Grocers' Association, while continuing its opposition to subsidies "in principle", has endorsed the current program as preferable to a price squeeze or to inflation. Meanwhile, some editorial comment has cautioned against relying too much on subsidies, on the ground that they give an illusion of price stability which actually does not exist, and represent a costly expedient which must be used with much discretion.

Subsidies follow British and Canadian experience

The decision to make extensive use of subsidies in stabilizing living costs follows successful experience with their use in Great Britain and Canada, where subsidies were accepted as an essential factor in price stabilization from the very beginning of general price control. Food prices

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and living costs in those countries, as reflected in published indexes, have shown a marked degree of stabilization for more than a year, in decided contrast to the trends of similar indexes for the United States. (See Chart 1.)

Although little publicized, subsidies have been used more extensively than generally realized in the United States, prior to the plan to employ them more largely for holding down living costs. Best estimates of the amount being spent annually in this country for subsidies of various kinds, according to press reports, total \$600 millions or more. (These figures do not include parity and soil conservation payments.) Most of the subsidy payments have been dispensed by three agencies; the Reconstruction Finance Corporation, through its subsidiaries, the Defense Supplies Corporation, the Metals Reserve Corporation, and the Copper Recovery Corporation spending about \$373 million annually; the Department of Agriculture, through the Commodity Credit Corporation, the Agricultural Marketing Administration, and the Agricultural Adjustment Administration, \$114 million; and the War Shipping Administration, from \$108 to \$120 million.

Three types of subsidies

Subsidies currently used in this country fall into three general classifications: (1) direct payments to private concerns, (2) purchase and resale at a loss, (3) granting Government insurance or services at rates not high enough to compensate for losses sustained. The following table indicates some of the important items subsidized and the methods used:

Petroleum: Payments to East Coast "importers" to defray higher transportation costs.

Coal: WSA bears increased cost of water shipments and DSC compensates New England and New York receivers for higher rail costs.

Copper, lead, zinc: Premium paid for all output of mines over certain quotas.

Chilean nitrate: To compensate for increased transportation costs, DSC buys nitrate from Chilean Nitrate Sales Corporation and resells it to them at a loss.

Cheese: CCC buys No. 1 American cheddar cheese from factories and resells it to the same companies below purchase price.

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Sugar: Payments to refiners to defray higher transportation costs.

Grain alcohol: CCC sells corn and wheat to manufacturers of industrial alcohol at prices below cost.

Other subsidized commodities are the 1943 pack of canned tomatoes, peas, sweet corn, and snap beans; vegetable fats and oils going into food; nicotine sulphate for insecticides; and many imports including coffee, cocoa, henequin, sisal, oilseeds, copper, tin, antimony ore, wool, tea, tobacco, and drugs.

Specific community ceilings placed on many foods

Dollar-and-cents price ceilings on a substantial number of grocery products will go into effect today in about 150 cities. This represents the first step to become effective in Price Administrator Brown's four-point food price program. The new ceilings are expected by the OPA to reduce food costs in high-cost areas, including most of the larger cities, by facilitating the enforcement of price regulations and discouraging black market sales. With the community ceilings published, the consumer can now more readily determine whether the price paid for an item is within the ceiling price.

The new ceiling program covers poultry, fluid milk, bread, eggs, butter, packaged cheese, cereals, evaporated and condensed milk, and a few other items. It specifies the highest legal price which grocers may charge in the cities covered, but stores which are restricted by present regulations to prices lower than the new ceilings are required to adhere to the lower prices. According to the OPA, community ceiling prices will be imposed on additional groups of commodities during the next 3 weeks until most foods are covered.

Meat prices, however, will not be included under community maximum ceilings, but will be governed by ceilings applicable to all stores of a given type in various price zones. Pork has been under dollar-and-cents ceilings since April 1, and beef, veal, lamb, and mutton will be placed under such ceilings May 17.

Food prices of outstanding inflationary importance

It is doubtful whether enough recognition has as yet been given in this country to the fact, apparently well

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recognized in Great Britain and Canada, that the problem of inflation control is essentially a problem of controlling food prices. In addition to the well-known effect of food prices on wage demands in creating an inflationary spiral, both statistics and recent experience emphasize the key position that food holds in our price structure.

Department of Commerce estimates of the gross flow of finished commodities, for example, show that in 1940 (the last year before the general price advance began) food products made up 39 percent of the total flow of consumers' and producers' commodities combined, and 45 percent of the flow of consumers' commodities alone. If tobacco products are added to the food group, the proportion in that year would be raised to 43 percent of the total, and to 50 percent of consumers' goods. In the current year, the proportion of food among consumers' goods has doubtless increased, while war production has reduced the proportion of food in the total flow of commodities.

Under the so-called "inflationary gap" theory, a deficiency in supply of goods, as compared with the volume of spendable funds, must be adjusted through an increase in savings or a rise in prices, or both. Looking back over recent experience, it is worthy of note that the rise in prices necessary to close the "gaps" in 1941 and 1942 was centered largely in foods. (See Chart 2.) During the period from January 1941 to March 1943, according to BLS data, food prices at wholesale rose 46 percent, while commodities other than farm products and foods rose only 14 percent.

That the greatest impact of consumers' surplus funds is being felt in the food markets is clearly evident from recent experience with food "shortages", black markets, and faulty distribution. While the rapid rise in food prices has been partly due to less extensive early price control in that group, the difficulty of enforcing price control on foods testifies to the amount of underlying pressure. The solution is a difficult one, since it requires either an increase in supplies of the desired foods, or a curtailment of demand through reducing surplus funds of consumers by taxation and bond sales programs, supplemented by rationing.

Family food expenditures show great variation

Food occupies a unique position among consumers' goods in that purchases of food are almost continuous, and the daily

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and weekly expenditures of a family for this item are susceptible of great expansion and contraction with changes in incomes. Flexible spending habits for food are facilitated by the wide variety of types and qualities conveniently displayed in retail stores. Some indication of the differences in food expenditures by income classes may be seen in the following table, which shows recent revised OPA estimates of average family expenditures for food (not including single consumers) in 1942:

Expenditures for food and beverages, 1942

Income group	Annual expenditure
Under \$500	\$159
\$500 - 1,000	313
1,000 - 1,500	481
1,500 - 2,000	587
2,000 - 2,500	680
2,500 - 3,000	767
3,000 - 4,000	865
4,000 - 5,000	984
5,000 - 7,500	1,132
7,500 - 10,000	1,244
10,000 and over	1,721

These facts are significant in the inflation problem from several angles. They indicate the importance of centering attention directly and strongly on stabilizing food prices, if wage advances and general inflation are to be avoided. They indicate the futility of trying to control food prices by price ceilings alone, when buying pressure is being expanded by the rising incomes of consumers, and emphasize the need of reducing surplus purchasing power if the supply of foods cannot be increased. They suggest that if consumers' spendable surpluses continue high after the war, and particularly if part of our food supply is used in the rehabilitation of Europe, the food situation may continue an inflationary factor despite adequate post-war production of other consumers' goods.

National income payments at new peak

The current economic situation continues to be featured by the unprecedented high level of national income payments. As a result of further expansion in March, income payments

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reached a new record annual rate of \$137.7 billions. This compares with \$135.0 billions in the previous month and only \$107.0 billions in March 1942. (See Chart 3.) Payments for salaries and wages, the dominant factor in national income, continued their long upswing and ran nearly 32 percent above March 1942 levels.

As shown in the lower section of Chart 3, entrepreneurial income (including farm), and income originating from Government sources, also scored wide increases during the past year, with the last-named group showing the sharpest relative gain because of the vast personnel expansion in the military branches. Interest and dividend payments in March 1943 were only 2 percent higher than in 1942, while "other income payments", including social security benefits and relief payments, were 14 percent lower.

Stock prices and trading activity rise

The rise in national income undoubtedly has been a potent factor in the rising trend of stock prices and trading activity. Last week both prices and trading activity on the New York Stock Exchange showed further gains and reached new highs for the year. Following a rather sharp decline on Friday, a renewal of strength on the following day enabled industrial stocks, as measured by the Dow-Jones average, to close the week with a net gain of about 2 percent. Both railroad and utility stocks also moved up to new highs during the period. (See Chart 4.)

As a result of last week's advance, the stock market has more than recovered the temporary setback which followed the President's hold-the-line order last month. The renewed advance to new high levels emphasizes the possibility that an inflationary boom in stock prices may be developing under the pressure of surplus funds of individuals.

Primarily (as mentioned in our memorandum of April 12) an accelerated rise in stock prices would interfere with the bond sales program by attracting surplus funds from various classes of investors. It would also advertise the fact that inflation is getting under way, and thus lead to speculative buying of commodities, to unrest among labor groups, and to demands for higher farm prices. Finally, it might accentuate the difficulties of readjustment after the war.

Commodity prices steady

Commodity prices showed little change in the wholesale markets last week, as Government efforts to stabilize basic

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commodity prices appeared to be having some success. A rise in flaxseed prices of 3.4 percent largely accounted for a slight rise in the BLS index of 28 basic commodities, but the index continues at practically the same level as in early March. (See Chart 5.) The BLS all-commodity index remained practically unchanged in the week ending May 1.

Steps taken to increase feed supplies

Taking additional steps to meet the feed requirements of the increasing numbers of livestock, the War Food Administration last week drastically limited cash corn transactions and holdings in an effort to prevent the hoarding of feed. The order limits the amount of corn which can be purchased and delivered by manufacturers, feed mixers, and feeders, and prevents an accumulation beyond current needs. At the same time the CCC was ordered to call all loans on 1938, 1939, 1940, and 1941 corn crops, which amount to about 55 million bushels. It is expected that this action will stimulate the marketing of corn during the next few weeks, when corn will be needed by processors and feeders in deficit corn areas.

