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August 5, 1943.

At eight o'clock last night Ambassador Halifax called me to give me the information that he had cabled to his government a report of our conversation and that he had followed it up with a recommendation himself. I asked him what the recommendation was and he hesitated and then said, "Well, it supported your position." But that was confidentially for me only. Furthermore, he telephoned through to his Treasury and told them to be sure and get this telegram on the desk of the Chancellor of the Exchequer by eight o'clock this morning and to notify everybody to be there with the Chancellor at eight o'clock. I also understood him to say that they should have an answer on my desk at nine o'clock this morning. That is with the difference of time of six hours. I don't think he would have telephoned me if he hadn't really supported my position. Anyway, we will know this morning what the results are.

August 5, 1943
9:30 a.m.

GROUP

Present: Mr. Paul
Mr. Smith
Mr. Gaston
Mr. Sullivan
Mr. Gamble
Mr. Thompson
Mr. Haas
Mr. Blough
Captain Kades
Mr. Bernstein
Mrs. Klotz

H.M. JR: Bernstein, last night at eight o'clock Lord Halifax called me up to say that the cable had gone.

Then he said in the strictest confidence, with the recommendation from him backing me up.

MR. BERNSTEIN: There is no news over the press that the paper was released, so I imagined it hadn't been.

H.M. JR: We had a three-hour battle here yesterday. I will just tell it to you in passing. It was sort of amusing - if it hadn't been so dangerous. The Chancellor of the Exchequer was going to issue a statement on Lend-Lease in Reverse, and it would have, I think, been a terrible boomerang because it was so disappointing.

I had to take the position on that and the raw materials that he shouldn't do it, although he was going to do it at six o'clock this morning our time.

Of course, Stettinius and Acheson, who have been pressing for it, were very keen to have it. But Halifax is a very direct fellow and a very satisfactory fellow to talk to, and I convinced him.

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Then the amazing thing, which I don't think you people know, is that as they left Stettinius said - now, they had a paper they had worked on jointly with the English to give out this morning patting them on the back, and so forth, and so on. Stettinius said, "I think I ought to tell you, Henry, that I never saw that release until I came over to see you, and when I read it here in your office - it was the first time I read it, and I never was so embarrassed in my life."

Oscar Cox was here. He just picked the thing to pieces - the most gawd-awful statement you ever saw. It is inconceivable.

Anyway, I think we must have stopped it. Don't you think so?

MR. BERNSTEIN: I think so. No news has come over the Treasury--

H.M.JR: The British Treasury man said, "To be blunt, Mr. Secretary, this is a matter for the British."

I said, "To be blunt, Mr. Waley, I think this is a matter for the United Nations." Evidently it came out all right, but they boiled it all down, I mean, what they had given us. It doesn't look so good.

But anyway, anybody that is worried about what I was doing last night, that is what I was doing.

MR. THOMPSON: I have nothing. I will have a report today on that little leaflet. It was a War Finance Division project, and they got out about twenty-eight million copies. It was cleared by Internal Revenue.

H.M.JR: And the Commissioner didn't know it?

MR. THOMPSON: I am getting the papers.

H.M.JR: It was cleared in Revenue?

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MR. THOMPSON: It was cleared as to the accuracy of the tables and the information, but it is not clear that it was cleared as to the purpose for which it was to be used.

MR. SULLIVAN: Which is that, Norman?

MR. THOMPSON: It was a little leaflet that went out with the pay checks - one that War Finance got out.

MR. SULLIVAN: They sent over several tables, and there was a lot of material that was cleared. What was used was an excerpt from the material. The leaflet wasn't cleared there.

MR. THOMPSON: No, the material was all cleared.

MR. SULLIVAN: Not the material on the leaflet.

MR. THOMPSON: Peter Odegard says he has a memorandum from Cann clearing it.

MR. SULLIVAN: Not the leaflet. He cleared the statistics in there, but the heading on it which caused the trouble wasn't on it when Peter saw it.

H.M.JR: I think it started at twenty-seven dollars, and that is what the Commissioner was complaining about.

MR. THOMPSON: Peter said Cann wanted it started at twenty dollars.

MR. SULLIVAN: But those were entirely different - it was entirely different material, though.

MR. THOMPSON: Cann apparently didn't know the purpose for which this leaflet was being prepared. That was the difference. I will have a complete report for you.

H.M.JR: Blough?

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MR. BLOUGH: Nothing.

H.M.JR: I am seeing you and Paul at eleven.

MR. PAUL: Yes. I have to see the Comptroller General at ten-thirty, but I can be back by then.

H.M.JR: If you are not back I will start reading Blough's memorandum, which I haven't read yet.

MR. PAUL: I will be back within a few minutes unless something happens there.

H.M.JR: Do you have something on a piece of paper on taxes?

MR. PAUL: No, Blough's memorandum wouldn't--

MR. BLOUGH: You have something though, if you want to use it. (Laughter)

MR. PAUL: We always have a tax plan in our pocket. (Laughter)

H.M.JR: Bring it in. I will try to read Roy's if you are not here.

MR. PAUL: Roy's will keep you busy for any conceivable delay that I will have. (Laughter)

H.M.JR: Bernstein, supposing they say to us, "All right, we have held up this raw material business," now who is going to do the negotiating with them on that? Whose job is that?

MR. BERNSTEIN: I don't know, but I should think the Treasury started this business, and apparently we are the only ones who seem to care very much how this comes out.

H.M.JR: Can you and White take it on with Waley?

MR. BERNSTEIN: I haven't any doubt Mr. White could do that.

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H.M.JR: Supposing you do. Leave it that way, because I am afraid I might lose my temper at Waley. He made an awful poor impression here yesterday. Then I will leave that with you.

MR. BERNSTEIN: Yes, sir.

MR. PAUL: Bernstein, you had better make a point about--

MR. BERNSTEIN: Mr. Smith called this morning about the lira currency. I don't know whether you want to say something about that now.

H.M.JR: He has explained it to me. We will let it go. There is a little piece in the New York Tribune.

I think that as we go along in this thing, inasmuch as Mr. Winant seems to be taking a keen interest in it I think we ought to keep him posted. Have you a committee on this thing? Is there a committee?

MR. BERNSTEIN: On the Lend-Lease?

H.M.JR: Yes.

MR. BERNSTEIN: You mean within the Treasury? There is a committee that looks over these balances and decides on the policy to pursue on Reverse Lend-Lease - inter-departmental.

H.M.JR: Don't you think once we know that I ought to tell Stettinius we will take up this thing so that he doesn't do it, too, on raw materials? He might do it himself.

MR. BERNSTEIN: I don't think he will.

H.M.JR: Anyway, when it comes in, you come and see me. We will call up Stettinius and have a talk with him.

MR. BERNSTEIN: Yes, sir.

H.M.JR: If we are to do it, then I want to keep Winant informed.

Where is that analysis on the Fortune article?

MR. BERNSTEIN: It ought to be in today; it hasn't reached me yet.

H.M.JR: George?

MR. HAAS: Mr. Secretary, the boys tell me that the State administrators want to take back copies of that source-of-funds material. Does that bother you if that gets out? They want to duplicate Lindow's lecture back in their home territories to convince the people that the money is there. The only thing that--

H.M.JR: It doesn't bother me, but it may bother Dan Bell. You had better wait until Bell gets back tomorrow.

MR. HAAS: It has got that seven, you see.

H.M.JR: You had better talk with Dan Bell - better clear that with him. I know he feels pretty strongly about it.

Did you get my message about Federal expenditures?

MR. HAAS: Not yet.

H.M.JR: I sent it to you. Anyway, it is easy enough to repeat it. I don't know who I told. Anyway, I want to go back to September '39, begin with Federal expenditures and break them down, Army, Navy, and non-military. I want to get sort of a line - I told somebody - I wanted a lateral line. I mean, I didn't want up and down charts. I wanted figures - a line chart going east and west.

MR. HAAS: O.K.

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H.M.JR: I mean, I want to see if the Navy has reached its peak for expenditures, has the Army reached its peak of expenditures, and then as we begin to get that we will break it down. I want to see if these expenditures have reached the peak or not.

MR. HAAS: In other words, you would like to have at the top the total, then below that the biggest item, like the war and break that down.

H.M.JR: Bring me something in pencil. But I want to begin to go into that, George.

MR. GASTON: Would you want them on a monthly or quarterly basis so as to show you a curve on that basis? It might show you a peak better.

H.M.JR: I mean a monthly basis. Isn't there such a thing in the Treasury?

MR. HAAS: We have the figures. We haven't put them on a chart.

H.M.JR: It would be interesting.

MR. GASTON: Yes, it would be very interesting.

H.M.JR: Has the Navy reached its peak and the Army - then when we begin to get it we want to maybe break down the Army appropriations, you see. In other words, I want to begin to study a little bit the war spending, George. That is the assignment.

MR. HAAS: We will have it.

MR. PAUL: That agreement that we had with Doughton was consummated yesterday noon. You probably saw the papers this morning.

H.M.JR: With holy water? (Laughter)

MR. PAUL: Anyway, we tried our best to keep the heat off the Treasury for delaying it. While not perfectly

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satisfied with the press story, at least it wasn't so bad as it might have been.

H.M.JR: I don't know whether Gamble likes it. I don't know how Smith feels, but I kind of liked the heading in the Tribune, "Tax Bill Postponed to See How Well the War Bond Drive Will Go - Whether We Need Compulsory Savings or Not." Do you mind that?

MR. GAMBLE: It is very good.

H.M.JR: Just a little extra heat under your chair there. (Laughter)

MR. GAMBLE: It is very good.

H.M.JR: Do you mind it?

MR. GAMBLE: Not in the least.

H.M.JR: I had nothing to do with it, but that is the way it came down. I think it is kind of good. The implication - incidentally, on that, when Mrs. Ogden Reid came in here complaining about not being able to increase her salary, I said, "Mrs. Reid, how do you stand on the volunteer plan?"

She said, "I am for it very definitely."

I said, "I wish everybody on your paper was that way, too."

She said, "Who?"

I don't want to go into it, but I had Nick Gregory in mind.

She went back. She said, "I go all through the paper. I will send you this editorial which I have written," which was a swell editorial on the volunteer plan.

MR. PAUL: There was an awfully good editorial in the Post yesterday about replying to Senator George.

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MR. GASTON: That is the one I mentioned to you yesterday.

MR. PAUL: I called up Eugene Meyer about it. I told him I wish he would get some more of that across.

H.M.JR: There is a swell editorial today, too, on Leo Crowley firing this fellow. Anybody who hasn't read that in today's Post - it is an awfully good article.

MR. GASTON: It starts out, "Martin Dies, the new personnel manager of OEW"-- (Laughter)

MR. PAUL: I have another matter here. It is a memorandum on the proposal to get a number of Jewish people out of Rumania, made by the American-Jewish Congress. A few days ago - towards the middle of last week - we wrote Wise that we were agreeable - you wrote him.

H.M.JR: We wrote. (Laughter)

MR. PAUL: I won't quarrel about the pronoun. (Laughter) Anyway, a letter was written and signed by you to him to that effect. He wrote the President also, and the President sent over a letter for reply. On receipt of that, the matter was taken up with the State Department. There is a great division of opinion over there. Dr. Feis is very strong - is very much back of the Treasury.

H.M.JR: For doing it?

MR. PAUL: For doing it. There are certain elements in the State Department, which you may well imagine, are opposed to it.

H.M.JR: I can't imagine. (Laughter)

MR. PAUL: We are in a position now where we have to do one of two things. We have to write that we are for it. We told Dr. Feis we would have to reply that we are for it, but State is opposed to it. He begged us not

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to do it, but to help him get it through over in the State Department. He suggested that you call up Hull, who, he thought, was sympathetic to it. I have replies here both ways, whichever way you want to do it.

H.M.JR: Simply write a little letter for me, "Dear Cordell: I am contemplating sending the President the following letter, but before doing so I would very much like to know whether this meets with your approval."

MR. PAUL: All right.

H.M.JR: I would much rather--

MR. PAUL: Feis thinks that that would be enough to get it through.

H.M.JR: Just do it; write a little letter like that.

MR. PAUL: Could I expand that just a little bit to give him the point?

H.M.JR: Oh, yes. But you get it to me this morning whenever you can get it, and I will sign it. I don't want to do it over the phone. I would much rather make a written record of it. I think it would be better, much better for me personally to have a written record. Don't you agree?

MR. PAUL: It is clear to me that it ought to be done.

H.M.JR: Don't you agree?

MR. PAUL: Yes, I think you ought to have a written record. Whether also you might call him in addition--

H.M.JR: I don't think so. I wish you would say that I am doing this on the advice of my General Counsel, Mr. Paul.

Kades?

CAPT. KADES: I haven't anything, Mr. Secretary. I carried on a conference with Mr. Bergson.

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H.M.JR: Was it interesting?

CAPT. KADES: As interesting as it was in here. I told him he would get all the consideration he deserved.

H.M.JR: Nothing special?

CAPT. KADES: No.

H.M.JR: During the day I will see you.

CAPT. KADES: Nothing special, no.

H.M.JR: Gamble?

MR. GAMBLE: I have only one thing to report. It may have already been called to your attention. They appointed Generoso Pope as chairman of an Italian-American committee. P.M. called you last night and asked for a comment on a press release that they had from our New York office with respect to this. They particularly wanted comment on a statement in the press release that he was a prominent liberal editor.

I advised them that we were in no position to comment on it, that we had not seen the release; and that as a matter of policy we did not pass on matters relating to the appointment of committees by our State organizations; that they were autonomous groups; that the Treasury officer they should contact in New York for comment was Mr. Randolph Burgess, our State chairman, who is the one man that we look to from here and hold responsible for the activities of the War Finance Committee for the State of New York.

MR. SULLIVAN: I had the Army fellows in this morning with Joe O'Connell, and we were discussing the renegotiation of the brokers.

H.M.JR: Brokers?

MR. SULLIVAN: Yes. I mentioned it to you yesterday afternoon. They are coming back again at twelve.

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H.M.JR: You are together on this?

MR. PAUL: We are having a meeting today.

MR. SULLIVAN: We have a meeting scheduled for three this afternoon, Randolph, Chuck, Joe O'Connell and myself.

H.M.JR: Wonderful.

MR. SULLIVAN: That is on the whole picture.

H.M.JR: Good. I haven't heard anything from those regulations over in Vinson's office, but I expect to call before eleven.

MR. GASTON: We tried to get the Department of Justice to approve an Executive order under which harvesting trucks and equipment from Canada could be brought in legally without doing violence to the Customs laws and regulations. They wouldn't approve it, so we decided to do it illegally.

H.M.JR: Wonderful, Herbert. (Laughter) Congratulations.

MR. GASTON: We have sent out instructions telling the collectors to act corruptly in this matter and not see the trucks.

H.M.JR: Want to put out a story about Mr. Biddle on it?

MR. GASTON: No, I don't think so. I think he is right. That is the difficult part of putting out a story. We are trying to stretch a statute that really wasn't made for that purpose.

H.M.JR: Do you want to say that we are doing it illegally? Who could sue us?

MR. GASTON: I don't think anybody is going to sue us. It might make a little trouble.

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MR. PAUL: All we have to do is let the trucks come in, then not see them after they are in.

MR. GASTON: That is about what we are telling the collectors to do.

MR. PAUL: Just a slight dereliction of duty.

MR. GASTON: It is a necessity.

H.M.JR: Good.

MR. GASTON: I cleared the Hassett matter with John McCormack. I notified Walsh - couldn't reach him on the phone. I notified the White House and the Democratic National Committee.

H.M.JR: Who is the National Democratic Committee? The Republicans can leave the room. (Laughter)

MR. GASTON: Ambrose O'Connell. He happens to be out in Chicago.

H.M.JR: Wasn't he with Farley? Wasn't he his right-hand man?

MR. GASTON: Yes.

MR. SULLIVAN Assistant Postmaster General.

H.M.JR: He is still there?