Recently the President suspended the import quotas on wheat and wheat flour (with respect to Government purchases) as a necessary step before any sizable amount could be imported. (The quota had limited the importation of Canadian wheat to 795,000 bushels annually.) In order to permit the suspension, the Tariff Commission had previously reported to the President that imports above the quota "would not render ineffective or materially interfere with any program of operation undertaken under the Agricultural Adjustment Act of 1933". The suspension makes possible the delivery of the 7,250,000 bushels of wheat already purchased by the CCC, and also permits the release of large stocks of Canadian wheat held under bond in American warehouses.

The wheat export subsidy of 30 cents a bushel will be suspended after May 14, the War Food Administration announced last week. This action, it is estimated, will make available an additional 14 million bushels annually for domestic use.

COST OF LIVING, U.S., U.K. AND CANADA August 1939 = 100

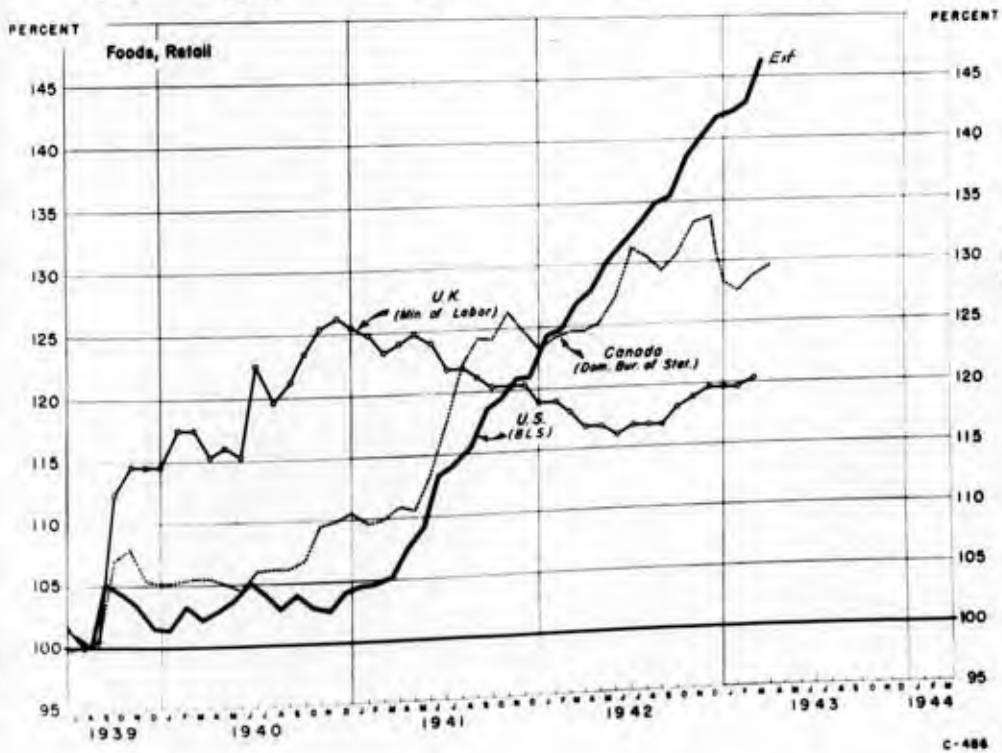
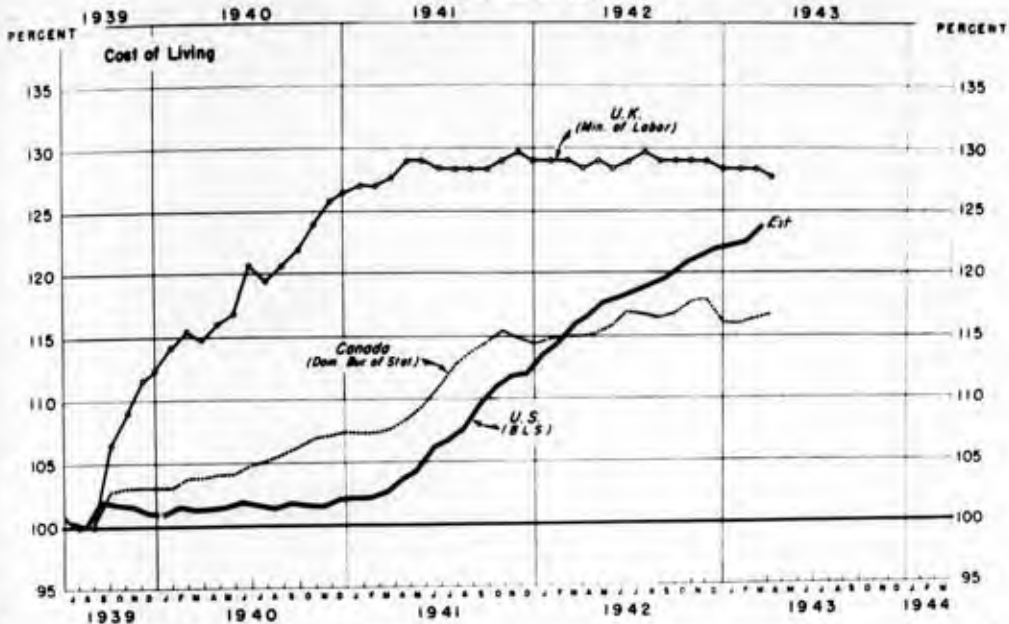
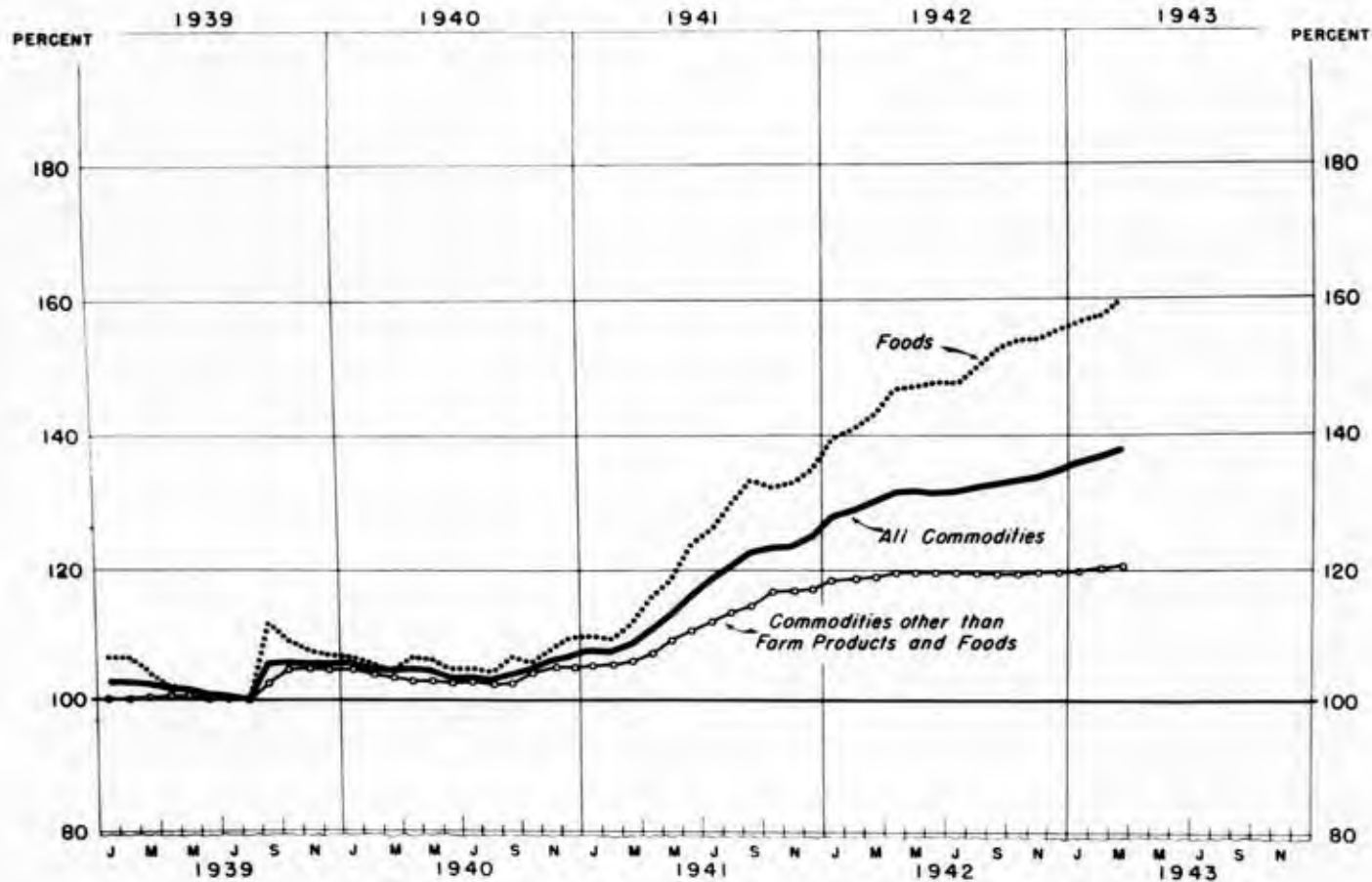