MR. GASTON: He is not there now; he is over on the Committee. He is working with Walker.

H.M.JR: He used to be Farley's shadow.

MR. GASTON: That is right, but he isn't by any means any more. He is Frank Walker's shadow.

H.M.JR: Does Frank Walker give it any time?

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MR. GASTON: I don't know how much time he gives to Ambrose O'Connell. I think he does give some time. But I only heard from him once or twice.

H.M.JR: I am very much pleased because that was a difficult thing, and I am sure the Commissioner must be pleased.

MR. GASTON: I told you McCormack would want to tie it up with the appointment of the Collector of Customs up there. He raised that matter, and I told him I couldn't see his man at all. We agreed that we would let that ride until he came back.

H.M.JR: You and Ted are getting tough, aren't you? (Laughter)

MR. GAMBLE: I don't know. We may have to take the man eventually.

H.M.JR: "Tough Head Fires Twenty-three Collectors of Internal Revenue" - back on Sullivan.

MR. SULLIVAN: Believe me, we wanted them fired, and have for a long while.

H.M.JR: We can tell you which ones are good, too.

MR. SULLIVAN: So can I tell you some we have that aren't any good.

H.M.JR: Fred?

MR. SMITH: Nothing.

H.M.JR: If that is all, I would like Smith, Gaston, and Paul to stay a minute.

August 5, 1943
10:20 a.m.

16

HMJr: Hello.

Ed
Stettinius: Good morning, Henry.

HMJr: Hello, Ed.

S: You are a very persuasive gentleman.

HMJr: Why?

S: They have - Sir Kingsley has tabled his statement.

HMJr: Oh, really?

S: Yesh.

HMJr: Well, that's nice. Isn't it?

S: Yeah.

HMJr: I think that's very helpful for the war effort.

S: Well, I think it worked out well all around the lot.

HMJr: He tabled the whole thing?

S: That's the news we just got from the Embassy from Press - from the Press Room of the Embassy that they had tabled the proposed statement.

HMJr: I see.

S: Now, I imagine that you and I will be hearing from Halifax sometime during the morning.

HMJr: What a funny way to hear.

S: Well, I had my scouts out, you see.

HMJr: Oh, I see. I see.

S: And they got - they got - my scouts got the information through the British information - that is the British OWI - whatever that is.

HMJr: Yeah. Well, you're happy over it?

S: Yes. I think from every standpoint that what came out in the discussion yesterday....

HMJr: Yeah.

S:that it would have been a mistake to have done it.

HMJr: That was a God-awful statement your people prepared for you.

S: Well, there's no question about that....

HMJr: Yeah.

S:and what I told you of the other assistance, however, was the thing that muddied the waters.

HMJr: You mean the British?

S: Yeah.

HMJr: Well, they were in on it.

S: They were. Yeah.

HMJr: They helped on it.

S: Sure.

HMJr: Right.

S: That fellow that you called - that was with us with Halifax.

HMJr: Waley.

S: Yeah.

HMJr: Yeah. Well, let me ask you this. I'm delighted. Now, how do you feel about negotiating for these raw materials with the British? I mean - would you like us to do it or would you rather do it yourself?

S: Well, I think that you have been so effective on the business - I think we ought to continue and do it - I would be very much - very unhappy if you dropped out of it. I think we ought to continue and let our fellows tie in with what you do.

HMJr: Good.

S: Our fellows are working with OWI who make the....

HMJr: You don't mean....

S:that is, Leo Crowley's new outfit....

HMJr: You don't mean....

S:Economic Warfare....

HMJr: Yeah.

S:who make the purchases.

HMJr: Well, as soon as Harry gets back (Pause) Hello?

S: Harry White?

HMJr: White, yeah. I'll tell him to get in touch with you and we'll move on the United Front.

S: Good, and if Harry - when will Harry be back?

HMJr: Monday.

S: Why don't you - Denby will be my man - why don't we just say that Harry White and Denby see each other the first of the week and carry the ball and then report to you and myself?

HMJr: Wonderful.

S: Okay, old fellow.

HMJr: Thank you.

S: Thank you, sir.

August 5, 1943
10:52 a.m.

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HMJr: Hello.

Operator: Lord Halifax.

HMJr: Thank you. Hello.

Lord
Halifax: Hello.

HMJr: Good morning.

H: Good morning. I just had a telegram from Kingsley....

HMJr: Oh, really?

H:which I will read over the phone to you.

HMJr: If you please.

H: "Please inform Mr. Morgenthau that in view of his personal request the Chancellor has agreed to postpone publication in White Paper on speech. (2) The Chancellor reserves further comment for the moment and would be glad of a fuller explanation of Mr. Morgenthau's attitude as soon as possible."

HMJr: Yeah.

H: Well, that's all right I think.

HMJr: Well, I think that's fine for both countries.

H: Well....

HMJr: And I wish you would tell him that I appreciate it very much and I think it's good for both of us.

H: Yes. Well, it's quick work and I think he has - I think that he has met you quite quickly.

HMJr: Yesh.

H: I thought he probably would.

HMJr: Well, I'm sure that he did it largely due to whatever you told him.

H: Well, I did my best for you.

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HMJr: Well, your best was good.

H: Well, anyhow, there it is.

HMJr: Well, I'm....

H: Will you - what I was going to ask you - could you put on paper....

HMJr: Yeah.

H:and let me have as soon as you can - uh - what you consider - argument of the injustice of your case on the - on the raw material points?

HMJr: Well - I - I think we can do that - I'll - we will do that in conjunction with Stettinius' organization.

H: Yes.

HMJr: And I'll have our people and his get together.

H: Will you?

HMJr: I will.

H: As soon as you can?

HMJr: Yes.

H: And if by chance I am not here, you'll communicate either with Ronnie Campbell....

HMJr: Yes.

H:or Waley.

HMJr: Right.

H: Will you do that?

HMJr: And please, I wish you would send the Chancellor quite a warm telegram from me....

H: I will.

HMJr:telling him I appreciate what he has done.

H: I certainly will.

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HMJr: And my thanks to you.

H: Righto. Will you tell the others?

HMJr: Uh....

H: If you think you ought to, I mean. I won't bother with Stettinius if you will tell him.

HMJr: I'll call Stettinius now.

H: Righto.

HMJr: Thank you.

H: Good bye.

HMJr: Good bye.

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HMJr: And my thanks to you.

H: Righto. Will you tell the others?

HMJr: Uh....

H: If you think you ought to, I mean. I won't bother with Stettinius if you will tell him.

HMJr: I'll call Stettinius now.

H: Righto.

HMJr: Thank you.

H: Good bye.

HMJr: Good bye.

TO: THE SECRETARY

FROM: [Faint text]

Original, okayed by the Secretary,
sent to Mr. Livesey, State Dept., by
special messenger, noon, August 5, 1943.

[Faint routing list]

To Winant from the Secretary of the Treasury

Please transmit the following message to the Chancellor of the Exchequer:

"The Secretary of the Treasury expresses his deep appreciation of the decision of the Chancellor of the Exchequer to postpone his statement on reciprocal aid. The Secretary of the Treasury believes that the Chancellor's decision will contribute to the United Nations war effort. With more time for the preparation and study of the most appropriate form in which to present in both countries the facts on the value of reciprocal aid, it will be possible to make clearer the common advantages of this program. The Chancellor of the Exchequer may be assured that the Secretary of the Treasury will continue to cooperate with him in the further development of the program of mutual aid."

OK. W.A.Z.

August 5, 1943
11:56 a.m.

24

HMJr: Hello.

Operator: Mr. Stettinius.

Ed
Stettinius: Hello.

HMJr: Stettinius.

S: Yes, sir.

HMJr: I've been officially notified by the Ambassador
of that - it's been postponed.

S: You've been officially notified by the Ambassador?

HMJr: Yeah.

S: Well, you were very surprised when you heard it.

HMJr: I was surprised and he asked me to call you.

S: Thank you for calling, Mr. Morgenthau.

HMJr: Now, Mr. Stettinius, he's asked me whether we
wouldn't give him a written memorandum why we don't
like the raw material thing. And I said I would get
in touch with you and your staff and ours would
formulate a memorandum why we don't like it.

S: Good.

HMJr: So, I think what we'll do - he said he would like to
have it soon. E. M. Bernstein is in charge here
while White's away and he - what was the name of the
man you had?

S: Denby - Charles Denby.

HMJr: Denby?

S: D-e-n-b-y, Denby.

HMJr: Denby. Well, he'll get in touch with Denby.

S: Bernstein?

HMJr: Yeah.

S: Good.

HMJr: E. M. Bernstein.

S: E. M. Bernstein.

HMJr: Yeah.

S: Okay. They'll work out a memorandum, Henry.

HMJr: That's right.

S: And thank you. I'm delighted that the British called you.

HMJr: They did.

S: Thank you, sir.

HMJr: All right.

August 5, 1943
11:58 a.m.

26

HMJr: Hello.

Operator: Mr. Acheson.

HMJr: Dean.

Dean
Acheson: Good morning, Henry.

HMJr: Good morning, Dean. I don't know whether this is news but Halifax just called me to say that they had tabled that resolution.

A: I had gathered from the Lend-Lease people that they hadn't heard of anything so it must have been done.

HMJr: Well....

A: I think that's - it took us about three hours. (Laughs)

HMJr: Well....

A: I think that's....

HMJr: I hope you think it was worth while.

A: I think it was worth while.

HMJr: I do.

A: I think it's good. Have you got a copy of that telegram I sent out?

HMJr: Not yet. No.

A: Well, I sent it over this morning. You'll have it in a few minutes.

HMJr: Good. Well, now, he asked us to draft a formal objections - what our objections are on the raw materials. See?

A: Yes.

HMJr: And I've asked - uh - I said we'd do it jointly with Lend-Lease. Now when I get that I'd like to sit down with you and Stettinius and go over it - I mean before we give it to the British.

A: Yes, I think that's wise.

HMJr: If that's agreeable to you.

A: Yes.

HMJr: And one other thing - I'm going to draft a cable to Winant thanking Kingsley Wood for this and I'll send it over to you and I'll appreciate it if you will forward it to Winant.

A: I'll send it right out....

HMJr: Thank you.

A:as soon as it comes along.

HMJr: Thank you.

A: All right, Henry.

HMJr: All right. The next time I'll have Coca Cola for you.

A: Well, that Dr. Pepper was pretty good.

HMJr: (Laughs) All right. Sorry, but we'll do better next time.

A: (Laughs) All right.

HMJr: Good bye.

A: Good bye.

August 5, 1943
4:00 p.m.

TAXES

Present: Mr. Paul
Mr. Blough
Mr. Gaston
Mr. Smith
Mrs. Klotz

H.M.JR: Let's have a report on this meeting,
please - proposed meeting.

MR. PAUL: We went over a list of names--

H.M.JR: Do you mind if I ask first whether Mr.
Gaston approves the idea? That is what I wanted -
Herbert's brains.

MR. GASTON: I don't know about it.

MR. SMITH: You said you were going to check with
him.

H.M.JR: I asked you fellows to prepare him before
he came in - to discuss it with him.

MR. SMITH: I understood you to say--

MR. GASTON: The only message I got was from Fitz
asking me if I knew about a meeting at four o'clock.

H.M.JR: I said to prepare Mr. Gaston and discuss
it with him before he came in.

MR. PAUL: I must confess I didn't understand it.

- 2 -

H.M.JR: Anyway, Herbert, inasmuch as they haven't, and I have got to do all the spade work around here - (Laughter) in conjunction with these good but lazy people, we worked out the idea that - the idea was that next week we would call a meeting of various people who are interested in taxes. We would invite all the people who are on Mr. Vinson's committee, but not as a committee. We would invite people like Nelson - some of his people - Patterson and Forrestal, and some others. I mean, fifteen or twenty people, see? And then use them as a guinea pig to try the various ideas we have to raise money and combat inflation.

I want to explain to you that I was acting chairman of Vinson's committee, and I told them I would like to come before them and tell them what we had. They were crazy about it. When I mentioned it to Vinson he said, "No," - that it would just start a lot of controversy.

Mr. PAUL: Didn't he say - make a point that it would all be in the papers?

H.M.JR: Yes. I thought - at my press conference this morning I said we were going to follow the usual procedure of doing this thing and consulting with people the way we had before. I don't know whether you read my press conference.

Mr. GASTON: I didn't read the transcript. I read the ticker.

H.M.JR: This would be following the new procedure. There won't be firm Treasury recommendations, but it will be setting up different proposals for them to consider. We were going to ask to have the meeting here.

Mr. GASTON: How soon?

H.M.JR: We are going to shoot for next Tuesday afternoon.

- 3 -

MR. GASTON: I think the idea is good. The question is how big a list - how much of a meeting you want to have. I don't know whether you want War Department and Nelson in it or not - whether it will help any.

H.M.JR: I will explain that. How do you like the idea of a meeting?

MR. GASTON: I like the idea. The second question that arises in my mind is whether you want to check it with the President before you have a meeting.

H.M.JR: No, I wouldn't dream of checking it with the President.

MR. PAUL: For a little background, the Secretary first thought of having Vinson - asking Vinson to call a meeting of his committee. Then he thought, I think wisely, that that would be bad and play right in the hands of all these reporters who say that he is in charge of the tax bill. So we thought we would have it a Treasury meeting.

MR. GASTON: That is better.

MR. PAUL: We have made a list which doesn't include all of these people.

H.M.JR: But you are satisfied.

Now, before we go into the list, has anybody any qualms about having the meeting? You people were going to think it over and discuss it with Gaston. Has anybody got any qualms?

MR. PAUL: I haven't got any qualms about having the meeting. On the contrary, I think that we must prepare our position by having a meeting. That is, we must make it clear that we do consult this year as we did last with the other agencies and persons interested. But I do think that the meeting should make it very firm that nothing - make it very clear that nothing said by us is a firm Treasury proposal.

- 4 -

H.M.JR: Did you read my press conference?

MR. PAUL: Yes, I did. It was very good.

H.M.JR: Thank you, sir.

MR. BLOUGH: It hadn't come to my desk.

MR. GASTON: Did you have the transcript or the ticker?

MR. PAUL: I had the transcript.

For instance, I don't think we ought to put all our eggs in the basket of this one scheme we discussed this morning.

H.M.JR: I am in accord with that.

MR. PAUL: With those qualifications, I think the meeting would be very helpful.

H.M.JR: I am in complete accord.

Now, do you want to get down to the names?

MR. SMITH: What do you think about giving out charts - having Lindow--

H.M.JR: I don't think we will have that, Fred. It takes too long, and it is too much on a theoretical assumption. It takes a couple of hours and then you immediately get down with this crowd, "Well this is pure theory; it is just set up to sell the volunteer plan."

I mean, I think it is all right to do it with somebody alone, talking the thing over and asking questions, but if you have fifteen or twenty people - I thought of that - I am afraid of it. I think if you get somebody in alone, good. You can sit down quietly and take a couple of hours, but not this crowd.

- 5 -

MR. GASTON: In this group that you call, the majority of them are economic technicians and familiar with all that general background.

H.M.JR: I wouldn't call them economic technicians. Hear the list.

MR. PAUL: Judge Vinson, Ben Cohen, Harold Smith or Wayne Coy, Jesse Jones, Marriner Eccles, Prentiss Brown, Donald Nelson, Arthur Whiteside, James Forrestal, Robert Patterson, Eric Johnston, William Green, Philip Murray, James Patton, Lauchlin Currie, Claude Wickard - we put his name in because it is hard to ask Jones and not ask Wickard when they are both on the committee - and W.L. Davis.

H.M.JR: And I won't fight for the Army and the Navy if you want to leave them out.

MR. PAUL: I don't see any objection to having them. Last year - at first I opposed it, as you remember, but last year we had a good many conferences with them about different aspects of the tax program.

MR. GASTON: Patton is on there because he is the farm representative?

MR. PAUL: We left out O'Neal because if you have O'Neal there you won't have any meeting.

MR. GASTON: There is the thing I was questioning, leaving out the other farm organizations, because O'Neal is on that Stabilization Committee, too, isn't he?

MR. PAUL: Yes. I don't know whether we should leave out O'Neal but he is a terrible man. He breaks up a meeting.

H.M.JR: Well, look, gentlemen, as far as the names go, I will leave it to the three of you. My thought was to call it for about four o'clock in the afternoon.

- 6 -

MR. PAUL: Four is a good time because it doesn't extend too late, then.

H.M.JR: I will leave it to you.

MR. GASTON: You will get good publicity.

MR. PAUL: You will get publicity, all right. Marriner Eccles will be here.

H.M.JR: Herbert, this is what I was thinking about. I listened to you fellows today and I said what we all agreed I would say to the press. I would like you (Gaston) to read my press conference.

MR. GASTON: Yes.

H.M.JR: I don't know what the stories will be, but I am going to go ahead. I didn't ask the President. I didn't ask him last year.

I have done an awful lot of thinking on this thing entirely by myself and I am satisfied to go ahead on this thing, and I am satisfied that the President will not knock me down.

MR. GASTON: I think that same thing.

H.M.JR: Then if he does, it is a damned serious matter. He won't - he never has.

MR. PAUL: I merely wanted to recall a point I made this morning, that this meeting cannot be held without a discussion of compulsory versus volunteer.

H.M.JR: That is all right. Your mind is open and my mind is made up. (Laughter)

MR. PAUL: I am afraid somebody else had better do the talking on that.

H.M.JR: We have got plenty. I know Blough is a violent volunteer fellow. We will let him present it. We have plenty of fellows to present the volunteer side.

- 7 -

MR. BLOUGH: Lindow can do it enthusiastically and I can do it fairly. (Laughter)

MR. PAUL: Who is going to call these people?

H.M.JR: I would like you to, or have your office do it if you will. Or give the names to Fitzgerald and he will do it in my name. Maybe that will be better. What do you think, Herbert?

MR. GASTON: I think that would be a good idea for Fitzgerald to do it.

MR. PAUL: I will give him a little statement of the purpose of the meeting.

H.M.JR: Let Fitz do it.

MR. BLOUGH: The dismissal compensation is not in a stage that you are thinking of that in this connection at all?

H.M.JR: I don't think so. I hope to have one meeting a week until we get this thing straightened out.

MR. BLOUGH: I mention it because we, of course, haven't gone over that memorandum.

H.M.JR: That is all right.

August 5, 1943
4:48 p.m.

35

Operator: Here's Mr. Paul.

HMJr: Randolph?

Randolph Paul: Yeah.

HMJr: I thought that we certainly ought to have Baruch and Hancock.

P: Well, we've got Baruch's name down but since we were in your office we've had a further discussion which has partly been solved by practicalities.

HMJr: Yes.

P: Eric Johnson is leaving tonight for England....

HMJr: Yeah.

P:and we've decided that it wouldn't be a good thing - and Patton is going this afternoon to Denver....

HMJr: Yes.

P:and we've decided we couldn't have just an Administration and Labor meeting so we are limiting the list to the various Administration people and we've added to that list a little bit....

HMJr: Well....

P:and....

HMJr:will that include Baruch?

P: Well, Baruch qualifies, I should think, because he's an - sort of an assistant to Byrnes.

HMJr: Well, he's an advisor to Byrnes.

P: Yes, he's in the Administration.

HMJr: Yeah.

P: All right. I'll put his name down.

HMJr: What about Hancock?

P: Well, he's My-man-Friday for Baruch.

HMJr: Yeah.

P: He isn't quite the same status but I don't know how to have Baruch and say, "You can't have Hancock."

HMJr: Oh, I'd have Hancock. I don't want to hurt his feelings.

P: All right.

HMJr: Yeah. Okay?

- - - -

August 5, 1948

Memorandum Dictated by the Secretary

Congressman Celler telephoned me. It seems that he planned to have a baseball game on August 26th to raise \$60,000,000 in War Bonds. He wanted to get a Navy team from Norfolk but Under Secretary Forrestal turned him down. He asked me whether there was anything I could do.

I asked him to send me a telegram about it, and he said he would and that he also would have the president of the Brooklyn Savings Bank send a telegram.

When these telegrams come in, I want them routed directly to Mr. Gamble, and then I want Mr. Gamble to bring them in to me together with this memorandum. I think that if they are going to have the game that we ought to have it after September 9th so that the proceeds will count in on our Third War Loan Drive. \$60,000,000 is still a lot of money.

Furnished - Per Gamble. 8/10.

August 5, 1948

Fred Smith

Secretary Morgenthau

Yesterday I asked Mr. Paul to get in touch with the Comptroller General and see if he couldn't make an exception in favor of the charwomen and grant them this pay. Please follow up on this, and if we could get it through it would be a good human interest story.

The ~~attached~~ clipping from today's Wall Street Journal says they don't understand the story about the invasion currency. I don't see where there is any mystery, and it seems to me that somebody in Bell's or White's office could see the newspaper men and explain it to them.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 5, 1943

to Secretary Morgenthau
FROM Fred Smith *FS*

It looks like the Charwomen's Union beat us to the punch on this one. However, I will follow it up, and perhaps when the job is complete we will be able to do a "Saga of the Charwomen's Pay," which will make pleasant reading.

And speaking of pleasant reading, did you ever see the Ed Hoyt story on your pennies? He tells me the Managing Editor was very fascinated with the yarn, and it looks at this point as though Readers Digest is going to reprint it.

Finished

Treasury Defers Deductions in Charwomen's Pay

An advantage was won by the 80 Federally employed charwomen yesterday in their fight to prevent the Treasury Department from taking further deductions from their current wages for purpose of reimbursing the Government for overpaying them 13 cents an hour for about one year.

The Treasury Department announced it would withhold deductions to give the women opportunity to appeal to Congress this fall for an appropriation to cover the overpayment. A total of approximately \$5000 is involved.

The fight was made by the United Federal Workers, Local No. 11. One deduction, amounting to approximately \$5 per woman, was made this week from pay checks. The regular wage is 65 cents per hour and deductions from this hourly rate left the women in dire circumstances, they claimed. The rate that was paid through error of some unidentified official was 78 cents.

Treasury Stuck With Pennies Of Steel That Look Like Dimes

The Treasury's new steel penny has been causing so much trouble because of its similarity to the dime that *The Star* assigned a reporter to get a story on it. The story was sent to Secretary Morgenthau for clearance. The Treasury not only released it, but also rewrote it. Herewith is the Treasury's own report of its penny dilemma:

Secretary Morgenthau took time off from financing the war this morning to explain to a *Star* reporter that the possibilities of doing something about the steel wartime penny, which looks like a dime, have been exhausted. He predicts, therefore, that it will be with us for the duration and regrets that he has no better answer to the several hundred persons who have written the Treasury asking Mr. Morgenthau please to change the shape or the color or at the very least to bore a hole in the center.

"We have tried everything—absol-

utely everything," the Secretary said. "Our experts point out that it is impractical to change the color, to bore holes or to change the size."

"The experts tell me," he said, "that in time the coins will tarnish and no one will ever mistake one for a dime."

Asked if the tarnishing would solve the problem and please everybody, the Secretary shook his head and produced a letter from a gentleman in Ohio, who inclosed one of the new coins which had become spotted. "This new Lincoln penny," the correspondent wrote, "is a disgrace to the Great Emancipator and the U. S. A."

The Secretary explained that the production of this penny last year saved 4,600 tons of copper, or enough for 1,250,000 field-gun shells.

About 175,000,000 of the new coins have been delivered to the Federal Reserve Bank in San Francisco where they are being passed out

freely. The vice president of the street railway company there said there did not seem to be much trouble once the public got used to the new coin.

The new penny, it was explained, cannot be colored because acids would injure the zinc coating—necessary to keep it from rusting.

The penny was introduced at the first of this year after the War Production Board had suggested calling in all existing pennies for remelting. Steel, being less scarce than any other metal, was the only one which would relieve the situation. Steel rusts easily, but the board allotted enough zinc to coat the coins.

The mint used the same design of the familiar Lincoln penny for the new coin and the same machinery for its manufacture. This meant that the new penny could not have a hole in it or be octagonal.

The Mint buys blanks for the coin—steel slugs just the size of a penny. Coins with holes in them would mean new machinery and purchase of metal in strips, which would mean 32 per cent waste.

"The Mint officials," the Secretary explained, "do not want to have to manufacture any more punched coins. They made 100,000,000 of them in 1941 for the Netherlands possessions in the Far East. Their manufacturing equipment and methods were so little adapted to making the punched coins that they had a great deal of trouble producing them."

As for letters of complaint, it was pointed out that the public always wants changes in coinage. "The Mint," the Secretary said, "has letters predicting that the Nation would be ruined by the substitution of Jefferson for the bison on the nickel."

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Mrs. Klotz phoned Mr. Smith about this.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 5, 1943.

TO Mr. Fred Smith

FROM Mr. Gaston

Evans Clark of the Twentieth Century Fund called me this afternoon. He now has a new proposition and a new date. He would like to have the Secretary take part in the program on Saturday, October 16, the theme of which is to be post-war financial policies to assure full employment. This is right along the line of work that Harry White and his men have been doing in the post-war monetary field and would give an opportunity for discussion of the international stabilization plan. There would be one or two other speakers. Among those suggested by Clark are Randolph Burgess, Sloane Colt and Hemingway, President of the A.B.A., but the Secretary could have a voice in the selection of his companions. There would be introductory talks and about half the time would be reserved for discussion, with principal attention to be paid to questions which are stimulated by announcing the program the week previous. Clark asks me to call him today or tomorrow at Bryant 9-8188.



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 5, 1943

TO Secretary Morgenthau

FROM E. M. Bernstein

Subject: "The World Bank Proposals", Fortune, August 1943

The article is one of the most helpful on the proposals of the United States and British Treasuries. The article is principally devoted to the need for international monetary cooperation. In this it appears to draw heavily upon the memorandum accompanying the United States Treasury proposal which was sent to the finance ministers of the United Nations and made public on April 7, 1943.

The principal points are:

1. Post-war monetary problems can be solved only through a world bank. In the view of the author, the ideal system is a gold standard with international cooperation through a world bank to assure effectiveness in meeting severe crises.
2. Currency stabilization is an appropriate starting point for cooperation among the United Nations in solving their economic and financial problems. In this way a healthful atmosphere can be provided for the solution of other international and domestic economic problems.
3. A successful program of stabilization would involve no real cost to the United States. Instead there would be important gains through the maintenance of a higher level of economic activity. Even if the world bank is not completely successful in maintaining balanced international accounts and stable currencies a great advance would have been made in these directions.
4. Participation in such a world bank would not involve a loss of sovereignty. "In all association and intercourse among men and nations, certain fundamental rules have to be worked out and adhered to. To call this a surrender of sovereignty does not make very good sense."

This article should bring us a considerable degree of support in intelligent business circles.

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

August 5, 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 July 28, 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.

CMB

FEDERAL RESERVE BANK
OF NEW YORK

August 4, 1943.

CONFIDENTIAL

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

I am enclosing our compilation for the week ended July 28, 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/ Robert G. Rouse

Robert G. Rouse,
Vice President.

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

Enclosure

C O P Y

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

Week Ended July 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	For Own A/C	For French 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
First year of war (a)	323.0	16.6	306.4	504.7	412.7	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	123.9	88.5	+ 1.6	72.2	16.7	55.5	61.2	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	14.7	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	-	37.7	-	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	+ 10.0	16.4	15.1	1.3	16.4	-	16.4	+ 0.2
Apr. 29 - June 2	74.9	-	74.9	95.8	-	-	-	95.8	+ 15.9	21.8	19.0	2.8	21.8	-	21.8	+ 0.1
June 3 - June 30	53.8	-	53.8	77.2	-	-	-	77.2	+ 22.4	20.0	20.0	-	20.0	-	20.0	+ 7.3
July 1 - July 28	102.1	-	102.1	61.8	-	-	-	61.8	- 40.3	17.2	16.0	1.2	17.2	-	17.2	- 0.1
WEEK ENDED:																
July 7	15.7	-	15.7	18.6	-	-	-	10.6	+ 2.9	8.3	7.0	1.3	11.0	-	11.0	+ 3.3
14	68.5	-	68.5	8.9	-	-	-	8.9	- 50.8	7.8	6.0	1.8	8.5	-	8.5	- 7.3
21	11.4	-	11.4	25.0	-	-	-	25.0	+ 13.6	3.0	3.0	-	0.1	-	0.1	- 2.9
28	6.5(*)	-	6.5	9.3(e)	-	-	-	9.3(f)	+ 2.8	0.1	-	0.1	0.3	-	0.3	+ 0.2

Average Weekly Expenditures

First year of war

Second year of war

Third year of war

1942

1943

6.2 million.

8.9 million.

10.1 million.

9.2 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 include U. S. securities.
 (f) Includes U. S. securities of the U. S. Trust Co., Ltd.

ANALYSIS OF BRITISH AND FRENCH ACCOUNTS
(In Millions of Dollars)

Week Ended July 28, 1943.

Strictly
Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)										BANK OF FRANCE			
	D E B I T S				C R E D I T S						Net Incr. (+) or Decr. (-) in \$ Funds (d)	Total Debits (e)	Total Credits (e)	Net Incr. (+) or Decr. (-) in \$ Funds (d)
	Total Debits	Gov't Expendi- tures (a)	Transfers to Official Canadian Account	Other Debits	Total Credits	Proceeds of Sales of Gold	Securities (Official) (b)	Transfers from Offi- cial Aus- tralian Account	Other Credits (c)					
First year of war (g)	1,793.2	605.6	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(f)	+299.0	
War 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	1,193.7	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. 3 - Sept. 30	56.1	37.1	-	19.0	81.6	-	0.5	20.5	60.6	+ 25.5	10.1	0.4	- 9.7	
Oct. 1 - Oct. 28	46.7	27.4	-	19.3	57.5	-	-	12.0	45.5	+ 10.8	-	0.3	+ 0.3	
Oct. 29 - Dec. 2	96.6	35.5	-	61.1	83.7	-	-	5.5	78.2	- 12.9	0.2	0.3	+ 0.1	
Dec. 3 - Dec. 30 1941	30.4	13.3	-	17.1	51.9	-	-	8.0	43.9	+ 21.5	-	-	-	
Dec. 31 - Feb. 3	168.6	20.9	125.0	22.7	58.9	-	-	8.0	50.9	-109.7	-	-	-	
Feb. 4 - Mar. 3	87.2	17.8	37.7	31.7	120.8	-	-	15.0	105.8	+ 33.6	-	-	-	
Mar. 4 - 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	-	-	17.1	72.3	+ 50.4	-	-	-	
Apr. 29 - June 2	90.4	74.3	-	16.1	103.4	-	-	19.0	84.4	+ 13.0	-	-	-	
June 3 - June 30	31.6	11.6	-	20.0	130.7	-	-	20.0	110.7	+ 35.1	-	-	-	
July 1 - July 28	33.0	18.2	-	14.8	100.5	-	-	18.0	84.5	+ 67.5	-	-	-	
WEEK ENDED:														
July 7	5.1	2.9	-	2.2	18.2	-	-	7.0	11.0	+13.1	-	-	-	
14	9.2	5.3	-	3.9	30.3	-	-	6.0	24.3	+21.1	-	-	-	
21	9.4	4.9	-	4.5	23.6	-	-	3.0	20.6	+14.2	-	-	-	
28	9.3	5.1	-	4.2	28.4(j)	-	-	-	25.4(j)	+19.1	-	-	-	

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

England (through June 19, 1940) \$27.6 million

France (from July 1, 1940 to March 12, 1941) \$54.9 million

England (from July 1, 1940 to March 12, 1941) \$21.4 million

See attached sheet for footnotes.