Chart of the Secretary of War, 1944
Bureau of Economic Warfare

WHOLESALE PRICES

August 1939 = 100



Office of the Secretary of the Treasury
Bureau of Research and Statistics

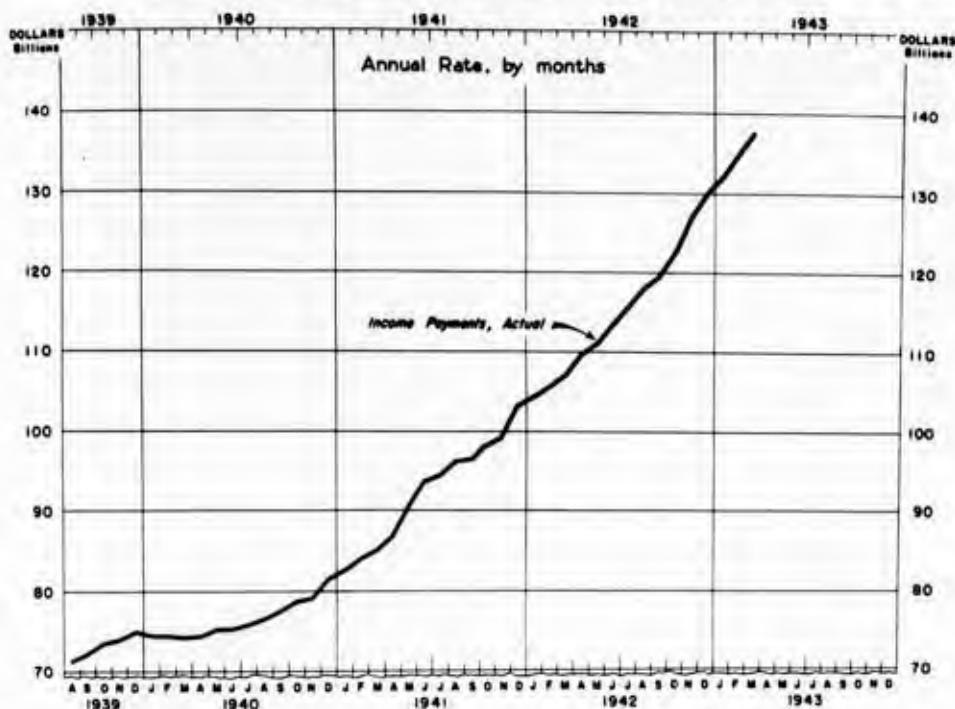
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Chart 2

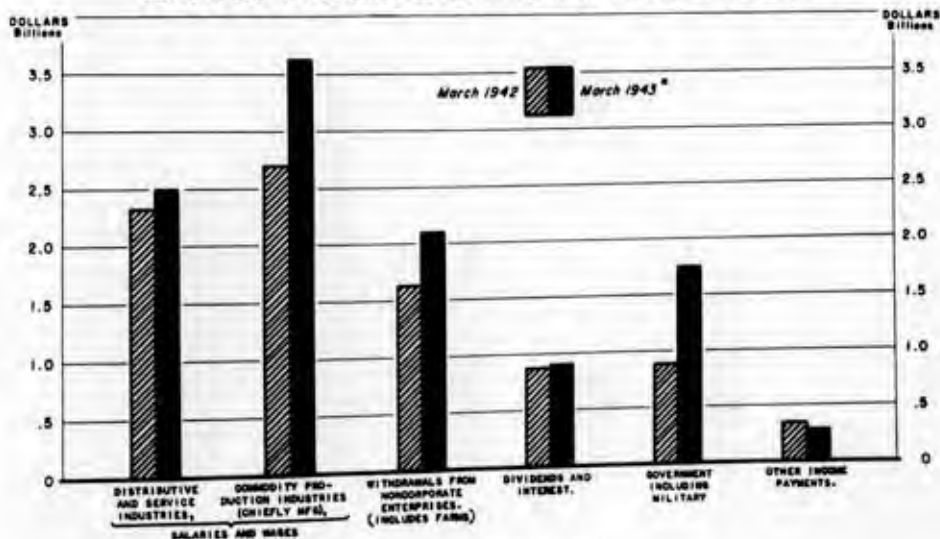
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Regraded Unclassified

NATIONAL INCOME PAYMENTS AND COMPONENTS



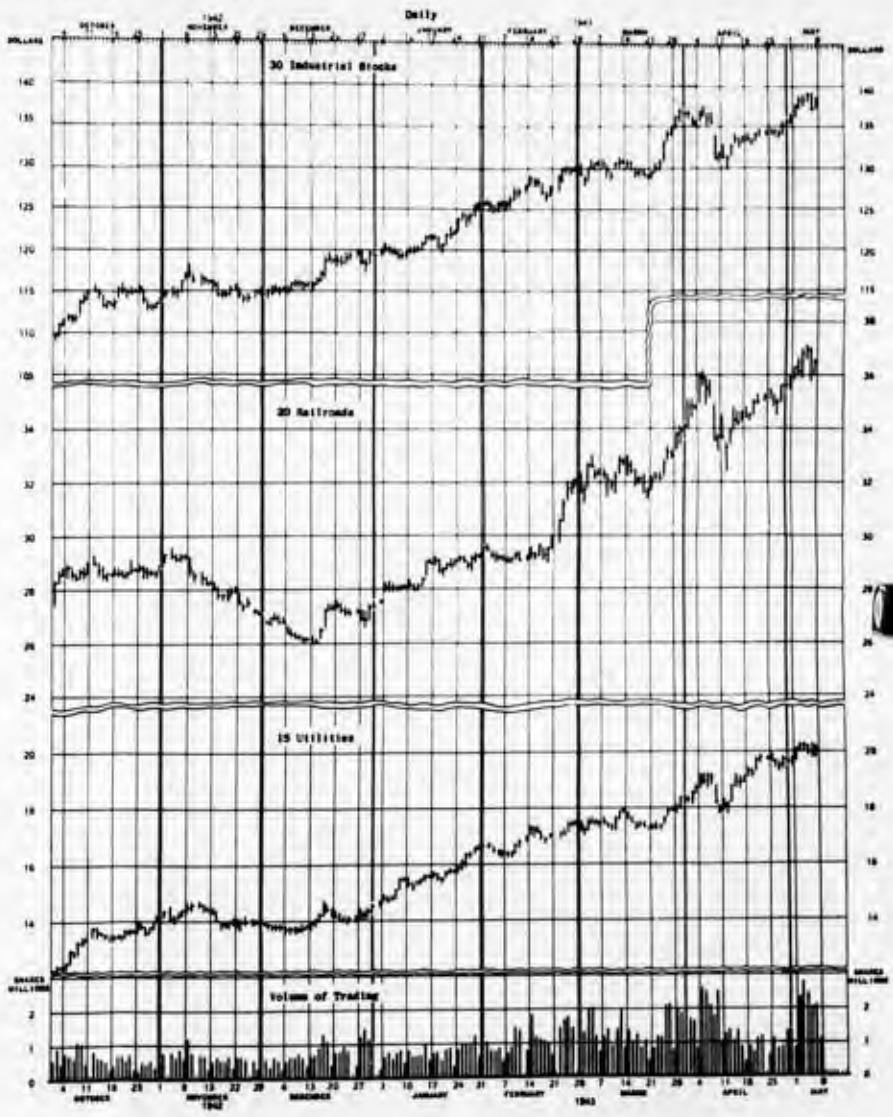
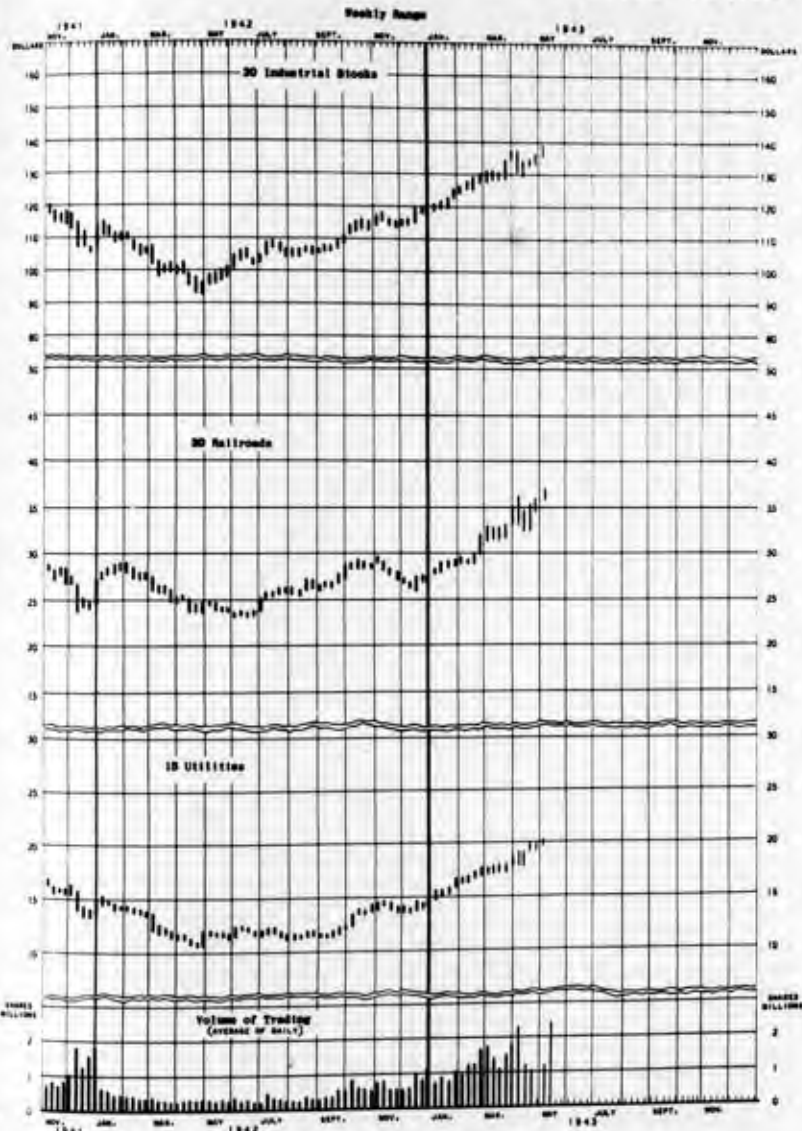
Dollar Totals for Selected Components, March 1942 and March 1943*