- (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: 15.0 million to be held for the credit of the U. S. Army
9.5 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports
2.0 million transferred from Reserve Bank of New Zealand account at this bank.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 5, 1943

TO Secretary Morgenthau

FROM Mr. White

Subject: Status of Stabilization and Gold Agreements on June 30.

1. Stabilization Agreements in Operation

Country	Dated	Expires	Amount		Collateral
			Commitment	Outstanding	
Brazil 1/	7/15/37	7/15/47	\$100,000,000	None	None gold
China 2/	7/14/37	6/30/43	50,000,000	None	None gold
China	4/1/41	6/30/43	50,000,000	None	None required
Ecuador 3/	3/1/42	6/30/43	5,000,000	None	None required
Iceland 4/	5/1/42	6/30/43	2,000,000	None	None required

2. Stabilization Agreements Concluded but not yet Effective

Mexico	11/1/41	6/30/45	\$ 40,000,000	None	None required
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3. Gold Sale Agreement

Country	Dated	Expires	Commitment	Outstanding	Payment due within:
Cuba 5/	7/6/42	6/30/43	\$ 5,000,000	5,000,000	120 days from each sale

4. British Coin Purchase Agreement

Country	Dated	Expires	Commitment	Purchases
Liberia	9/26/42	6/30/44	\$ 2,000,000	\$ 454,800

- 1/ This agreement, as amended, also provides for sale to Brazil of up to \$200,000,000 in gold, of which \$96,297,868 has been sold.
- 2/ No official agreement has been reached renewing the Chinese Stabilization Agreements.
- 3/ Extended to June 30, 1944.
- 4/ Extended to June 30, 1944.
- 5/ Extended to June 30, 1945.

Treasury Department
Division of Monetary Research

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Date.....August 5, 1943.....19

To: Secretary Morgenthau
From: E. M. Bernstein

This is the memorandum on the
Herald Tribune paragraph "Occupation Costs"
regarding which you spoke to Mr. Bell.

MR. WHITE
Branch 2058 - Room 214½

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 4, 1943

TO Secretary Morgenthau

FROM Mr. E. M. Bernstein

Subject: United States Government Expenditures in French Africa

The view stated in the attached newspaper article that the expenditures in French Africa of the Allied Governments attendant on the occupation of that area have been excessive is not borne out by information in our possession.

The expenditures of the United States Armed Forces in French Africa are not excessive when compared with the number of troops in the area. Total disbursements amounted to approximately \$116 million from November 1942 through May 1943. Of this amount, only an estimated \$21 million was spent in French Africa for the purchases of supplies and services. The balance of \$95 million was for the pay of troops of which it is estimated at least \$50 million was remitted to the United States or spent in the Army Post Exchanges.

Expenditures in French Africa by the Civilian Departments of the United States Government have not been substantial. Only one payment of \$1-1/2 million has been made for essential raw materials purchased in French Africa for export to the United States.

Rapidly rising prices have not been an important factor in the expenses of the American Armed Forces in the area. In accordance with an agreement with the French to maintain November 8 prices, the legal price level has remained substantially the same since the Allied landings. Despite continued pressure by the French for an upward revision of the prices under this agreement, the American representatives have successfully resisted major increases. A June 1943 report from the Lend-Lease Administration in West Africa states: "There has been no price increase in consumer goods, the final retail prices on all imports having been held at the November 1942 levels." Prices and wages on May 29, 1943 were frozen at June 15, 1942 levels by order of General Giraud. Prices on the black market, which is a flourishing institution in French Africa, have continued to evidence an increase but this market is not patronized by the American Armed Forces.

Division of Monetary
Research

- 2 -

A check to rising prices and inflation is provided by the commodities shipped from the United States to French Africa for civilian consumption. These commodities lessen the serious shortage of goods which largely resulted from draining the area by the enemy of all available consumer stocks. The French African authorities are paying for these goods with dollar funds received from U.S. military expenditures. \$25 million on account has been received by the Office of Lend-Lease Administration to date. Arrangements are now being made by the French to make a further payment in the neighborhood of \$32 million which will cover the cost of commodities shipped through June 30, 1943.

In addition the United States Government has furnished without payment military supplies and equipment to the French Armed Forces amounting to \$100 million through June 30, 1943. These are provided under military lend lease.

The budgetary position of the French African Government is excellent. The recent borrowing program of the French African Treasury has been so successful that the Minister of Finance recently indicated that loans from the Allied Governments were unnecessary.

The change in the rate of exchange on February 2, 1943 from 75 francs to 50 francs to the dollar reduced the purchasing power of our military personnel and increased French holdings of dollar balances by increasing the cost of francs to us.

It is still too early to speak of Sicily as no reports on economic and financial conditions have yet been received from the area.

WALL STREET COMMENTOccupation Costs

As increasingly larger areas are occupied by troops of the United Nations, the question of occupation costs becomes an important economic consideration. British observers have said openly that our African expenses, for example, are understood to have amounted to "a formidable figure". They raise the question whether all of it was inevitable. In fact, a proposal has been made to have the London Select Committee on National Expenditure investigate the matter with a view of determining if some of the expenses could have been saved, if exchange rates had been adopted which would not have started the spiral of rising prices in occupied lands. There are, of course, many inter-related problems in this picture, such as the large purchasing power of many bids for goods regardless of exchange rates. However, the question is likely to be raised with great frequency as the war progresses.

(Source: New York Herald Tribune, July 31, 1943)

UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

THE LAND MARKET

FARMER AND LANDLORD OPINION CONCERNING
A POSSIBLE BOOM AND ITS CONTROL

RESTRICTED

For Administrative Use Only

Study 69
Report No. 48

Program Surveys Division
August 5, 1943

INTRODUCTION

Farm land prices are making rapid gains. Many studies indicate a significant rise in farm land values during recent months. To obtain attitudes relative to the farm real estate situation in the Corn Belt and to the need for controls of the land market, 309 farm operators and 117 non-operating owners were interviewed between May 19 and June 19, 1945. The area surveyed includes Edgar, DeWitt and DeKalb Counties, Illinois; Lucas, Cass, Poweshiek, Johnson, Kosuth and O'Brien Counties, Iowa; and Seward and Pierce Counties, Nebraska. This sample is a cross section of farmers and landlords in those parts of Illinois, Iowa, and Nebraska which lie in the Central Corn Belt Area.

The study sought information on the following questions:

1. What do farm operators and local landlords living in the area think is happening or has recently been happening in the land market in their communities?
2. What factors are affecting these people's attitudes towards the purchase of land?
3. What are their attitudes toward Government action to curb excessive increases in land prices and volume of sales?
4. What are their attitudes toward specific types of control measures?

Another report covering this subject, based on interviews with Government officials, business men and professional men of the counties surveyed, will be issued later.

SUMMARY AND CONCLUSIONS

Although certain facts about land market developments are well-known -- such as the number of farm sales by periods and areas, the volume of farm mortgage debt, and farm land prices -- little systematic information has been available about farmers' understanding of such matters. Do farmers and persons in rural areas fear a land boom or want one? Would they like to check it themselves or are they developing a "boom psychology" which will magnify it? Do they want the Government to take action or keep hands off? Do they see any threat in current developments, or bright opportunity, or show little understanding at all? How do opinions differ among various groups such as farm owner-operators, tenant-operators, and landlords? Exploration in these general areas of attitudes to guide policy development was the objective of the present study.

The findings of the survey and their implications may be summarized as follows:

1. Two sidelights on the thinking of farmers and landlords about the problem of land inflation are interesting to observe:
 - a. Nearly all of them are aware of developments in the land market and of trends in land prices. Although there are some differences about how much land prices have risen and some disagreement about how much land market activity is accelerating, practically all of them are watching what is going on, either out of general interest or with more deliberate purpose. Whether the attention of rural people to the progress of land values will make for public support of control of land prices or for widespread participation in an inflationary spree is yet to be seen.
 - b. Similarly, farmers and landlords almost unanimously hold ideas as to who is doing the buying of farm land. They have their differences of opinion, but significant in itself is the fact that they are conscious that several types of buyers with different objectives may be in the market.
2. Differences in attitudes toward non-operators in the land market are only the surface marks of a split in viewpoint that runs very deep between operators and non-operator owners.

Farm operators are skeptical of speculators in land and of absentee owners. They tend to view land prices from the standpoint of prospective or actual operators; that is, primarily in terms of whether it is reasonable to expect the land to pay out on the basis of products and marketings. They seem to be more influenced by memory of the last collapse, more conscious of the threat of a big mortgage debt, and more inclined to want a land boom placed under control.

On the other hand, non-operating owners naturally hold an antagonism toward persons in their relation to the land market, but they sometimes rail against "speculators" in contrast to themselves as "investors". The investor point of view predominates in their thinking. They calculate the reasonableness of farm land prices more coldly in terms of prospective returns and alternative investment opportunities -- and at present, at least, come out with more optimistic answers.

3. The evidence is clear that a tremendously important group is ready to lend its help in trading up the price of land. One-fifth of the landlords in the present study -- representing a group customarily found in the higher brackets of income and savings -- feel that land prices are relatively low compared with product prices, that land prices can go higher and still allow the land to pay out. There may even be evidence of a growing belief that land prices have reached a "permanently higher plateau" -- an idea that motivated investors in the securities markets late in the 'twenties. In the farm land market it is expressed as an expectation that land prices will not fall after the war.

Bullish feelings are not confined to the landlord group, however. Farmers are less inclined to think that farm land is undervalued in comparison to product prices, but practically as high a proportion of them as landlords -- about one-third -- think farm prices will continue at present levels or even increase.

4. Although many farmers and landlords are aware of rising land values and increased trading in the land market, it cannot be assumed that they therefore recognize the beginnings of a land boom. Less than one in ten feel we are having a boom now, and only one-fifth even expect a land boom during or after the war.

These persons understand what has happened and what is happening in terms of a "rising market" -- and not a disproportionately swollen market.

To many of the persons interviewed the stereotype of a land boom is fearsome. Therefore, they readily agree that if a boom should develop, "something should be done". At present, however, only a very few sense any threat and the great majority view conditions in the land market with equanimity or with pleasure and not with apprehension. It seems that farmers will see danger in disproportionate rises in land values, but it also seems that they do not feel that is the case at present. The first problem in any proposed program of control is therefore the development of a recognition that a boom exists.

5. Within this general pattern there are meaningful group differences. Some people obviously may be benefitted by a boom. Depending on the degree of incline of the trend, a land boom at its various stages may help one or several of the groups directly affected by land market developments. In collecting views toward the necessity of controls in general and toward various specific controls, we have had opportunity to see the self- and social-interests of landlords, owner-operators, and tenants as they themselves express them.

In general, landlords, who are the most speculation-minded of any of the several groups, are most opposed to controls, whereas tenants, who seem to have the viewpoint of prospective buyers and long-time operators, are most in favor of controls. Owner-operators on most issues stand between these two groups. It is noteworthy that most farmers who make spontaneous suggestions on checking a land boom favor price controls on land, a device which might protect them as buyers; landlords on the other hand, consistent in their general reluctance to accept controls, most often suggest credit restrictions, a method which might be less restrictive to them, assuming that they are less probably "shoe-string" buyers in the market.

After respondents were given the opportunity to make spontaneous suggestions about workable controls, interviewers gathered reactions to three hypothetical programs of action which the Government might follow:

- a. Credit restrictions for land purchases
- b. A high resale gains tax
- c. Limiting the sale of farms to farm operators.

Three groups -- landlords, tenants, and owner operators -- show high approval of restricting credit, although the motivations of each in expressing approval may be quite different. For example, tenants may favor such a plan because they are chary of high mortgages and landlords may approve the idea because it offers no real obstruction to their actions.

Roughly 50 percent of the tenants, 50 percent of the owner operators, and 40 percent of the landlords approve a high re-sale gains tax. Some seem to approve for the moral or economic reason that "speculators" would be kept out; the disapproval of many was related to general individualistic notions. The majority of the landlords appear to be quite strong in opposing such a proposal.

The widest disparity among the attitudes of the three groups appeared in the discussion of the third alternative. A relatively small proportion of landlords (21 percent) approved the plan of limiting the sale of farm land to farm operators, but the majority vigorously opposed the idea; they denounced it as discriminatory, unconstitutional, and un-American. The strength of their opposition may be an indirect measure of the extent to which this group sees a rich opportunity for profit in the land market and is ready to take part. Tenants, on the other hand, are most in favor of the plan (54 percent). In their discussions they reveal a powerful feeling that speculators and speculative activity in the land market are a threat to their own chances of acquiring a place at a reasonable price.

6. If it is felt by Government officials that a land boom may be developing, our evidence gives little support for any complacency or feeling of security that the memory of the last disaster will prevent another. The task of prevention seems to be much more complex than that. In the total situation some very influential groups are ready to take advantage of a spiral in land prices. Other groups are apprehensive, according to their relation to the market; that is, whether they intend to operate a farm, to buy and hold farm land, or simply to trade in the market. While these various groups are restrained in different degrees by their experience or acquaintance with the disaster that occurred after the last war, they are also attracted by profit prospects in the present market. If it becomes Government policy to check a land inflation on the grounds of its harmful social consequences, it will be helpful to make a careful assessment of the steps which are necessary to mobilize potential sources of support and weaken potential sources of opposition.

I. ATTITUDES TOWARD ACTIVITY IN THE LAND MARKET

Farmers and Landlords See Land Prices Rising

Nearly nine out of every ten respondents think farm land values are appreciably higher than a year ago. One in five believes land values have climbed at least 25 percent, and a few even speak of a 50 percent advance.

When asked how prices paid for land in their vicinity since last summer compare with prices a year or so ago, farmers and landlords* replied as follows:

	<u>Farmers**</u>	<u>Landlords**</u>
Land is generally higher	12%	9%
Much higher (26 percent and over)	23	19
Somewhat higher (11 to 25 percent)	36	53
Little higher (ten percent and under)	15	12
Prices have not changed	4	4
No land is moving	4	-
Do not know	4	2
Opinion not ascertainable	2	1

Over Half of the Respondents Recognize Increased Activity in the Land Market

Fifty-five percent of the farmers believe there has been an increase in the volume of sales this year over a few years ago.

* Throughout this report the sample is broken into two groups -- farmers and landlords. The group called "farmers" includes all bona fide operators, both tenants and owners. "Landlords" are non-operating owners living within the county.

** Comparative percentage figures for farmers and landlords are given throughout the report. Except where otherwise indicated the percentage differences between the two groups are not large enough to be considered statistically significant.

Sixty-nine percent of the landlords believe this to be true.

Asked what change has occurred in the number of farms selling this year as compared to a few years ago, respondents replied:

	Farmers	Landlords
Much more land is moving	20%	39%
Somewhat more land is moving	35	30
There is no change in volume of sales	18	8
Less land is moving	10	5
Some land is moving - no trend stated	9	12
No land is moving in this community	6	2
Do not know what is happening in the land market	2	-

Farmers Are Considered the Principal Buyers of Land

Farmers and landlords feel that farmer-buyers predominate in the present land market, but many in both groups say that non-farmers are also buying:

80% of the farmers, and
83% of the landlords state that farmers are buying land.

Also, 5% of the farmers, and
70% of the landlords mention non-farmers as buyers.

(Several respondents mention both farmers and non-farmers as buyers of land.)

Six percent of each group failed to answer, primarily because they thought no land was moving in their vicinity.

Both farmers and landlords heartily approve of farmers buying land (see Table 7).

"Farmers have bought the few farms I have heard about. It's a good thing for a man to buy a home. I don't like to see the speculators get in because it makes it hard on the man who wants to buy a home."

However, only the landlords show much approval of non-farmer buying. Farmers generally disapprove of non-farmer buying. They say that non-farmers make poor landlords, know little about farming, and are not good for the community.

"The farms should belong to the farmers. The banker should stay in his bank. We have one that has gone into the cattle business since cattle prices are good. He has displaced tenants so he could get in. Do you think they would let farmers put in a bank? Hell no!"