* March 1943 data are preliminary
Source: Department of Commerce

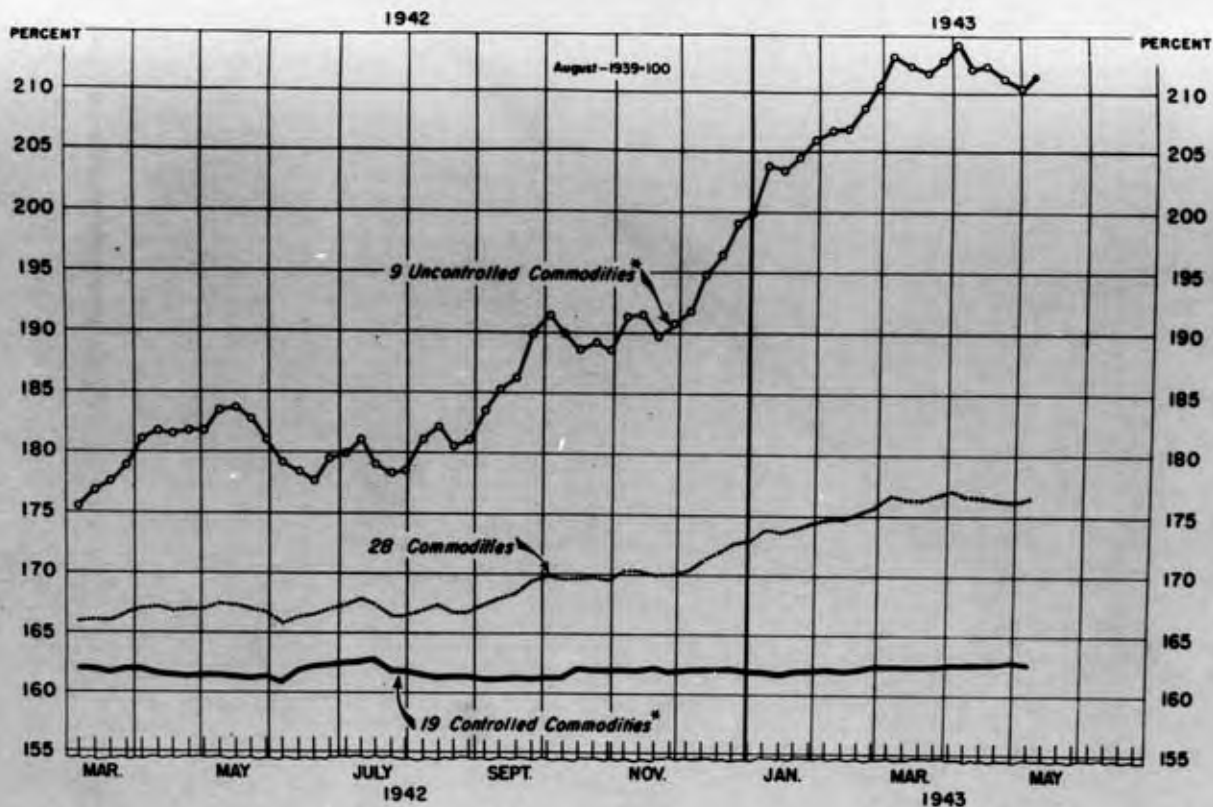
STOCK PRICES, DOW-JONES AVERAGES

Chart 4

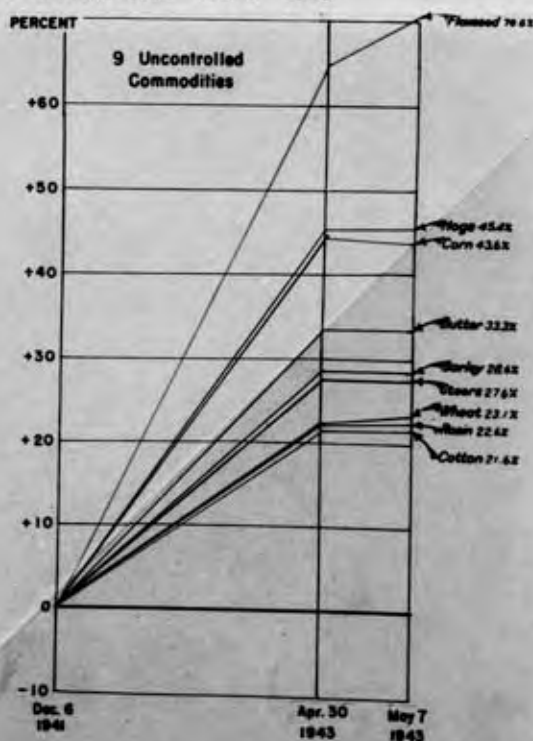
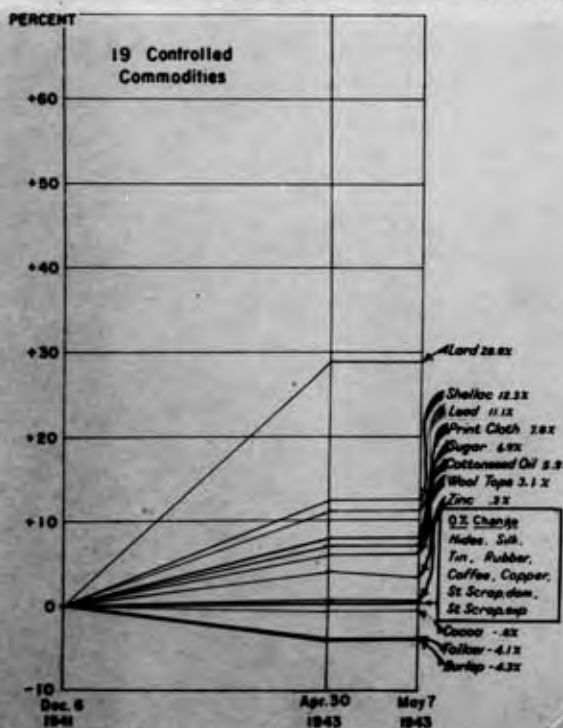


Office of the Secretary of the Treasury
Bureau of Economic Warfare

MOVEMENT OF BASIC COMMODITY PRICES



PERCENTAGE CHANGE DEC. 6, 1941 TO APR. 30, AND MAY 7 1943



*20 Controlled and 8 Uncontrolled previous to June 26

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE May 10, 1943

TO Secretary Morgenthau
FROM Mr. White

Subject: Recent Developments of Treasury Interest in French African Program

1. Additional Treasury personnel for French Africa

Arrangements are presently being made to send eight additional Treasury personnel to French Africa as requested by Treasury representatives now in the area. Four of the men requested--Kerekes, Lawler, Hicks and Ullmann--are former Treasury personnel now in the Armed Forces. Mr. Snider, who is now in London for the Treasury, is to be sent in place of Lieutenant Ullmann who is not available.

The remaining four are to be made up of one man each from the Division of Monetary Research, the Division of Tax Research and Foreign Funds Control, and a male stenographer. If all of these men arrive in French Africa, there will be a total of eighteen people working under Treasury directives in the area of whom seven are in the Armed Forces.

I believe that arrangements are currently being considered to assign Lieutenant Southard to duties pertaining to fiscal and monetary matters abroad.

2. Purchase of gold from French West Africa

In answer to an inquiry made by the Bank of West Africa as to whether the United States Government was willing to purchase gold belonging to the French West African Government, Treasury advised the French authorities that before it was possible to enter into any arrangement for the purchase of such gold a complete statement of the ownership of all gold held in French Africa should be furnished to the Treasury so as to establish a clear title and avoid risk of later claims by third governments. The Treasury has since been informed that according to French authorities the gold that the French West African Government wishes to sell to the United States has been recently mined and is clearly not related to gold held in the name of the Bank of France in French West Africa.

Pending receipt of the views of Treasury representatives in Algiers and Dakar as to whether the furnishing of full information should be a condition to granting the request, Treasury is taking no further action.

3. Sale of gold by the United States to the Bank of Morocco

The French authorities have requested Treasury representatives in French Africa to ascertain if the Bank of Morocco may be permitted to purchase gold from the United States with its dollar holdings for the purpose of building up its gold reserve against banknotes outstanding. The Treasury representatives were advised that Treasury is prepared to consider a request from the Bank of Morocco to purchase gold for this purpose.

The British have since indicated that they would be reluctant to see the United States sell gold in any substantial amount to the Bank of Morocco for currency reserve purposes or any other purposes. They appear to be apprehensive lest the State Banks of French Africa should request the British Treasury that they be permitted to use their sterling balances for the purchase of earmarked gold in London.

4. Yellow-seal currency

Of the \$128 million of yellow-seal currency which has been printed only about \$14 million is not in the hands of the Treasury or the United States Army.

\$10 million in yellow-seal currency is held by the Treasury in Washington, \$13 million is held by the U. S. Army in New York, \$6 million is held by the U. S. Army in England, \$74 million is held in the Bank of Morocco at Casablanca for the account of Army Finance Officers, and \$10.8 million is held in the Bank of Algeria for the account of Army Finance Officers.