Several of each group of respondents qualify their approval of farmers buying land. Acquiring title to farm real estate is commendable, they say, if farmers have sufficient cash not to involve themselves heavily in debt.

How Do Respondents Explain This Increased Activity?

Farmers, in the opinion of their fellows, are acquiring title to farm real estate to operate the farms, whereas landlords think farmers are buying principally for investment. Significantly, landlords mention a desire to farm the land as only a secondary reason why farmers enter the land market.

Both groups of respondents feel that the two major reasons why farmers are buying now are:

1. They have surplus cash on hand;
2. Land prices are low relative to returns (see Table 5).

"A lot of fellows are like me. I would like to buy a farm if I could get it right. I have a good landlord, but it is not like farming for yourself. Another reason for farmers buying is that they feel land will go up. They have money now and so they want to buy."

Both farmers and landlords think investors are in the land market purely because they consider land a good investment.

"Especially those from town are buying for an investment. It seems they have a lot of idle money and since they cannot spend it for new cars and gasoline, they invest it in land."

While both farmers and landlords ascribe part of the increased activity in the land market to the efforts of speculators, farmers seem to fear this element in the market more than do the landlords.

"The big end of the land sold is being bought by bankers. A young banker from town is buying right along. It is speculation! They do not intend to farm! They do not know how!"

Other Evidence Gives Some
Factual Substantiation for
Awareness of Land Market Activity

During the study Government officials and business and professional men of the counties surveyed were interviewed. These persons say that there is now much surplus cash in rural counties and that investment returns on land at present prices are extremely high.

The following material is a summary of their remarks:

- A. Demand deposits are greatly increased in the country banks. Such deposits are as much as three times the normal amount in a few instances. Farmers are paying off their debts rapidly. Bankers deplore their failure even to maintain a normal dollar level of production loans outstanding. Many banks pay no interest whatever and yet demand deposits continue to grow. Non-farmers in particular appear to be entering the land market to put their idle funds to work. Farmers also, faced with the unusual situation of having large amounts of idle cash, turn to the only investment market they know much about as they try to keep their money at work.
- B. Land is yielding a higher return than any other investment. Yields are as high as 20 and 25 percent. People, seeing such returns earned by investors, quibble little over price. This provides a tempting situation for speculative money. Investors from cities far outside are entering the land market in some areas.

Scarcity of Farms for Sale Curbs
Market Activity in Some Areas

In areas where little land is moving, both farmers and landlords recognize that the primary cause is an inadequate supply of farms for sale and not lack of demand. They explain that the inadequate supply of land for sale is due at least in part to the fact that corporate holdings of land are almost all disposed of, and that high income from farming is causing owners to hold the land.

- a. In addition, landlords say that investment opportunities other than land are less attractive and hence potential sellers are withholding their land from the market.
- b. Farmers state that they feel an important reason for the dearth of land for sale is that most land is now held by owner-operators.

Both landlords and farmers in these areas recognize lack of demand as only a minor curb in the market. Both believe that memory of the other land boom is the primary reason for any lack of demand. In areas where crop yields were below average for several years in the nineteen thirties, farmers think that lack of funds in the hands of other farmers is one of the principal reasons why there is little demand. Landlords show more awareness than farmers of the effects of machinery and labor shortage as a market deterrent (see Table 6).

II. ATTITUDES TOWARD TRENDS IN LAND PRICES

Over Half of the Farmers and Landlords Believe Current Land Prices are Reasonable

In their views on land prices there are significant differences between the attitudes of investment-oriented landlords and farm operators. Although 52 percent of the farmers and 64 percent of the landlords say farm real estate prices are reasonable, a significantly higher proportion of farmers think land values are too high: 28 percent of the farmers as against only 9 percent of the landlords. High rental returns are one factor making the latter more conscious of the earning capacity of the land at current levels of farm prices.

Twenty-two percent of the landlords, but only five percent of the farmers, regard present land prices as too low. Since almost one-fourth of the landlords hold this opinion, demand for land may be very considerably increased by this group and thus operate as a value-stimulating force of such proportions as to initiate an inflationary spree in the land market. One landlord says:

"Land is still fairly reasonable. They are getting their money's worth because land is up less than commodity prices. Why, land is getting up only to about where it was in 1913, and the return from land is much greater than from high-grade bonds."

Three Times as Many Landlords as Farmers Think Land Values are Low Compared with Farm Product Prices

Enjoying high returns from land at current prices of farm products, 35 percent of the landlords state land prices are low, but only 12 percent of the farmers consider land values low in relation to farm product prices.

"Why, land has been too cheap. It has sold for \$20 to \$25 an acre. It should be more. I know a farm with fair improvements and it sold for \$25, then it sold for \$40 which still was cheap. It should be about \$60 an acre in comparison with farm prices."

Eight percent of the farmers and two percent of the landlords view present land prices as excessive in terms of what they are being paid for their farm produce.

Sixty-one percent of the farmers and 49 percent of the landlords agree that the present relationship of prices is about right.

In addition to this group, 10 percent of the farmers and 12 percent of the landlords regard farm real estate prices as reasonable, farm product prices as excessive. Only a very few farmers (two percent) feel the prices they are receiving for their products are low, though they feel land prices are all right.

Twice as Many Landlords as Farmers
Think Land Prices can go Higher
and Still Pay Out

The differences shown on the previous page between the attitudes of landlords and farmers can be expressed in a slightly different way; 20 percent of the landlords say land can go somewhat higher and 10 percent say it can go much higher and still pay out.

"I have confidence that this land will pay for itself at \$200 an acre and I think other people will feel the same way. You can cut the price of these hogs and cattle in half and still pay for the land. I think our money is going to come at a cheaper rate of interest, around two to three percent, and at \$200 per acre that is \$6.00 an acre for interest. Farmers can pay that easy enough with 6¢ hogs, 7¢ cattle, and 50¢ corn."

Only 10 percent of the farmers think land can go somewhat higher and five percent that it can go much higher and pay out.

"I think land prices could go higher. My farm paid me 20 percent last year."

Six percent in each group feel land can go higher but mention no degree, while 14 percent of both the farmers and landlords say it depends on the price of farm products, the amount of down payment, and the quality of the land.

But a Large Proportion of the Respondents
Think Land Prices Should Not Go Higher

A large relatively inert group among both farmers and landlords present little threat to the maintenance of a stable land market. Their answer to the question of how much higher land prices could go and still allow the land to pay out:

	Farmers	Landlords
Land is high enough now	50%	56%
Land has gone too high if one plans to pay for it from its earnings	7	3

Little Difference Appears Between
Farmers' and Landlords' Expectations
of Post-War Trends in Land Prices

Consistent with their bullish attitudes toward present farm prices, there is some indication that fewer landlords than farmers expect land prices to fall after the war (26 percent and 36 percent, respectively).*

Declining post-war demand, unemployment, high Government debt with mounting taxes, lessened buying power, European return to self-sufficiency, too high prices now, and overproduction of farm products are all quite prevalent reasons why this group thinks prices of land will fall after the war (see Table 14).

"Land prices will fall just like everything else is going to fall. They are preaching now that things will not be like they were before, but I don't believe that. We went into this war with a heavy debt and no one can tell how high it will be when the war is finally won. There will be this big debt to pay and on top of that these war plants will close down and many of those people and the soldiers will have to come back to the farms or starve. There will not be these big jobs and big wages then, and the farmer is going to feel it. The other countries will need food, but I don't see how the U. S. can help them much because we will owe so much it will take years to pay it, and how can we loan money to those nations to buy our stuff?"

* Although this difference is not statistically significant, its direction is consistent with the general interpretation of the material.

Another sizeable group is more optimistic, some expecting present swollen land values to be maintained, and a smaller number even anticipating some further rise.

24 percent of the farmers and
30 percent of the landlords expect stable land prices.

8 percent of the farmers and
11 percent of the landlords expect a further rise.

One of the major reasons given for believing land values will remain on a steady to strong basis is that they will stay on the same level with farm product prices. Many predict strong post-war demand for farm products from Europe and continued high employment. Others feel that Government inflation controls will be effective in holding prices on an even keel. A few mention direct influences on the land market such as returning soldiers who will want land, and speculators who will enter the land market and cause a rise in land values.

"Least anything could happen. If the Government don't stop it, the boom will continue till after the close of the war, at least till Europe gets a belly full, and that may take several years. I would expect it to last five years. And unless people get interested in other investments we can have constantly rising land prices even if the Government holds farm product prices where they are."

Twenty-seven percent of the farmers and 25 percent of the landlords feel land prices will be dependent on various factors. They mention commodity prices, effectiveness of Government controls, demand from Europe for food, post-war employment, and a possible land boom during the war period, as the principal determining factors.

"To a large extent that will depend on how much individual employment there is when the boys come home. It will depend on how many of the returning boys will want to start farming for themselves. If many boys want to start farming competitive bidding will force land prices upward."

Farmers and Landlords Closely Agree on the Expected Post-war Price Situation for Farm Products

However, more respondents look for farm product prices to fall than expect land prices to drop. Forty-nine percent of the farmers and 44 percent of the landlords think the prices of their products will fall.

Declining post-war demand for farm products due to post-war unemployment and increasing ability of Europe to feed itself loom as the major reasons for this expected trend. Other important determinants of beliefs in a declining post-war price level of farm products are overproduction, certainty of very high taxes because of great Government debt, and the certainty of a drop in all present inflated prices (see Table 19).

"Inside of four years we are going to see corn back to 80 cents and hogs down to seven cents. That will be a good price if we don't drop below that. We are going to go on more of a world market than we have had. Right now we have a war market and when they ask for parity, they are asking for something as unreasonable as the labor demands. I don't see why we should demand anything in wartime that we can't get in peacetime."

Stability of prices of farm products is expected by 26 percent of the farmers and 31 percent of the landlords, and about an equal number anticipate the same situation for land prices.

Only three percent of the farmers and five percent of the landlords look for higher product prices.

Thus, if we add those who feel prices will remain at present levels after the war to those who expect some further rise, roughly a third of the respondents expect a rather high price level in the farm products market. They base their attitude principally on such considerations as the effectiveness of governmental efforts in holding prices on a fairly high level, heavy post-war employment, and on the fact that prices will not go down because they have not gone up.

"I think that we will have good product prices for several years. They say that we will have to furnish other countries with a lot of stuff. Prices are not getting as high as they did before. These price ceilings are keeping them down to a certain extent. Prices may not drop much after the war."

Fewer expressed doubt as to what the trend will be. Thus, 18 percent of the farmers and 15 percent of the landlords say the price of farm products will depend on prices of other commodities.

Those farmers and landlords who feel some uncertainty about the future situation in the farm commodities market believe prices will depend largely on the effectiveness of Government controls or on the possibility of feeding Europe.

"I do not believe prices will fall like they did before and they may even go up. They will not fall, I do not

believe, because we have a Government program now in AAA, and we did not have that before; there is more Government backing for the farmers this time. They may go up some for a year or so because when the war is over, I figure shipping will ease up and we will be able to ship more stuff across the waters."

Three out of Five Respondents
Say Post-War Land Prices
Will Closely Follow the
Movement of Farm Product Prices

Sixty-one percent of the farmers and 63 percent of the landlords believe that land prices and farm product prices will be closely related after the war. They feel that the two groups of prices are always closely tied together, or that they will be in line, or that land prices will lag behind farm commodity prices.

"As long as land goes along like it is now, keeping in line with farm products, it will be in line after the war and will fall or go up with farm product prices. There is no speculation at all this time, and it is only when you have land speculation that land prices get out of line with farm stuff. I don't look for that for farmers are wiser this time and the whole situation is different."

Eight percent of the farmers and 11 percent of the landlords think land prices will be relatively higher than farm product prices. Some believe the high investment returns now will cause land prices to rise. Others think land prices will go up and stay up while product prices may go down.

"I figure land prices will reach above farm prices. You know there is just too big a return on land compared with interest rates on other investments to stop an upward movement of land values."

Ten percent of the farmers and seven percent of the landlords feel the relationship between land and product prices will depend on the extent of Government controls of both, on the duration of the war, or the extent to which speculation may enter the land market.

III. EXPECTATIONS OF A LAND BOOM

Some Increased Activity in the Land Market
Is Expected During the War Period

27 percent of the operators and
24 percent of the landlords expect an increase in the number of farms which will be selling during the war period.

The principal reasons for this expected trend are:

More buyers want land because of high prices for farm products.

Surplus cash makes buyers more willing to pay higher asking prices.

Profits in land speculation will cause a greater demand.

"I know several fellows who are talking of buying land. I believe there will be a little more moving. You know people are funny - when things are cheap they don't want them, and when it gets high priced everybody wants it."

50 percent of the farmers and
45 percent of the landlords look for no change in the number of farms selling.

They give two major reasons:

Experiences in the other land boom make people cautious about buying and selling.

There will be little or no land for sale.

The latter assumption is based on a feeling that farmers and landlords will be unwilling to sell because land now yields an excellent return on investment and the high income tax takes a major portion of the profits from the sale of land. Most respondents believe no increase in sales can be expected, since all or nearly all corporation land has been sold.

"People won't sell, for then they will have to pay a big income tax. They are making a good thing farming their land and won't want to cash in on it. Then people are thinking the war will soon be over and they won't buy land at these prices when they feel that way."

Four percent of the farmers and seven percent of the landlords look for an actual decrease in the number of farms which will be sold during the war period. They feel that corporation land, which has been disposed of in recent months, constituted the bulk of land activity in the past.

"Not as many (farms will be sold). Personally I wouldn't want to sell land. It is a good investment. The politicians in Washington can print money, build tenements, etc., but they can't make land. I don't expect as much land to be sold, but I expect the price to go up."

Twelve percent of the farmers and 19 percent of the landlords feel any increase in activity in the land market will depend on such things as how long commodity prices hold up, willingness of farmers to sell, and conditions of this year's crop.

"That will depend upon the way prices stay up. If the prices of our commodities stay up and the old countries still have a buying power, I would say yes (there will be increased sales)."

Six percent of the farmers and five percent of the landlords do not know whether there will be any increased activity in the land market.

"I don't know. There are no insurance farms left and owners are generally reluctant to sell. On the other hand, farmers are making money, and if this lasts more will want to buy. I don't know what will happen."

Some Respondents Expect a Change in Kinds of Buyers

Thirty-two percent of the farmers and 23 percent of the landlords expect a change in the kinds of people who will be buying land. The kinds of buyers who will increase in numbers are shown for the two groups of respondents:

	<u>Farmers</u>	<u>Landlords</u>
Expect an increase in non-farmer investors	22%	16%
Expect an increase in speculators	4	5
Expect an increase in farmer buyers	6	2

In the opinion of both farmers and landlords, the increase in activity of non-farmers and speculators will be the result of such buyers having more money for investment and expecting to get good returns on their money in the land market. There is, moreover, the feeling that these buyers will get in and get out early and that farmers will be less quick to participate in the trading.

"More and more non-farmers are buying for investment and speculation. The farmers are generally slow to take advantage of things that increase land prices. That is why they come in at the tail end of the boom 25 years ago and got stuck with land."

Only One-Fifth of the Respondents Expect a Land Boom

Despite the fact that more than half the persons interviewed ascribed importance to the land market (Table 4), and that a majority say that land prices have risen at least 10 percent within the last year (Table 2), only one-fifth expect a "land boom." These persons understand what has happened and what is happening in terms of a "rising market" rather than in terms of a "boom." Because they praise their absence of governmental controls upon the fact of a "boom," their interpretation of present market activity is essentially significant.

This lack of appreciation appears in the following table, based upon answers to the question, "Do you think we will have a land boom next year or shortly after the war?"

	Tenants	Owners	Landlords
<u>Land boom expected</u>			
Definitely so	10%	20%	20%
Probably a little so	5%	6%	0%
Hope not but fear so will	2%	2%	10%
Do not know or undecided	7%	6%	0%
<u>Land boom not expected</u>			
People remember the last one	20%	37%	39%
Government will prevent it	0%	9%	0%
Lending agencies are cautious	12%	8%	0%
People are unwilling to sell	7%	1%	0%
People fear post-war depression	0%	1%	0%
Equipment and labor are scarce	0%	1%	0%
Money will be put in streams	0%	1%	0%
Has no other place	0%	1%	0%
To invest investments	1%	1%	0%
<u>Not sure - depends on</u>			
<u>if decisions of Government</u>			
regulation	1%	7%	1%
amount of speculation	2%	3%	0%
people getting enough money	1%	1%	0%
and specialized reasons	2%	4%	0%
Do not know	1%	3%	0%
Not ascertainable	2%	2%	0%
	100%	100%	100%
	N=137	N=172	N=117

More tenants believe there will be a land boom than do either farm owner-operators or landlords. Tenants also feel more strongly that present prices of farm land constitute a "land boom". This may be accounted for by the higher proportion of tenants who are interested in buying land and who are conscious of high land prices. The interest of the three groups relative to purchase of land is shown below.

Intentions	Tenants	Owners	Landlords
Would buy	26%	12%	21%
Would not buy	49	75	65
Undecided	20	8	9
Not asked	5	5	7
	100%	100%	100%
	N=137	N=172	N=117

Half the Respondents Believe the Results of the Other Land Boom are Making People Cautious About Buying Land Now

Throughout their discussions, respondents in varying proportions spontaneously mentioned memory of the land boom and collapse after the last war as a deterrent to speculation at present. When asked specifically, respondents in a still greater number ascribed importance to this factor.

Importance of Land Boom 25 Years Ago	Farmers	Landlord's
It makes everyone cautious about buying land	50%	49%
Older people remember, but younger people have to learn by experience	16	15
People will soon forget that experience in another boom	5	2
They expect to "find it where they lost it"	2	0
It has some effect	16	20
It has no effect	7	7
Do not know	2	2
Not ascertainable	4	7
	100%	100%
	N=509	N=117

"I think it has a decided effect. I think land would be \$25 an acre higher now if they didn't remember. Those in a position to buy remember what happened to their dads. It didn't quite take Dad's place, but it came pretty close. In our township there were just four farms that weren't closed out. That made things look pretty tough when all your neighbors had to go. I can remember when the kids started going out of school because their dads had lost their places. It looked like the world was going to come to an end."

IV. RESPONDENTS' OPINIONS ABOUT LAND MARKET CONTROLS

A series of questions was asked about the necessity of controls over the land market, the acceptability of such controls, and the kinds of controls most desired. Significantly, it appears that the acceptability of controls depends fundamentally upon a recognition of the existence of a land boom. While, as indicated earlier, only one-fifth of the respondents recognize the present situation in the land market as a "boom", it is probable that if the establishment of controls is accompanied by strong evidence of an impending "boom", such controls will be accepted by a majority.

Over Half the Respondents Believe Something Should be Done if a Land Boom Threatens

All respondents were asked what should be done if a land boom threatens, regardless of whether they had indicated that they did or did not expect one. In those cases where a respondent had previously said he did not think there would be a land boom, the question was presented on the basis that if, as some people think, a land boom does develop, what should be done about it? The responses to this question are shown below:

	Tenants	Owners	Landlords
<u>Something</u>			
Government should regulate the land market	53%	24%	15%
Government should control commodity prices	5	10	7
Government should control land and commodity prices	4	1	1
Something should be done	16	16	25
<u>Nothing</u>			
Nothing should be done	8	9	14
Nothing can be done	7	5	14
No controls are necessary - things will take care of themselves	5	2	5
Nothing is necessary, for we won't have a land boom	2	9	8
Do not know	17	16	9
Not ascertainable	5	8	2
	100%	100%	100%
	N=137	N=172	N=117

More tenants express need for action than do either owner-operators or landlords. Owners are next most concerned, and landlords are least concerned about a need for action if a land boom threatens. Tenants are more explicit in what they think should be done, looking to Government regulation of land and commodity markets as the major answer. Again, the tenants' greater interest that something be done about a possible land boom is related to his greater interest in the land market as a buyer (see page 16).

One of the major reasons for the high percentage of landlords, as compared with owner-operators, who feel nothing should be done may be that a higher proportion of landlords are interested in selling land. The following table brings out the difference between landlords' and owner-operators' interest in selling their farms.

<u>Intentions</u>	<u>Operators</u>	<u>Landlords</u>
Would sell	12%	24%
Would not sell	77	64
Undecided	5	3
Not asked	5	2
	<u>100%</u>	<u>100%</u>
	N=172	N=117

Some respondents, most of whom are landlords, feel that nothing should be done because the rights of the individual in a market should be preserved.

"I don't know that anything should (be done about land controls). If a man wants to buy high-priced land, it's his hard luck."

Among others who feel nothing should be done are the people who are flatly opposed to Government regulation, or think there is too much regulation.

"We got too many controls now. If they just did it during the war, it would be all right, but they always find some excuse to continue the thing. The emergency never ends."

In many instances such objections seem to be rationalizations by people who think they stand to gain if the trend is not controlled.

Farmers and Landlords
Make Different Suggestions
for Controlling Land Prices
if the Necessity Should Arise

Interviewers raised with respondents the hypothetical question of what should be done to control land prices if they should go higher. The following table shows the frequency of the various spontaneous suggestions made by persons in the two groups.

	<u>Farmers</u>	<u>Landlords</u>
Price ceilings on land	25%	9%
Commodity price control	8	8
Limitation of credit and tightening credit regulation	7	14
Higher tax on speculative profits	3	1
Permitting only farmers to buy	1	1
Control of land and commodity prices	1	0
Limiting number of acres a person can own	1	0
Differential land tax	1	1
Higher income tax	1	2
Compulsory bond sales	1	1
Government educational program on dangers of inflation and high indebtedness	0	2
Opposed to Government regulation	5	12
Do not know	28	24
Not asked of some respondents who stated there was no possibility of a land boom	<u>20</u> <u>100%</u>	<u>25</u> <u>100%</u>
	N=306	N=117

The important difference is that farmers tend to favor price ceilings on land, while more landlords prefer credit regulations. A significant number in both groups favor commodity price control, on the assumption that it would be a sufficient means of regulating the land market. The finding suggests that farmers, interested in land as a place on which to live and work, and landlords, interested in land as an investment or speculative opportunity, reflect in their preferences a logical consistency with their self-interest, economic status, and general point of view. A young Iowa farmer says:

"I think they should set land at a certain price just as they have everything else. Just as they have for hogs. A fellow knows where he is at, that way. If they are going to let land keep a-going up they should turn everything else loose. Because if land goes up rent will go higher too, and then we will have to have more for our stuff to pay it."

A middle-aged landlord who favors all restrictions but the one which would prevent him from buying land says:

"One reason I think we won't have another boom is that people can't borrow as much on farms as they did the other time. I know nobody would be willing to take a second mortgage today. They have seen the others wiped out. It is still too fresh in their memory. I think that if they keep the credit down that will prevent a land boom."

What are the Reactions to
Specifically Suggested
Governmental Controls?

In addition to providing respondents with an opportunity to offer spontaneous suggestions, interviewers tested their reactions to three suggested controls. The questions were as follows:

1. What do you think of limiting credit on land to 50 or 60 percent of the appraised value before the war, say in 1940, as a means of controlling the land market?
2. What do you think of the idea that the Government take most of the profit on land bought and sold again during the war period?
3. What do you think about limiting the sale of farms to those who intend to farm the land themselves?

Hence, in interpreting findings, it must be understood that the attitudes expressed were given in response to direct probing, not spontaneously.

Significantly, only 5 percent of the farmers and 9 percent of the landlords disapprove of all three suggested controls.

On the other hand, 17 percent of the farmers and 8 percent of the landlords approve of all three suggested controls.

The balance of 78 percent of the farmers and 83 percent of the landlords give approval or qualified approval of one or two of the three suggested controls.

Tenants, Owners, and Landlords
Express Uniformly High Approval
of Limiting Credit on Farm Land

Limiting credit to 50 or 60 percent of the pre-war value of land meets with the unqualified approval of

62 percent of the tenants,
 58 percent of the owners, and
 65 percent of the landlords.

Those who approve give the following reasons in support of their opinions:

	Tenants	Owners	Landlords
It will lessen danger of foreclosure or of inability to pay for land	20%	15%	22%
It's all right, but is being done now anyway	4	8	10
It would eliminate shoe-string buying	6	6	7
It will keep prices down	4	3	2
No specific reason given	28	26	22

Those who qualify their approval give the following reasons:

	Tenants	Owners	Landlords
Provision should be made for tenants to buy	5%	3%	2%
It would not prevent a land boom, although it would probably help	4	1	3
Approve, but cash down-payment should be even greater	0	3	0
No specific reason given	1	5	12

Much of the general acceptance of this suggested control may be related to the disastrous results of the other land boom. Nearly all respondents were aware of the difficulties many farmers then

had to endure while attempting to hold title to land with a high mortgage debt. To many respondents rigid credit control constitutes the one method of preventing a recurrence of such a serious post-war situation.

"That's good, all right. Can't let them get in too deep. Nobody should pay or buy a farm unless he can pay 50 percent down and have enough money to pay for the machinery. Don't buy anything, however cheap, if you have to go deeply into debt."

"I think that would be all right. That's the way it is now mostly. I don't know if that is true now of all individuals, but it is for most banks. I don't think our loan companies and our Federal land bank would make any great change in their loans under that."

However, approximately one out of five tenants, owners, and landlords disapprove of limiting credit for farm mortgage loans.

22 percent of the tenants,
 22 percent of the owners, and
 18 percent of the landlords disapprove of such control.

Reasons for disapproval can be grouped under the following general ideas:

	Tenants	Owners	Landlords
It would not affect the cash buyer, but merely keep out the tenant buyer	12%	11%	5%
It makes it possible for only rich people to buy	5	5	3
I'm opposed to Government regulation	4	2	2
No specific reason given	1	4	8

The table indicates that the principal objection of tenants and owners to the limitation of credit springs from the feeling that such a device might discriminate against actual farm operators.

"In 1940 land was terribly cheap, a lot cheaper than now, and unless a man had a lot of cash money he could not buy a farm if you limited purchases to that kind of a credit. I don't think they should do that. A young fellow on a farm, a good worker hasn't got a chance if he does not have the cash value and could not even start. The man with money would buy and the young farmer who ought to own it is shut off from that."

More Tenants Approve
A High Capital Gains Tax
Than Either Owners or Landlords

60 percent of the tenants,
50 percent of the owners, and
41 percent of the landlords approve of the Government taking
most of the profit on land bought and re-sold since
Pearl Harbor.

Those who approve give as their reasons that such a measure

	<u>Tenants</u>	<u>Owners</u>	<u>Landlords</u>
Would reduce or stop speculation	28%	22%	19%
Is provided for in higher income tax brackets	2	5	9
Reason not specified	55	23	13
		50%	41%

In addition,

6 percent of the tenants,
10 percent of the owners, and
7 percent of the landlords indicate approval with qualifications.

Respondents who approve typically express their attitudes in words
like the following:

"That would be a good thing. It would eliminate the speculator from the market. He doesn't contribute anything. He doesn't do anything to earn the money. Some say it takes a smart man to do that, but it isn't anything he controls - if land prices go up, he makes money."

"That would be a good thing. The speculative buyer doesn't do the community any good. They make their money here and do nothing to make it and then go to California or some place else like that and spend all their money there rather than here, and when they die they leave it to some library or Red Cross or the like away from here. That would surely keep the speculator away from the land buying."

Conversely,

21 percent of the tenants,
27 percent of the owners, and
45 percent of the landlords look on such a high special tax
with disfavor.

The reasons for such disapproval fall under the following headings:

	<u>Tenants</u>	<u>Owners</u>	<u>Landlords</u>
I'm opposed because the regular income tax is taking care of it	2%	7%	9%
It's an individual's privilege to take a risk and make a profit	2	8	8
I'm opposed to Government regulation We have too many taxes now	5	1	8
It's Un-American and unconstitutional	2	5	5
Land speculation is no more objection- able than other speculation	1	0	3
Reason not specified	7	1	3
		7	11
	21%	27%	45%

The following are typical comments:

"No, because I expect to make a profit out of my land - a selfish reason, I admit. Also, we're not up to the point in our theory of taxation on the subject of unearned increment - of taking that kind of profit. Also, why take profit from land transactions if you don't from other investments? Why discriminate against land?"

"I don't think you could do that. You couldn't pick out one certain type of land sale like that and charge a confiscatory tax against that. It wouldn't be constitutional."

Landlords appear quite strong in their opposition to this suggested control. Their more intense interest in the land market as both buyers and sellers possibly accounts for some of this reaction. The tenants' interest in the market only as buyers has much to do with their relatively high approval of such a tax. They see their opportunity for acquiring ownership of land decreased by the extent to which speculation enters the market.

Nearly One-Tenth of the Farmers
Believe the Government Should
Take all of the Profits From
Speculative Land Transactions

To the question, how high a percentage do you think the Government should take on profits made from resale of land bought since Pearl Harbor, the responses came primarily from those who approved a resale gains tax. Their opinions on how high such a tax should be are shown as follows:

Tax should take	Farmers	Landlords
All of the profits	9%	2%
75 percent and over	10	7
50-74 percent	13	13
25-49 percent	5	6
Below 20 percent (additional to present tax)	5	2
No additional amount over the present income tax	0	7
Do not know	15	7
(Not ascertainable, mainly because respondent was opposed to the idea)	53	56
	100%	100%
	7-309	16-117

A few respondents expressed themselves rather strongly on speculators being in the market to make money without doing anything to earn their profits. These respondents consequently expressed approval of a confiscatory tax on such profits. They believed that such an element in the land market should not be allowed to continue.

"That's a good idea. I know of a fellow who bought a farm and a few weeks later was offered a \$3200 profit on it. Things like that shouldn't be allowed. They should take all of the profit. A man shouldn't be allowed to keep any profit like that, for he didn't do anything to make it. Too many people are getting rich over war."

Great Difference of Opinion Exists
Among Tenants, Owners, and Landlords on Limiting
the Sale of Farms to Farm Operators

Limiting sales of farms to actual operators meets with less general approval than do either of the other two suggested controls. Although a majority of tenants approve of this method, they are more inclined to favor the other two methods.

54 percent of the tenants,
42 percent of the owners, and
21 percent of the landlords approve restricting land purchases to actual farm operators for the war period.

Their reasons for approval can be grouped under the following general headings:

	Tenants	Owners	Landlords
Farmers should own the land	23%	17%	9%
It will help people buy homes	4	3	0
It would stop speculation	4	2	3
Non-farmers will own most of the land if something like that isn't done	54%	42%	21%
Reason not specified	0	2	0
	23	16	9

In addition, they give qualified approval as follows:

All right if it can be done	4%	6%	4%
All right if retired farmer can hold his land	1	3	1
Reason not specified	7	5	6

Tenants, especially, feel that as non-farmers enter the land market their chances of owning land diminish. The goal for many tenants is ultimate ownership of their farms. Any additional influx of non-farmers into the land market causes graver concern among tenants than among present land owners. Consequently, a control plan which would afford tenants greater opportunity for land ownership receives their relatively high approval.

"I think that would be all right. In one way I think it is all right for town people to buy farms to move out on but not to speculate on them. We have a fellow right here in our town who bought three farms for nothing but speculation. I don't think that's right. Let him get along with his own business (cars). Farmers got along when their business was hard hit. I don't think it is right for these people to jump in here and buy land so we can't, and the only reason is to make \$15 or \$20 an acre."

"That is a good idea. There are too many tenants. That's what is hurting this part of the country. The landlords don't keep the farms up like they would if they lived on them themselves."

Major disapproval of restricting purchase of land to actual operators centers about the effect of such a control on the individual's "rights". Several feel that such a method of controlling any one specific market is foreign to our way of government.