5. Dollar position of the French African Government

The French North African authorities had available to them as of April 30, 1943, \$65.1 million held in the name of the State Banks of Algeria and Morocco. \$10.8 million has been credited since that date to the account of the Bank of Algeria against yellow-seal currency transferred to Army Finance Officers in French Africa.

This figure takes into consideration the \$15 million payment on account made April 29, 1943 by the French authorities to the Office of Lend-Lease Administration for goods shipped to French North Africa for civilian consumption.

6. French request to use dollar funds for diplomatic expenses

Early in March the French North African authorities requested that they be permitted to make payments from the French African dollar accounts to provide funds for the operation of former Vichy French diplomatic offices in the Western Hemisphere now supporting General Giraud. The State Department informed Treasury that it had canvassed the matter and wanted the requested transfers licensed.

Treasury took the position that the transfers should be denied in view of the undesirability of the beneficiaries and the unfortunate political considerations that are necessarily involved in the support of former Vichy diplomatic missions by the North African regime. This position received the support of the War Department.

A compromise was finally arrived at whereby the French authorities were informed that this Government is willing to facilitate the transfer of funds to such individuals in the Western Hemisphere whom the Governments to which they are assigned recognize as the official representatives of the Giraud regime. The French authorities were also urged not to choose former Vichy diplomats as their representatives except after careful investigation.

The dollar transfers from French North African funds to Vichy officials in Panama, Bolivia, Uruguay, Colombia, Chile, Cuba as requested by the French were denied on evidence that these persons were undesirable. Remittance of dollars to certain of the other French diplomatic offices in the Western Hemisphere were authorized when satisfactory investigation indicated that the persons involved were desirable.

7. Request by the French for the release of Vichy dollar-currency in Latin America

Treasury has denied a request of the French African authorities that United States currency surrendered by the former Vichy French officials in Brazil and Chile to the central banks of those two countries be exchanged for milreis and pesos to meet expenditures of the Giraud regime now that the Vichy officials concerned have rallied to Giraud. The French were informed that such action would be inconsistent with Treasury's currency control program.

8. Financial arrangements for movement of French refugees from Spain to North Africa

As requested by French authorities the Treasury has authorized a total transfer of \$850,000 from the French North African dollar funds for the support of French refugees in Spain and for the transportation of French refugees from Spain to French North Africa.

9. Release of blocked funds of former French Government for payment of French pensions in United States

The French North African authorities have requested that the blocked funds of the former French Government be released for the payment of French pensions in the United States. The pensions have not been paid since November 8, 1942. The Treasury Department is presently reviewing this matter with the interested Government Departments.

10. Status of obligations of Metropolitan France in French Africa

The French North African authorities have assumed full responsibility for the obligations of the Government of Metropolitan France outstanding in French Africa. It is the present understanding that all such securities in French West Africa validated by registration and stamping on February 28, 1943, are now being serviced by the French African Government.

Treasury has cabled representatives in French Africa asking for full information as to the amount of French Treasury bonds outstanding and as to the provisions governing their

status. Special concern is given to the status of French Treasury bonds held in North Africa for the account of individuals resident in Metropolitan France which may be benefitting from any servicing arrangements.

From December 1, 1942, through March 15, 1943, the French authorities issued 8 billion francs of short-term Treasury bills and repaid 4 billion francs of outstanding obligations of the Treasury of Metropolitan France.

11. Sale of French North African securities in the United States

The French North African authorities requested permission of this Government to sell French North African securities in the United States to French residents of this country. It was proposed that the securities be issued at the same time an announcement was made of unity with De Gaulle forces. It was indicated that propaganda and psychological motives, rather than the funds acquired, were the purpose for issuing these securities.

The Treasury advised its representatives in Algiers that the French Government is one of the Governments in default in the payment of its obligations to the United States Government and, therefore, persons within the United States are prohibited from purchasing French North African securities by the Johnson Act of April 13, 1934.

12. Exchange rate for De Gaulle territory

No further developments have been reported on the progress of the British Government in persuading the Fighting French to adopt the 50-francs to the dollar and the 200 francs to the pound rate of exchange and thereby establish a uniform rate of exchange in all French territories.

13. Transfer of French African dollar funds to French Guiana

The French North African authorities have advised that they plan to transfer \$80,000 monthly from French African dollar funds to the French Guiana Treasury for the purpose of financing exports from the United States to the French colony now supporting Giraud.

The Treasury Department has approved the first transfer of \$80,000 and has issued a general license over the account of Banque de la Guyane for account of French Guiana Treasury similar to general licenses granted the French African State Banks.

14. Exchange rate in planning financial proclamation for Spanish Morocco and Tangiers

The Treasury recommended a rate of 12.5 pesetas to the dollar in planning a financial proclamation for Tangiers and Spanish Morocco should the Allied Governments occupy that area. This rate was suggested in that it has the advantage of convenience for military operations and also depreciates the pesetas from the present official rate of 10.95 pesetas to the dollar in the same approximate proportion as the North African franc was depreciated from the official rate of 43.80 francs to the dollar to 50 francs to the dollar.

The representatives of the Treasury Department and the War Department in Africa have cabled that they concur in the suggested 12.5 rate.

15. Shortage of banknotes in French West Africa

The Bank of West Africa submitted a memorandum to the Treasury representative in Dakar indicating that it critically needed a minimum of 10 million of the banknotes now being manufactured in the United States.

A first shipment of approximately 3 million notes was expected to arrive in West Africa in the last few days. A second and larger shipment is reportedly now on its way.

The shortage of banknotes is further alleviated in that Algerian and Moroccan notes were recently decreed to be legal tender in French West Africa. This was in a large part due to the efforts of the Treasury representative in Dakar.

The currency circulation in French West Africa has increased from 1,654 million francs on November 30, 1941 to 4,019 million francs by February 28, 1943.

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Division of Monetary
Research16. Appointment of Maurice Couve de Murville as
Secretary-General of the French High Command

The appointment of Maurice Couve de Murville as Secretary-General of the French Civil and Military High Command was received favorably by the American Consul in Algeria and the American Embassy in London.

The French authorities have indicated that they would like to select Couve de Murville as their representative to the conversations on post-war monetary stabilization. The State Department informed the French that de Murville would be particularly welcome in this capacity.

17. American Express Company travelers checks in
French Africa

The American Express Company has recently been negotiating arrangements with the Bank of West Africa for the latter to handle travelers checks in French West Africa for sale and delivery to the Allied forces, Red Cross workers, and for French officials that may be traveling abroad.

The Treasury has informed Dakar that it is not disposed at this time to permit the sale in French Africa of travelers checks issued by the American Express Company as the issuance of such checks at the present time might facilitate the transfer of French francs of questionable ownership into travelers checks which could be hoarded and thus escape the effective control of Allied and French authorities.

18. USCC to act as agent for purchase of North African
exports to the United States

The American representatives in French Africa have been informed that arrangements are completed whereunder the United States Commercial Corporation will be used for consummating purchases of North and West African commodities for export to the United States.

The American representatives are asked to take such steps as may be necessary to obtain formal assurance from the French authorities that the USCC may do business in French Africa as an agency of the U. S. Government and will not be subject to restrictions or taxation as a private corporate enterprise.

19. Economic warfare controls in French Africa

Treasury representatives feel that they have been successful in securing the adoption by the French North African Government of a sufficient range of safeguards to insure that persons within French Africa do not act on behalf of or for the benefit of the enemy. These safeguards include censorship, import and export licensing, financial and exchange controls, freezing measures, internal and external lists of undesirable firms and persons, sequestration of enemy property and internment.

However, the French authorities do not appear to be eager to apply these economic warfare measures in full. They have also proven unwilling to provide an adequate staff for the effective administration of their controls.

20. Treasury program for Tunisia

Three Treasury representatives in French Africa have been assigned to the Tunisian area and are presently participating with the French authorities in solving the financial and economic problems that are presented as the occupation of that area progresses.

Decrees and instructions to meet the immediate currency and banking problems have been issued. These include provisions for depositing and exchanging Bank of France notes with Bank of Algeria notes, blocking of all bank accounts with permission for necessary withdrawals, and freezing of German and Italian accounts.

It is reported that the Axis armies are taking captive the bank personnel in Tunisia, removing all currency stocks, and carrying off all gold, machinery, lumber and other movable stores. The Nazis have damaged power plants, but not gravely.

If necessary yellow-seal currency will be used for U. S. Army expenditures in Tunisia, but it is expected that the stocks of Bank of Algeria notes will be adequate.

21. Taxation of Allied Governments by French African authorities

Under the Darlan-Clark Agreement of November 22, 1942, governing the Allied occupation of French North Africa, the property of and the transactions engaged in by the Allied Governments or their agencies, both military and civil, are exempted from taxation by the French North African authorities. The French have made repeated representations that the agreement be amended pointing out that, if the present blanket exemption is continued in effect, difficulties will develop which will seriously hamper their fiscal administration and deprive the Government of urgently needed revenues. The situation is further complicated in that the Boisson-Darlan Agreement of December 7, 1943, governing the relations between the Allied Governments and French West Africa, provides that the Allied Governments and their agencies shall be subject to the same tax levies as apply to the French Government and its agencies, thus making it impossible to follow uniform tax policy for both areas.

To resolve the problem and at the same time preclude any revision of the Agreements which is deemed to be politically inadvisable at this time, the Treasury, after clearance with the interested Government Departments and the British, instructed the Treasury representatives in French Africa to come to an operating agreement on taxation with the French African authorities which will govern for both French North and West Africa alike. The operating agreement in general provides: (1) All imports by Allied military and relief organizations are to be duty-free and tax-free, (2) all taxes on purchases in the area by Allied military or relief organizations are to be refunded under a convenient general formula, (3) The French authorities may levy reasonable duties and taxes on all imports into French Africa by the Allied Governments for civilian consumption providing that the levies are not borne by the Allied Governments, (4) The French may levy reasonable taxes on commercial exports from North Africa for the Allied Governments.

22. Prices in French Africa

Legal prices in French Africa have remained substantially the same since the Allied occupation, but tremendous increases have been evidenced in black market prices. The importance of the black market in this area is indicated by the estimate that 50 percent of the sales to consumers in urban areas are made at black market prices.

23. Hoarding of cereals in French Africa

Hoarding of cereals by the natives continues to necessitate large shipments of flour and cereals to North Africa for civilian consumption. The French authorities appear to be apathetic toward the introduction of dehoarding measures in dealing with this problem despite continuous pressure from American representatives.

The present grain crop appears favorable, however, and if the French authorities can be persuaded to introduce effective dehoarding measures, surpluses in cereals may result that can be stockpiled for future invasion areas.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE **MAY 10 1943**

TO Secretary Morgenthau
FROM Messrs. Paul and White

There is attached a report on the financial manipulations in North Africa of the French Collaborationists.

Although in the nature of things we cannot produce documentary evidence on every point, this report tends to confirm the general tenor of such articles as Johannes Steel, Drew Pearson and Nicholas P. Gregory have been writing in the papers. It tends to show that there are large amounts of collaborationist assets in French Africa and that we can expect that every effort will be made by the collaborationists to translate these franc assets into free dollars, free sterling, etc. Much of the pressure will be at the political level.

There are strong reasons for circulating a report of this character on a confidential basis to all of the groups dealing with the problem of French Africa, particularly the State and War Departments, BEW, Lend-Lease, Lehman's Organization and War Shipping Administration. In this way they will be forewarned as to what to expect and be in a better position to evaluate the barrage of proposals which are bound to come forward under every possible guise. Sooner or later we will have to make use of the facts in the report to combat such proposals and a strong offensive may be our best defense. Certainly the scope of the memorandum is well within our jurisdiction in the occupation field.

On the other hand, the decision to circulate this memorandum involves the following considerations:

(1) Some parts of the government, sensitive about the mere mention of Vichy, may regard this as a veiled attack on our political policy in North Africa. Other parts of the government, of course, would be delighted at the report and might tend to use it at the political level.

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(2) Murphy et al will obviously not be pleased with this report. It is possible that whatever independence of action our men in North Africa may have in this field may be reduced. On the other hand, our position may be strengthened since no one wants to be placed in the exposed position of defending these manipulations.

(3) The report may prejudice our participation in occupation programs for further areas at least to the extent that our men may be confined more than ever in their efforts to obtain access to the facts. On the other hand access to the facts is unimportant if such facts cannot be used.

In our opinion the gains which may be achieved from the dissemination of the information in this report to appropriate agencies outweigh any possible risks which we would be taking in circulating the report.

We should like to discuss this matter with you.

AM *HDW*

Attach.

CONFIDENTIAL

MAY 10 1943

MEMORANDUM FOR THE SECRETARY

Re: Financial Manipulations of
Collaborationists in French Africa.

The techniques of Axis looting have been common knowledge for years. The fact that the collaborationists in each of the occupied countries shared in the "pay-off" on Axis looting is equally well known. This memorandum will not repeat this story. Rather, it will outline some of the financial manipulations in French Africa of the French collaborationists.

As early as September 30, 1942 we were informed that the appointment of Jacques Guerard as the Vichy Government's ambassador to Portugal was probably evidence that "the rats were leaving the ship" and that Guerard was probably trying to arrange transfers of funds for Laval and others where they would be available when the "breakup of France comes." Guerard is an old-time collaborationist and is associated with the Banque Worms group.

After November 7, 1942 we were reliably informed by a prominent French banker (now in the United States) that:

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For a considerable period prior to the Allied invasion of North Africa, French industrialists and bankers prominent in collaboration had been transferring francs to North Africa. It is estimated that such persons, notably, the Banque de l'Indochine, the Banque de Paris et des Pays Bas, Banque Worms, the Hersents, Mirabeau, etc., had prior to November, 1942, accumulated in North Africa funds in excess of 25,000,000,000 francs.

These francs represent their reward for facilitating the successful handling of the "occupation costs" by Germany in France, which was accomplished in the following manner. The collaborationist banks and industrialists received from the Germans all property of refugees, Jews, and labor unions which had been expropriated by official decree. The most valuable of these properties were then sold to the Germans and payment therefor was made by debiting the credit balance created by daily write-ups of 500,000,000 francs on the books of the Banque de France pursuant to German fiat. The collaborationist financial institutions, with large assets in foreign centers, were apparently willing to participate in the German occupation scheme, whereby they in effect became potential defendants in suits for these properties after the war, provided they would be allowed to remove the francs received for these properties to North Africa. This accounts for the estimated 25,000,000,000 francs accumulated by these institutions in North Africa.

The attached articles by Drew Pearson, Johannes Steel, Nicholas P. Gregory and Time Magazine indicate that this story is no secret.

As a matter of fact there is no need to speculate about the fact that the French collaborationists were funneling

- 3 -

assets from Metropolitan France into North and West Africa. On March 11, 1943 Treasury representatives interviewed M. Pose in Casablanca. Pose is the director and general manager of Banque Nationale Pour Le Commerce et L'Industrie (B.N.C.I.), Paris. Shortly before November 8, 1942 Pose suddenly showed up in North Africa and was subsequently named Economic Minister in Giraud's administration. While he was recently forced to resign from this position, he is still most active in the affairs of B.N.C.I., Afrique. B.N.C.I., Paris, the parent of B.N.C.I., Afrique, was organized in 1932 through the auspices of Pierre Laval who used the funds of the French Government to reorganize the defunct Bank Nationale de Credit into B.N.C.I. The fortunes of this bank have followed the fortunes of its political sponsors.

Pose's significant statements to Treasury representatives may be summarized as follows:

(a) B.N.C.I. opened its first office in North Africa in September, 1940 (after the Armistice). At the present time B.N.C.I. has 50 branches in North Africa, approximately equally divided between Morocco, Algiers and Tunis and there are six more branches in West Africa, the first branch having been opened in November, 1940. By 1942 the B.N.C.I. was doing 20% of the commercial business in Morocco and 12% of the deposit business.

- 4 -

(b) Throughout the past 2-1/2 years - between the fall of France and the landing of the Allied forces in North Africa - Pose has consistently and deliberately funneled off assets of the B.N.C.I. in Metropolitan France to the colonial empire. In following this practice of funneling its assets into the colonies, Pose contended that the bank has had to be very careful not to allow the procedure to become too evident to the Nazis, and hence in some areas it has bought out established banks and kept the name of such banks rather than put them under the name of the B.N.C.I. (e.g. Madagascar).

Accordingly, we have the frank admission of one of the collaborationist banks of its practice of diverting its assets into North and West Africa and the other French colonies. The other big French collaborationist banks have similar outlets in French North and West Africa. Thus, for example, the State Bank of Morocco (Banque d'Etat du Maroc) is the subsidiary of the Banque de Paris et des Pays Bas; Societe Generale in Algiers is the subsidiary of Societe Generale (France); the State Bank of Algiers is a subsidiary of the Comptoir National d'Escompte; Banque de Tunisie and Banque Commercial du Maroc are controlled by Credit Industrial and Commerciale. Banque Worms also has branches in French Africa.

It must be kept firmly in mind that the state banks in French Africa are privately owned and controlled subsidiaries

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of financial groups in Metropolitan France--the same collaborationist group that is influential in shaping policy in North Africa.

Moreover, the exchange control agencies in French Africa are not independent government agencies. They are in fact the instrumentalities of the so-called state banks in French Africa. Thus M. Ben Bechier, the head of the Algerian Office des Changes, is an employee of the Bank of Algeria and has his office in their building. A similar situation prevails in Morocco and in the A.O.F. (West Africa). In the A.O.F. the director of the Office des Changes and the managing director of the Bank of West Africa are one and the same person-- M. Bottin.

The foregoing has been set forth to show:

(a) That all the facilities were available for the pouring of collaborationist funds into French Africa.

(b) That in fact such funds did funnel into French Africa prior to the Allied occupation; and

(c) That the collaborationist group in France did control, and still controls, the financial institutions in French Africa and the exchange control authorities in such area are the servants of the so-called French African state banks, which are in reality privately owned.

Of course, the final objective of these financial manipulations was not merely to transfer collaborationist loot into

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franc assets in French Africa. Collaborationist francs in North Africa are merely searching for a bridgehead into free dollars, free sterling or some other valuable currency. The black market rate for French francs in France is variously quoted between 150 and 300 to the dollar against the official rate of 50 francs to the dollar in French Africa. In terms of paper profits the collaborationists made enormous profits in getting their francs into French Africa whether the official rate there was 75 or 50 francs to the dollar. But the collaborationists are not after mere paper profits evidenced by franc accounts which inevitably must be largely lost when the franc seeks its natural level at the end of the war. This group knows that it must translate these paper profits into dollars or sterling currency, credits, or investments - preferably dollars - if they are to be realized upon.

Accordingly the financial proposals emanating from North Africa must be carefully considered in their proper frame of reference, in order to ascertain whether such proposals are designed to provide a means whereby collaborationist groups can cash in on their franc holdings, or, even though such proposals may be suggested by perfectly proper motives, whether such proposals will have the result of providing a vehicle for

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collaborationist groups to move their assets into realizable foreign exchange. Some of the financial developments in this connection have been:

(1) Demand for free dollar accounts. One of the first demands was that we ought to free all of the blocked accounts in the United States of the North African banks and if this were not possible as a minimum we should free the accounts of the Offices des Changes (exchange control accounts). Treasury representatives who have just returned from Africa, refer to requests of this character by M. Ben Bechier, Director of Exchange Control for Algeria, by M. Tron, Secretary of Finance to the French High Command, by the State Bank of Morocco, as well as by the highest political quarters in the French African Government, e.g. General Giraud, probably prompted by Pose, Lemaigre-Dubreuil, Bergeret, et al.