Disapproval falls into a few general categories:

	Tenants	Owners	Landlords
We must not destroy an individual's right to buy land	13%	18%	17%
There would not be enough buyers for all the land, thus causing low land prices	2	6	4
Tenants need investment capital to carry the land	4	31%	7
I am opposed to Government regulation as unwarrantable, undemocratic, unconstitutional	5	6	12
It would prevent retired farmers from purchasing farms for their sons	1	2	1
Reason not specified	8	6	21

Landlords are especially vociferous about not being permitted an opportunity to buy land during the war period. They come out much more strongly in opposition to this suggested means of control than to either of the other two methods.

Comments of landlords on this proposal are enlightening.

"Some of the best citizens we have here own land that they rent out, and there are lots of people who could not farm if someone else did not own and keep up the land."

"I would object to that, perhaps from a purely selfish standpoint. I am not trying to buy more land, but as long as we've got our constitution and our Bill of Rights, nobody should be barred from free enterprise. I don't want this peace to promote either fascism or communism. Whenever you take free enterprise out, and the right to get ahead, you lower morale. I think anybody who hasn't ambition to get ahead isn't a good American."

"It don't look right to limit these things and still it don't look right for some speculator to step in and buy a farm away from a farmer that wants to operate it. If the farmer can make a good payment, I think he should have the preference."

Responses Show Little Thought About The Operation of This Control

Some of the respondents voiced ideas as to how a system of permitting only actual operators to buy land during the emergency would be set up. Since this is the most unusual of the three suggested controls, the one which farmers are least likely to volunteer spontaneously, it is not surprising that few have concrete suggestions to make. Their ideas are as follows:

	Farmers	Landlords
Have the Government regulate the land market during the war emergency	9%	2%
Limit acreage a man can own	6	6
Require buyer to operate the farm	4	1
Pass a differential land tax (state)	3	1
Adopt a tenant purchase plan	2	1
Government might buy all the land for sale and resell it to farm operators	1	1
Washington determines that ("It's too deep for me")	3	2
Does not know	23	13
Not ascertainable (mostly those who disapproved of this specific control)	49	73
	100%	100%
	N=309	N=117

A farmer's comment illustrates the general unfamiliarity with this sort of proposal:

"I don't know. The Government would have to pass laws and regulate it like they have other things. They have done well there and could do so in this too."

APPENDIX

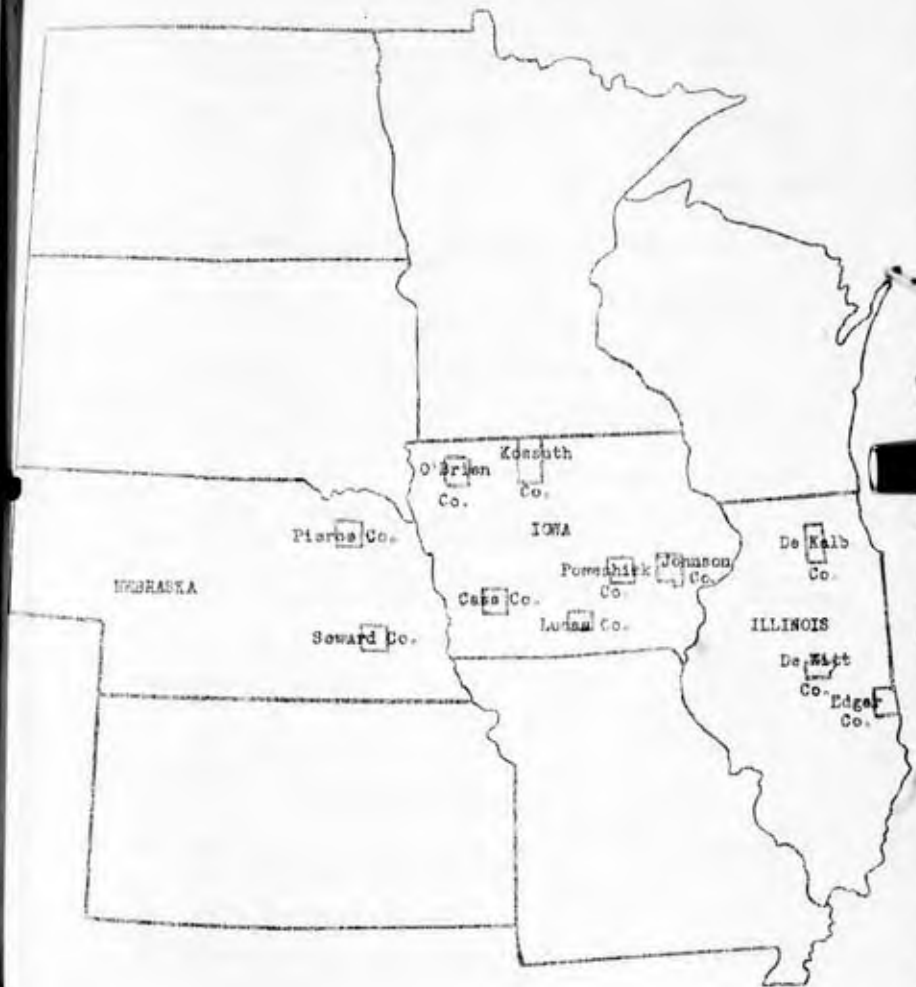
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Map Showing Location of Counties
Covered in This Survey



Interview Schedule

1. Has much land changed hands in your county (or neighborhood) since last summer?
2. What change is there in the number of farms selling this last year as compared to a few years ago?
3. (If appropriate) What are the reasons people are buying land around here?
4. (If appropriate) Land HAS been moving in some areas. Why do you think it isn't moving much here?
5. Is it mostly farmers or non-farmers who are buying land? (If non-farmers) What kinds of non-farmers?
6. What do you think about such people buying land?
7. Around here, how do prices paid for land since last summer compare with what they were a year or so before?
8. What do you think about the prices being paid for land now?
9. How do you think these land prices compare with the prices farmers are getting for their products?
10. As it looks to you now, do you think there will be an increase in the number of farms which will be sold during the war period?
11. What makes you think so?
12. Do you look for any change in the kinds of people who will be buying land? What kinds of people?
13. (If changes are mentioned in 12) Why will these people buy land?
14. What do you think about such people buying land?
15. What do you think will happen to the price of land during the first five years after the war?
16. Why do you feel that way?
17. What do you think will happen to the price of farm products during the first five years after the war?

19. How do you think farm land prices will compare with prices of farm products after the end of the war?
20. What would you believe prices will work out that way?
21. How much higher can land prices go and still allow the land to pay itself?
22. Are you likely to have a land boom during or shortly after the war?
23. (If an owner asked the respondent has indicated that land prices have risen sharply, then ask:) What do you think should be done about it?
(But if he has not indicated this state of affairs then state the question as follows.) Some people have been worried about a coming land boom. If land prices should go higher (or still higher), what do you think should be done about it?
24. What controls do you believe could work best?
25. What do you think about limiting credit on land to 50 or 60 percent of the appraised value, before the war, say in 1940, as a means of controlling the land market?
26. What do you think of the idea that the Government take most of the profit on land bought since Pearl Harbor and sold again during the war period?
27. (If the suggestion in question 26 is approved) How high a percentage do you think the Government should take?
28. What do you think about limiting the sale of farms to those who intend to farm the land themselves?
29. (If ANY approval) How do you think this should be done?
30. We had a land boom 25 years ago. What effect is that having on people when it comes to buying land now?

Table 1. Tenure Status of Respondents

Status	Operators	Non-operating Owners
Owners	56%	100%
Tenants	$\frac{44}{100\%}$	$\frac{0}{100\%}$
	N=309	N=117

Table 2. Intentions re Purchase of Land

Intentions	Owners	Tenants	Non-operating Owners
Would buy	12%	26%	21%
Would not buy	75	49	63
Undecided	8	20	9
Not asked	$\frac{5}{100\%}$	$\frac{5}{100\%}$	$\frac{7}{100\%}$
	N=172	N=157	N=117

Table 3. Intentions re Selling of Land

Intentions	Operators	Non-operating Owners
Would sell	12%	24%
Would not sell	77	64
Undecided	5	3
Not asked	$\frac{6}{100\%}$	$\frac{9}{100\%}$
	N=172*	N=117

* 157 renters omitted since they do not own land.

Table 4. Activity in the Land Market as Compared with a Few Years Ago*

Activity	Operators	Non-operating Owners
Much more	20%	39%
Some more	35	30
Same - no change	18	8
Less	10	5
Some - no trend indicated	9	12
None	0	6
Does not know	1	0
Not ascertainable	1	0
	100%	100%
	N-309	N-117

* Question 1: Has much land changed hands in your county (or neighborhood) since last summer?
 Question 2: What change is there in the number of farms selling this last year as compared to a few years ago?

Table 5. Reasons Given by Operators and by Non-Operators for Various Types of People Buying Land *

Reasons	Why Farm Operators Buy		Why Investors Buy		Why Speculators Buy		Why People (general) Buy	
	Opera-tors	Non-opera-tors	Opera-tors	Non-operators	Opera-tors	Non-operators	Opera-tors	Non-operators
<u>Farm to Operate</u>								
For a home, or to farm	28)	25)	-	-	-	-	2)	-
For additional farm land	4)	3)	-	-	-	-	2)	-
Tenant buying - cheaper to own than to rent	7)	11)	-	-	-	-	-	-
Desire for ownership of land	4)	9)	-	-	-	-	-	-
<u>As a Source of Investment</u>								
For investment, general	15)	18)	12)	27)	-)	-)	5)	25)
Increased income enables people to buy	10)	28)	2)	16)	-)	-)	1)	10)
High returns, land cheap	5)	19)	2)	3)	6)	2)	4)	3)
War-time profits	-)	-)	-)	-)	5)	2)	-)	-)
<u>Other Reasons</u>								
For family member in service or to avoid draft	3)	6)	-)	-)	-	-	-	-)
Reduce income tax or hedge against inflation	-)	7)	1)	1)	-	-	-	1)
Kind of buyer specified but no reason given	2)	2)	-)	-)	-	-	-	-)
Does not know	-	-	-	-	-	-	5)	-
Little or no land moving	-	-	-	-	-	-	89)	18)

* Question 3: "What are the reasons people are buying land around here?"
 Percentage totals over 100 because more than one reason was allowed each respondent.

Table 1a. Who is Buying Land?*

Kinds of Buyers	Operators	Non-Operating Owners
Farmers	80%	89%
Non-farmers	46	68
Speculators	4	2
None buying	8	0
Not ascertainable	6	6
	N=309	N=117

* Question 5: Is it mostly farmers or non-farmers who are buying land?

Percentage totals over 100 because more than one reply was allowed each respondent.

Table 1b. Reasons Given for Land Not Moving Much*

Reasons	Operators	Non-operating Owners
<u>Inadequate supply</u>		
All land owned by operators	51%	17%
No land for sale	16	30
High farm in one (individuals will not sell)	14	17
Asking price too high	10	7
Jobs in strong hands now	7	5
Not the type of land people want	7	3
High income tax discourages sales	6	7
All corporation land sold	5	10
Price not high enough - no one want to sell	3	0
Prospective sellers feel no attractive place for reinvestment of funds	3	17
<u>Inadequate demand</u>		
People cautious because of the last boom	6	16
Lack of funds - farmers do not have the money	10	4
Difficult to obtain machinery and help	2	13
Little or no demand because of other factors	8	0
Does not know	3	0
Not ascertainable	1	0
	N=143**	N=50**

* Question 4: Land has been moving in some areas. Why do you think it isn't moving much here?

Percentage totals over 100 because more than one reply was allowed each respondent.

** 166 farmers and 87 non-operating owners were not asked this question because they believed land was moving in their community.

Table 7. Attitude of Operators and Non-operators Toward Purchasing of Land by Farmers and Non-farmers *

	Attitude of Operators Toward Purchase of Land By		Attitude of Non-operators Toward Purchase of Land by	
	Farmers	Non-Farmers	Farmers	Non-Farmers
Approval				
Land should be owned by farmers	12)	-)	6)	1)
They are used wisely	9)	-)	5)	-)
Better living conditions for tenant	-)	1)	-)	-)
Non-farmers have right to buy individual non-farmer better than corporation landlords	-)	47)	3)	15)
Other reasons	-)	2)	-)	3)
No reason specified	1)	-)	5)	11)
	25)	9)	26)	34)
Qualified Approval				
If don't buy too much on mortgage	15)	2)	17)	1)
If they have the cash	4)	5)	4)	1)
If they rent it	-)	19)	3)	12)
If kept for investment not speculation	-)	2)	-)	5)
Disapproval				
Land is too high to buy	1)	-)	1)	-)
Farmers should own the land	-)	2)	-)	1)
Non-farmers make poor landlords	-)	7)	-)	3)
Non-farmer ownership not good for community	-)	2)	8)	5)
Not interested, know little about farming	-)	5)	-)	-)
Non-farmers bid up the price of land	-)	3)	-)	1)
Non-farmers only speculate	-)	5)	-)	3)
Other reasons	-)	6)	-)	2)
No reason specified	-)	16)	-)	6)
Indifferent				
Does not know	1)	2)	-)	-)
Not ascertainable	-)	1)	-)	-)
	1)	16)	32)	17)
	100%	100%	100%	100%

* Question 5: Is it mostly farmers or non-farmers who are buying land?

Question 6: What do you think about such people buying land?

Table 8. Comparison of Land Price Since Last Summer With a Year or so Before*

Comparison	Operators	Non-operating Owners
Generally higher	12%	9%
Much higher (25% or \$25 and over)	23	19
Some higher (11 to 25% or \$11 to \$25)	36	53
Little higher (10% or \$10 and under)	15	12
Same	4	4
No land moving	4	0
Does not know	4	2
Not ascertainable	2	1
	100%	100%
	N=309	n=117

* Question 7: Around here, how do prices paid for land since last summer compare with what they were a year or so before?

Table 9. Attitude Toward Present Land Prices*

Attitude	Operators	Non-operating Owners
Too high	23%	9%
About right	52	56
Too low	5	22
Price all right, but fear future drop of commodity prices	5	8
Depends on location, quality, etc.	4	2
Does not know	5	1
Not ascertainable	8	2
	100%	100%
	N=309	n=117

* Question 8: What do you think about the prices being paid for land now?

Table 10: Opinion on Relationship Between Present Farm Land and Farm Commodity Prices

Opinion	Operators	Non-operating Owners
Land is about right	51%	49%
Land is low	12	35
Land is high	8	2
Land is about right, but farm commodity prices are high	10	12
Land about right, but farm commodity prices are low	2	0
Does not know	2	1
Not ascertainable	5	1
	100%	100%
	N=508	N=117

*Question 9: How do you think these land prices compare with the prices farmers are getting for their products?

Table 11: Expectation of Possible Increase in Number of Farms Selling During the War Period

Expectation	Operators	Non-operating Owners
<u>Increase expected</u>		
More buyers wanting land	7%	3%
High price of farm products creating demand	4	6
Profits in land speculation will cause greater demand	4	0
Surplus cash causing buyers to be more willing to pay higher prices	3	9
City investors wanting land	2	1
Land is too cheap	1	1
Increase expected, no reason given	6	4
<u>No change</u>		
People cautious because of other booms	7	6
All or nearly all land sold	6	8
Farmers won't sell	4	5
People will keep the land because it is a good investment	6	7
People will hold land because it is home	3	1
People have bought all they want	5	2
Surplus cash being used for bonds	2	1
Buyers won't pay higher asking prices	2	2
Income tax will keep farmers from selling	1	3
No reason given	16	10
<u>Decrease expected</u>		
All or nearly all corporation land sold and farmers will not sell	4	7
<u>Response depends on</u>		
How long commodity prices hold up	4	0
Condition of this year's crop	2	0
Advancing price or willingness of farmers to sell	2	3
Possibility of making money	1	2
Extent to which farm boys are drafted	1	0
Reason not specified	2	5
Does not know	6	5
Not ascertainable or not asked	1	1
	100%	100%
	N=508	N=117

*Question 10: As it looks to you now, do you think there will be an increase in the number of farms which will be sold during the war period?