Obviously, the neatest way of "cashing in" on these franc profits is to get the French dollar accounts here freed from our freezing control so that such dollars can be manipulated into cloaked collaborationist accounts both here and in South America.

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We have countered by issuing a license over the official accounts which require that we be given ten days advance notice of any transfers and that during this period we can veto any transaction. As set up, and in practice, this licensing procedure is very flexible and it causes little or no delay or inconvenience for any bona fide transaction.

(2) Accumulation of dollars through financing franc expenditures for our forces in French Africa. Tying into item (1) above is the financing of our forces in French Africa. To furnish our forces with francs we have established dollar accounts at the Federal Reserve Bank of New York for each of the State banks. As our forces need francs, we credit these accounts with dollars. At the present time the accounts of the Central Banks of Algeria and Morocco have more than \$75,000,000 to their credit, arising from these transactions. While technically these funds belong to the "French Treasury in Africa", we should not be misled by either the title of the account or the source from which we get the francs.

The "French Treasury in Africa" borrows the francs with which our forces are supplied from the French banks in Africa. In other words the collaborationists in their political capacity secure the francs from themselves in their financial

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capacity. We buy the francs with dollars which are credited to the accounts of the French African state banks "for the account of the French Treasury in Africa." This puts the French Treasury in Africa in the position of owing large balances to the collaborationists banks and having as its only substantial asset with which to repay such balances its dollar holdings in the United States. If these dollar holdings were free of the United States controls as the French would like, the French Treasury in Africa would be under considerable pressure to transfer its dollar balances to the collaborationists banks.

(3) Efforts to gain control of the balances of the former French Government and the Bank of France. There is no need to repeat in this memorandum the various moves made in the name of Giraud to establish the right to use the blocked assets of the former French Government and the Bank of France, even though the French African authorities had tens of millions of dollars on deposit here. To date we have parried all such attempts but Murphy has been advised by the Commandant en Chef in so many words that his acceptance of our refusal is "without prejudice" to reopening this matter again.

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One very neat way for the collaborationists to realize on their franc assets in North Africa would be to shoulder the French people with the francs and for the collaborationists to take the dollars of the French people in return. This, however, is looking at the "end product" of such deals, rather than the immediate proposals by which the effort is being made to establish the right to draw on such assets.

(4) Floating a French dollar loan in the United States.

One of the most recent maneuvers bearing on this subject is reflected in a cable dated March 30, 1943 from the American Consulate General in Algiers. This cable stated:

"This is a message for Secretary Hull and Secretary Morgenthau from Messrs. Glasser and Murphy.

"United States Government permission to sell North African securities in the United States to French residents of the United States has been asked by Tron. The proposal contemplates introducing the issue of securities at the same time announcement is made of unity with the forces of deGaulle. Except for payment in dollars the terms of issue of the securities would be the same as the terms of securities issued in North Africa. Psychological and propaganda motives, not the funds acquired, according to Tron would be the purpose of issuing the securities. He also said that General Giraud considers this matter to be of great importance. In reply we said that it was possible that there would be complications with the Securities Exchange Commission regulations insofar as concerns immediate action but a

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reply is considered by the government here to be of the greatest urgency. Similar requests have been made to Spain and Great Britain but as yet no reply has been received. A similar request received a favorable reaction in Brazil."

This proposal was side-stepped by the following cable which we prepared and which was sent on:

"This is a message from the Secretary of the Treasury for Messrs. Murphy and Glasser.

"With regard to the Consulate's No. 514 of March 30, concerning the sale in the United States of North African securities to Frenchmen resident here, the Treasury Department has advised that the Government of France is one of the governments which defaulted in payment of debts to the Government of the United States. For that reason, under the so-called Johnson Act of April 13, 1934 (U.S. Code, title 31, section 804a), persons resident in the United States cannot buy securities of the French Government. It has not been possible, accordingly, to look into the merits of the request made in the telegram under reference. The Department of State agrees with this conclusion."

The possible ramifications of this proposal were outlined in the attached article by Johannes Steel. In brief, Steel indicates that while the French talked about floating a dollar loan in the United States, in reality, the B.N.C.I., et al would take up the loan in francs. This means the B.N.C.I., et al would have, in effect, converted their francs into French

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Government dollar bonds, constituting a dollar obligation against the dollar assets of any French Government hereafter established.

Methods of Counteracting these Manipulations

In discussing the French financial proposals, some of this Government's counter-moves have been noted. By and large the bulwark of this defense has been our freezing orders pursuant to which French assets in this country may only be used pursuant to Foreign Funds Control license. This strategy is purely defensive on our part and leaves the collaborationists in a position to maneuver on any level in searching for the weakest link in the control. While our controls are effective, it would be foolish to be lulled into any sense of false security--for the freezing controls are no stronger than our licensing system. The French will press for licenses on all fronts--making full use of political tactics to achieve their end. It is on this level that the defense of our freezing regulations will most likely crack, for much will be made of the fact that the French are a "proud and sensitive people" and that our controls are incompatible with their status as a sovereign ally. It may be expected therefore that pressure on the State Department will be great.

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Immediately after November 7, 1942, Treasury representatives in North Africa did take all the measures possible within the fabric of the political situation prevailing to frustrate the financial activities of the collaborationist group. However, our forces in North Africa were in no position to issue decrees as an army of occupation. Instead, we had to persuade the French to take action. Under the prodding of our Treasury representatives the French on November 16 issued "Instructions to Banks", which, among other things, provided for the blocking of all bank accounts belonging to European nationals, including people in Metropolitan France.

On December 20, after lengthy and prolonged negotiations, the Treasury representatives succeeded in having signed a "Trading With The Enemy Ordinance", under the terms of which severe penalties were laid down for any trade or communications with the enemy, or enemy-occupied areas, and under the terms of which a black list would be issued--the French authorities have subsequently issued black lists for several European countries and their colonies.

Control over Dakar and French West Africa by the French North African authorities was delayed for some weeks following the events of November 8. It was not until December 7 that

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French West Africa formally allied itself with French North Africa on the side of the United Nations. During this interim, it would have been possible for financial transactions and communications to have been carried on between this area and Metropolitan France. When French West Africa finally came within the sphere of influence of French North Africa, it was on political terms so favorable to the French that financial controls other than those indicated above could not be insisted upon.

On March 5, 1943, the French issued a sequestration decree, the negotiations for which were instituted by Treasury representatives in early December, 1942. This decree, at least, sets up the legal and administrative framework within which the franc balances of the collaborationists could be blocked in North Africa if it were the disposition of the authorities there to deal with the situation. Needless to say this is in fact the real place to tackle such spoils. If these looted balances were blocked in the banks in North Africa there would be less need for us to be concerned about an attack on our own freezing regulations since the funds would be blocked at their source. However, no one should be

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overly optimistic that the collaborationists in their political capacity are going to impose effective controls on themselves in their financial capacity.

Parenthetically, it should be noted that United States Treasury representatives carried with them on their landing at Algiers on November 8, 1942, drafts of decrees which, if issued, would have imposed really effective controls over such looted francs from the very start. It was not that we had failed to anticipate the problem - rather there was no vehicle available through which the necessary controls could be established.

As things now stand, our technicians in North Africa are limited as to what they can do to combat the situation. They must use persuasion with the French. They can pick out the most sordid cases and force the French to deal with these. But they cannot hope to be really effective until they can get sincere French Government cooperation.

To the extent possible the Treasury Department has taken and will continue to take a strong position against the efforts of the collaborationist group to transfer its looted

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assets out of French Africa. However, it seems clear that this is not a problem which may be adequately dealt with by the Treasury Department without the support, both on a political and economic level, of the other interested governmental agencies.

[Handwritten signature]

MDW



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

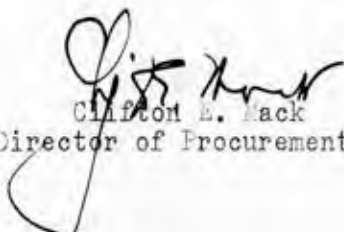
WASHINGTON

May 10, 1943

MEMORANDUM TO THE SECRETARY:

Supplementing report to you of May 3, 1943, the purchases against the African Program from May 3, 1943, to May 9, 1943, totaled \$4,220,182.56 or a total of purchases for the program thus far of \$32,501,994.72.

Attached is report giving status of shipping against these purchases.


Clifton E. Mack
Director of Procurement



SHIPPING REPORT AS OF MAY 8, 1943

<u>Commodity</u>	<u>Tonnage Shipped to Date From U. S. A.</u>	<u>Tonnage Under Load At Port</u>	<u>Tonnage On Hand at Port Waiting Vessels</u>	<u>Tonnage En Route To Port</u>
Aluminum sulphate				14.5
Asbestos sheet packing	2			
Boiler tubes				17
Bone glue			53	
Books & booklets	2			
Brass rods & sheets	23	38.05	12.8	88.7
Babbitt metal	53.5			
Brick	129		40	
Calcium carbide		247		2244.2
Cement				20
Cement, rubber			19.5	
Chemicals	163.5	258.2	497.3	352.18
Coal cutters	12			
Copper tubing			21.6	27.5
Corrugated boards		59	17.9	69.5
Clothing	2217.71	51.55	172.93	26.17
Copper sulphate	5697.75		47.5	
Cotton thread	69.25	21.5		
Cordage & twine	225	5	40	
Drugs	6.5			
Electrodes			9	3.9
Envelopes		9	1	9.18
Files, steel	15	15		
Fullers earth	72			
Gelatin	1		1	
Glass, window			76.2	45.3
Glass lamp chimneys			17	
Glycerine	12.75			
Horse shoes & nails	125.9	31	61.03	10.75
Hosiery	26	3.5	8.5	1.5

<u>Commodity</u>	<u>Tonnage Shipped to Date From U. S. A.</u>	<u>Tonnage Under Load At Port</u>	<u>Tonnage On Hand at Port Waiting Vessels</u>	<u>Tonnage En Route To Port</u>
Light bulbs			8.5	
Lithopone			10.2	
Lummite	30			
Mach. finished book paper	2			
Latches	389.75		4.6	70.15
Newsprint	892	21	234	28
Nipples, bottles, eye cups			9	
Paper products	5	217.4	338.4	373.97
Paper bags		190.6	54	
Phonograph records			1000 Each	
Piece goods, textiles	7735.5	2123.1	2157.6	277.05
Pig tin	64			
Powdered milk	119			
Printers ink	.1			
Raw sugar	1545			
Refined sugar	4196.5			
Sheet copper & rods		41.4	29.1	24
Shoe tacks	4	19.5		
Spare parts for autos, tractors & harvesters	232.25	45	156.56	715.69
Spark plugs	2	2.5		
Storage batteries	47	4.8	6.95	13.5
Steel, pipe, bars, angles	27.5	62.5	1706.1	1162.32
Shoes, boots & soling	247.25	93.75	4.5	
Sulphur commercial flour			323.2	2591
Tin plate	845			
Tires, tubes & tape	175.75		20.2	343.04
Tools		9	57.9	209.1
Tooth brushes			.75	
Tea	171.5			

<u>Commodity</u>	<u>Tonnage Shipped to Date From U. S. A.</u>	<u>Tonnage Under Load At Port</u>	<u>Tonnage On Hand at Port Waiting Vessels</u>	<u>Tonnage En Route To Port</u>
Typewriter ribbons			.5	
Wire nails	100.5			
Wire rope	88.5			
X-Ray films	1			
Paint pigments	15.5		40.7	7.1
Pig iron				350
Jute bags		175.4	986	
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	25,790.46	3,744.75	7,245.02	9,095.3

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BRITISH AIR COMMISSION

1785 MASSACHUSETTS AVENUE

WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO.....

With the compliments of British Air Commission
who enclose weekly Statement No. 102 covering
Aircraft Flight Delivery as at May 4, 1943.

The Honourable Henry Morgenthau, Jr.
Secretary of the Treasury
WASHINGTON, D. C.

May 10, 1943.

LOCATIONS OF ORANGE FLIGHT DELIVERY AIRCRAFT
 (Covering Movements through May 4, 1943)

SECRET
MOST SECRET

	(1) TYPE (20)	(2) LBR. (20)	(3) NO. (20)	(4) VINT. (20)	(5) FL. HOAT (20-2/2)	(6) VINT. (1/2)	(7) NO. (1/2)	(8) NO. (1/2)	(9) NO. (1/2)	(10) NO. (1/2)	(11) NO. (1/2)	(12) NO. (1/2)	(13) NO. (1/2)	(14) NO. (1/2)	(15) NO. (1/2)
UNITED KINGDOM	20	96	432	140	275	2	299	195		69	229	99	4	25	1,200
INDIA EAST		5					95						48	21	279
SOUTH AFRICA				127											127
FRANCE															91
AUSTRALIA					27										27
SINGAPORE					9										9
INDIA															9
UNITED STATES			45	60			165								260
BRITISH					16			1			13	39			30
FRANCE											13				26
FRANCE		7									5				22
FRANCE									276					47	303
In route Overseas				5			2	6	21				1	9	34
Canada, Guano, etc.					3		4	1			5	1		14	24
Canada or Hawaiian route)				3					76						79
Special duty (Can. or Horn.)		2	1	15	4		11		2						35
Neutral		2		5			20	28	49	1	7	14	1	2	129
CRASHED AFTER EXPORT			28	29	9		32	14	20		3	1	6		122
In route export							1		15		2	1	1	3	30
At installation center				1	39			3	1			20		1	59
In route installation center				2											2
At modification center											27	32			59
In route modification center							11								22
Special duty in U. S.		1							3						4
Under repair		1	2				1				1		2		7
At starting point (Long Beach, etc)									29		2	5		12	37
CRASHED IN U. S.		1	2	5			24	1	9		2	2	7		50
DIVERTED TO U. S.		20	20	221	1*										262
TOTAL	20	165	520	643	300*	13	745	299	491	64	288	198	71	137	3,200

* Including one transferred to U. S. after delivery to U. K.
 ** The figures in column 5 on Report No. 101 are incorrect.
 They should have been (reading down with correct positions)
 153-1-7-2-10-14-3-1-299. Column 15 should have been adjusted accordingly.

PLANNING AND AIRCRAFT SUPPLY
 BRITISH AIR COMMISSION
 WASHINGTON, D. C.

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BRITISH AIR COMMISSION

1785 MASSACHUSETTS AVENUE
WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO.....

With the compliments of British Air Commission
who enclose Statement No. 84 - Aircraft Despatched
- for week ended May 4, 1943.

The Honourable Henry Morgenthau, Jr.
Secretary of the Treasury
WASHINGTON, D. C.

May 10, 1943.

STATEMENT NO. 84

Aircraft Despatched from the United States

Week Ended May 4th, 1943.

TYPE	DESTINATION	ASSEMBLY POINT	BY SEA	BY AIR	FLIGHT DELIVERY FOR USE IN CANADA
<u>CONSOLIDATED</u>					
Catalina 1 B	U.K.	U.K.		1	
Liberator III	Bahamas	Nassau		1	
Liberator GR V	U.K.	U.K.		10	
Liberator GR V	Canada enroute	Canada enroute		3	
Liberator GR V	Bahamas	Nassau		1	
<u>DOUGLAS</u>					
Dakota III	M.E.	M.E.		1	
Dakota III	India	India		2	
<u>FAIRCHILD</u>					
Cornell I	Canada	Canada			7
<u>LOCKHEED</u>					
Hudson VI	Canada enroute	Canada enroute		1	
Ventura	Canada	Canada			1
<u>GLENN MARTIN</u>					
Baltimore III A	M.E.	M.E.		5	
Baltimore IV	M.E.	M.E.		37	
<u>NORTH AMERICA</u>					
Mitchell II	Bahamas	Nassau		2	
Mitchell II	U.K.	U.K.		9	
<u>STINSON</u>					
Raldant	Trinidad	Trinidad		3	
Total				76	8

Re Statement No. 82 - 12 Baltimores IV reported as having been exported to Middle East. - please note one was diverted to U. Kingdom where it is expected to remain.

Movements Division
British Air Commission

May 8th, 1943.

BRITISH MOST SECRET
U.S. SECRET

OPTEL NO. 153

Information received up to 7 a.m., 10th May, 1943

COPY NO. _____
TREASURY DEPARTMENT
MAY 11 AM 11 50
SECRETARY OFFICE
OF THE TREASURY

1. NAVAL

3 of H.M. Destroyers again bombarded KELIBIA yesterday. On 9th morning, another 3 of H.M. Destroyers sank 2 small ships and yet another one of H.M. Destroyers sank a barge full of men, oil and ammunition North of CAPE BON. One of H.M. Destroyers was slightly damaged by a shell from shore batteries. Yet another of H.M. Destroyers was bombed and damaged by a near miss in the Gulf of TUNIS but has reached port.

2. MILITARY

TUNISIA. To 6 p.m. on the 9th. Pursuit of enemy continues. 6th Armoured Division was fighting in HAMELLET Area where enemy still holds high ground to the South. Enemy resistance increased in area South of CRETEVILLE. Advanced elements of 7th Armoured Division have joined up with U.S. Armour Southeast of BIZERTA.

U.S. SECTOR. General Klausner surrendered unconditionally to U.S. Armoured Division in the morning with all German forces between Lake BIZERTA and PORTO FARINA, including 10th and 15th German Panzer Divisions.

3. AIR OPERATIONS

WESTERN FRONT. 9th. Mustangs of Army Cooperation Command damaged 4 enemy aircraft on the ground and 9 goods trains in Northern FRANCE. 9th/10th. 19 Aircraft laid 63 sea mines.

TUNISIA. 7th. 320 Allied fighters operated against road traffic in TUNISIA and Landing Grounds on the CAPE BON Peninsula. At night, Wellingtons bombed SOLIMAN, GROMBALIA and KELIBIA, starting large fires and causing a violent explosion at KELIBIA. 8th. 88 medium bombers attacked PANTELLERIA Landing Ground and 300 additional Sorties were flown during anti-shipping and other operations. Casualties: Enemy - 9, 7, 7, in the air, and 14 destroyed on the ground. Allied 6, 0, 2, (4 pilots safe).

SICILY. 9th. MALTA based Spitfires bombed and hit a bridge at LICATA and carried out sweeps as diversion to an attack by U.S. aircraft on PALERMO.

BURMA. Between 5th and 9th, about 160 Sorties were flown; over 140 tons of bombs were dropped on railway installations, bridges and industrial objectives in the MANDALAY, RANGOON, UPPER CHINDWIN and AXYAN Areas.

CHINA. 4th. Liberators dropped 23 tons on SAMA Airfield (Hainan Island) and Mitchells bombed HAIPHONG Docks. One aircraft missing.