Question 11: What makes you think so?

Table 14. Reasons for Attitude on Post-war Land Prices *

	Operators	Non-operators
<u>Steady or Strong Price Situation</u>		
Strong demand here and in Europe for food will hold commodity prices up	17	17
Will stay on the same level with farm products	7	5
Won't go down because hasn't gone up so much	5	6
Price will be governed by Government action or price control	4	10
Boys back from war buying land will temporarily force land prices higher	2	4
Prices steady because there has been no speculation	2	2
Strong post-war demand for land and heavy employment	1	6
Increased demand for land	1	3
Land prices will stay up regardless of other prices	1	4
Government inflation control will break down and prices will go up	2	-
Speculation will enter the land market causing a boom followed by a crash	1	1
That's what happened before	3	1
<u>Declining Price Situation</u>		
Declining post-war demand, here and in Europe	8	5
Post-war depression	11	6
Government control will prevent	3	4
Prices are too high or out of line	1	-
Over-production of farm products will cause a drop	1	-
Government controls will break down, prices drop	1	-
That is what happened before	10	10
<u>Not sure - Depends On</u>		
Commodity prices	14	9
Effectiveness of Government controls	8	12
Whether we have a land boom	6	1
Whether we feed Europe	3	6
Post-war employment	1	-
Whether the same developments occur as last time	1	1
Uncertainties on crops and post-war conditions	2	2
Not ascertainable; no reason given	10	11
	N=309	N=117

* Question 16: Why do you feel that way? (See Question 15, preceding page.)
Percentage totals more than 100% because more than one reply was allowed each respondent.

Table 15. Expected Trend in Post-war Farm Product Prices *

	Operators	Non-operating Owners
Little change up or down	26%	31%
<u>Falling prices</u>		
Downward trend after the war	16	13
Go down like after the last war	5	6
Stay at present level for a time, then drop	11	18
Go down right after the close of the war	6	2
Go down less than after the last war	5	2
Go up for a short period, then drop	3	2
Very sharp drop right after the war	2	1
<u>Rising prices</u>		
Upward trend	2	3
Go up and stay up	1	2
Depends on various conditions	18	15
Does not know	4	4
Not ascertainable	0	1
	100%	100%
	N=309	N=117

* Question 17: What do you think will happen to the price of farm products during the first five years after the war?

Table 16. Reasons for Attitude on Post-war Farm Product Prices *

	Operators	Non-Operators
<u>Steady or Strong Price Situation</u>		
Strong post-war demand for farm products here and in Europe	31	27
Government price control will be effective in holding prices steady	7	6
Won't go down because not inflated	1	1
Government inflation control will break down and prices will go up	1	1
<u>Declining Price Situation</u>		
Declining post-war demand, here and in Europe	14	12
Post-war depression	10	9
Over-production of farm products	3	2
Prices are too high or out of line	2	2
Government inflation control will break down and prices will drop	1	1
Government controls preventing prices from going as high as other war, hence prices won't drop so much	2	2
<u>Not Sure - Depends On</u>		
Effectiveness of Government controls	10	8
Whether we feed Europe	8	7
Uncertainty of post-war conditions	2	2
Other factors	2	2
That's the way prices acted after the other war	9	6
Not ascertainable or no reason given	14	12
	N=309**	N=117

* Question 17: What do you think will happen to the price of farm products during the first five years after the war?

** Percentage will total more than 100 as more than one reply was allowed each respondent.

Table 17. Post-war Relationship Between Land Prices and Farm Product Prices *

	Operators	Non-operating Owners
<u>Closely Related</u>		
Both are tied together	26%	31%
Will be in line with farm product prices	17	19
Relationship will be more even than now	4	4
Price movement of land up or down will lag behind movement of farm product prices	14	19
<u>Land Prices Relatively High</u>		
Land prices will go up or stay up and product prices go down	4	3
Land will be high in comparison with returns	3	6
Land will go up faster than farm product prices	1	2
<u>Depends On</u>		
Government controls of both	4	0
How long the war lasts	1	0
Other factors	5	7
They will regulate themselves	1	0
Be like after the other war	1	2
Determined by government action	1	2
That is too far away to say	1	0
Does not know	12	8
Not ascertainable	5	7
	100%	100%
	N=309	N=117

* Question 18: How do you think farm land prices will compare with prices of farm products after the end of the war?

Table 18. Reasons for Attitude on Post-war Relationship Between Land and Farm Product Prices *

	Operators	Non-operating Owners
They always stay together	23%	14%
Land price changes come later than the changes in product prices	10	14
That's the way it did before	9	11
Post-war demand will cause product prices to stay up to land prices	6	3
Land prices move with change in farm product prices	6	5
Government regulation and control	5	7
Supply and demand of commodities	3	3
They will be more even for they are out of line now	2	4
European return to self-sufficiency will cause commodity prices to drop to level of land prices	2	1
There is no speculation in land this time	2	2
Supply and demand of land	5	4
Speculation in land	2	1
High investment returns will cause land to be relatively higher	1	2
Does not know	10	9
For reasons given	10	1
Not ascertainable	4	17
	100%	100%
	N=308	N=117

* Question 18: What makes you believe prices will work out that way?

Table 19. Extent to Which Land Prices can Advance and Still Pay Out *

	Operators	Non-operating Owners
Too high now	7%	3%
None, for it's high enough now	49	38
Some higher	10	20
Much higher	4	10
Higher, degree not specified	5	6
Depends on		
Price of farm products	9	10
Amount of down payment	2	3
Quality of land	2	1
Does not know	7	6
Not ascertainable	4	3
	100%	100%
	N=309	N=117

* Question 20: How much higher can land prices go and still allow the land to pay out?

Table 20. Expectancy of a Land Boom*

	Tenants	Owners	Landlords
<u>Land Boom Expected</u>			
Having one now	9%	6%	5%
Possibly a mild one	9	8	6
No reason mentioned	7 } 27%	5 } 19%	8 } 19%
Hope no, but fear we will	2 } 2	2 } 2	2 } 2
<u>Land Boom Not Expected</u>			
People remember the last one	25	27	30
Government will prevent it	4	6	8
Lending agencies are cautious	2	3	2
People unwilling to sell	3	1	3
Fear of post-war depression	2	1	0
Shortage of equipment and labor		1	0
Income tax and other places			
for money	1	1	3
No reason mentioned	14	16	24
<u>Not Sure - Depends on</u>			
<u>Effectiveness of government</u>			
regulation	9	7	5
Amount of speculation	1	3	0
People getting enough money	1	1	0
Non-specified reasons	3	4	4
Does not know	5	3	5
Not ascertainable	2	2	0
	100%	100%	100%
	N-137	N-172	N-117

* Question 21: Do you think we will have a land boom during or shortly after the war?

Table 22. Effect of Other Land Boom on Present Land Buying *

	Operators	Non-operating Owners
Making everyone's cautious about buying land	50%	49%
Older people remember, younger people have to learn by experience	13	13
Some effect	18	20
People will soon forget that experience in another boom	3	2
Expect to find it where they lost it	2	0
No effect	7	7
Does not know	2	2
Not ascertainable	4	7
	100%	100%
	N-309	N-117

* Question 22: We had a land boom 25 years ago. What effect is that having on people when it comes to buying land now?

Table 21. Proposed Action if a Land Boom Threatens *

	Tenants	Owners	Landlords
<u>Something</u>			
Government regulation of the land market	53%	24%	16%
Something should be done	16	18	25
Government control of commodity prices	5	10	7
Government control of land and commodity prices	4	1	1
<u>Nothing</u>			
Nothing should be done	8	9	14
Nothing can be done	7	5	14
No controls are necessary--things will take care of themselves	5	2	5
Nothing is necessary for we won't have a land boom	2	9	8
Does not know	17	16	9
Not ascertainable	5	6	2
	100%	100%	100%
	N=137	N=173	N=117

- * Question 21: (Do you think we will have a land boom during or shortly after the war?)
 Question 22: What do you think should be done about it?

Table 22. Controls Suggested *

	Operators	Non-operating Owners
Price ceilings on land	23%	9%
Commodity price control	8	8
Limit credit and tighten credit regulations	7	14
Higher tax on speculative profits	3	1
Permit only farmers to buy	1	1
Control land and commodity prices	1	0
Limit number of acres a person can own	1	0
Differential land tax	1	1
Higher income tax	1	2
Compulsory bond sales	1	1
Government educational program on dangers of inflation and high indebtedness	0	2
Opposed to government regulation	5	12
Does not know	28	24
Not asked of some respondents who stated there was no possibility of a land boom	20	25
	100%	100%
	N=509	N=117

- * Question 23: What controls do you believe would work best?

Table 24. Attitude Toward Limitation of Credit on Farm Land *

	Tenants	Owners	Landlords
Approval			
Lessen danger of foreclosure or inability to pay for land	30	16	22
It's all right, but is being done now anyway	8	9	10
Would eliminate shoe-string buying	6	5	7
Will keep prices down	4	3	2
No specific reason given	23	28	22
Qualified Approval			
If provision is made for tenants to buy	5	3	-
Would not prevent a land loan although probably help approval, but cash down payment should be greater	4	1	1
No specific reason given	6	5	0
Disapproval			
Would not affect cash buyer, merely keep out tenant buyer	10	10	5
Makes it possible for only rich people to buy	5	5	3
Opposed to Government regulation	4	2	2
Should permit a higher loan	0	1	0
No specific reason given	1	4	8
Does not know	4	3	2
Not asked or not ascertainable	2	5	0
	100%	100%	100%
	N-157	N-172	N-117

* Question 24: What do you think about limiting credit on land to 50 or 60 percent of the appraised value before the war, say in 1940, as a means of controlling the land market?

Table 25. Attitude Toward Government Taking Most of the Profit on Land Bought and Sold Since Pearl Harbor *

	Tenants	Owners	Landlords
Approval			
Would reduce or stop speculation	28	12	19
Higher income tax brackets will take care of it	2	5	9
Reason not specified	30	15	13
Qualified Approval			
No reason specified	6	10	7
Disapproval			
Opposed because the regular income tax is taking care of it	2	7	9
Individual's privilege to take the risk and take a profit if any	2	5	6
Opposed to government regulation	5	1	8
Too many taxes now	2	3	3
Un-American or unconstitutional	2	0	3
Land speculation no more objectionable than other speculation	1	1	3
Reason not specified	7	7	11
Indifferent to the idea			
	5	1	0
Does not know	7	7	4
Not ascertainable	3	5	3
	100%	100%	100%
	N-157	N-172	N-117

* Question 25: What do you think of the idea that the Government take most of the profit on land bought since Pearl Harbor and sold again during the war period?

Table 21. What Percent Should the Government Take *

	Operators	Non-operating owners
All of it	9%	2%
Tax 7½% and over	10	7
Tax of 10-7½%	13	13
Tax of 11-4%	5	8
Tax below 20%	5	2
No additional tax over the present income tax	7	7
Does not know	15	7
Not ascertainable	2	0
Not asked mainly because dependent was opposed to the idea	36	58
	100%	100%
	N-302	N-117

* Question 26: How high a percentage do you think the Government should take?

Table 27. Attitude Toward Limiting the Sale of Farms to Farm Operators *

	Tenants	Owners	Landlords
<u>Approval</u>			
Farmers should own the land	23%	17%	9%
It will help people buy homes	4	3	0
Would stop speculation	4	2	3
Non-farmers will own most of the land if something like that isn't done	0	2	0
Reason not specified	23	16	9
<u>Qualified Approval</u>			
If it can be done	4	8	4
Retired farmer is entitled to his land	1	3	1
Reason not specified	7	5	6
<u>Disapproval</u>			
Cannot destroy individual rights for anyone has the right to buy land	13	12	17
Would not be enough buyers for all the land, thus causing low land prices	2	6	4
Tenants need investment capital to carry the land	2	4	7
Opposed to Government regulation Impracticable, unworkable	1	2	7
Prevent retired farmers from purchasing farms for their sons	1	2	1
Undemocratic	0	2	2
Reason not specified	8	6	21
Indifferent to the idea	0	2	0
Does not know	1	2	2
Not ascertainable	2	2	4
	100%	100%	100%
	N-137	N-172	N-117

* Question 27: What do you think about limiting the sale of farms to those who intend to farm the land themselves?

Table 28. Ideas on Operation of the Permit System of Land Purchase *

	Operators	Non-operating owners
Government war emergency regulation of the land market	9 %	3 %
Limit acreage a man can own	5	0
Require buyer to operate the farm	4	1
Differential land tax (state)	3	1
Tenant purchase plan	2	1
Government buy all land for sale and resell it to farm operators	1	1
Washington determines that ("It's too deep for us.")	3	2
Does not know	25	13
Not ascertainable	2	1
Not asked of those who disapproved or most of those who gave qualified approval to question 27	47 100%	72 100%
	N=305	N=117

* (Question 27: What do you think about limiting the sale of farms to those who intend to farm the land themselves?)
 Question 28: How do you think this should be done?

Table 29. Attitude Toward All Three Controls

Attitude	Farmers	Landlords
Approval of all three	17%	8%
Disapproval of all three	6	9
Approval or qualified approval of one or two of the three suggestions	78 100%	83 100%
	N=309	N=117

1601 V STREET N. W.
WASHINGTON, D. C.

92

August 5th, 1943

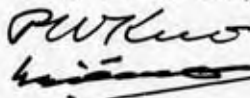
The Honorable Henry Morgenthau, Jr.
Secretary of the Treasury Department
Washington, D. C.

Dear Mr. Secretary:

We have just received a telegram from His Excellency Dr. H. H. Kung asking us to convey to Your Excellency his personal appreciation for your prompt action in granting our request for the purchase of gold.

With highest respect and kind regards.

Yours sincerely,



Kuo Ping-Wen
Hsi Te-Mou

LM

DLA

This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (BR)

Chungking

Dated August 5, 1943

Rec'd 9:35 a.m. 6th

Secretary of State

Washington.

1390, August 5, 5 p.m.

TO SECRETARY OF THE TREASURY FROM ADLER

TF-149.

Department's 998, July 31, 6 p.m. Dr. Kung this morning give me his assurance that no private individual or institution shares in income of the board.

(2) Sale of United States dollar backed savings certificates ceased on August 3. Since July 1 about United States dollar 40,000,000 of certificates have been sold. It would appear that the heavy (#) in this period were made in anticipation of cessation of sale.

WSB
 (#) apparent omission

ATCHESON

CORRECTED COPY

FMH
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 paraphrased before being
 communicated to anyone
 other than a Governmental
 agency. (BR)

Chungking
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ATCHESON

HPD

Above correction from Embassy, Chungking

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London, England

DATE: August 5, 1943, 9 p.m.

NO.: 5114

FROM CASADAY FOR SECRETARY OF THE TREASURY, STRICTLY CONFIDENTIAL.

Keynes' reaction to Dr. White's letter of July 24 has been favorable. Keynes indicated that incessant discussions among British officials have been going on since the currency talks in Washington closed. He said that a formal message had gone to Lord Halifax within the last few days suggesting that a series of bilateral discussions be begun between British and American officials not later than September 15, apparently not limited to discussing the post-war currency proposals but including also exchange rates, reciprocal aid and the implementing of Article VII. He thought that up to yesterday no reply from the British Embassy in Washington had been received.

Taking note of Dr. White's statements concerning the minimum requirements for any currency proposal to have a chance of obtaining legislative sanction, Keynes said that for similar reasons the British would probably also have to adhere to certain minima (mentioning the question of gold contribution and the matter of exchange control) but he was sure that the respective lists of minimum requirements on the American and British sides would not prove mutually incompatible. He plans to be present himself for the series of discussions now proposed by the British, but he said that he believed that in a weekend of conversations Dr. White and he could reach agreement on most basic points of the currency proposals. Not having had an opportunity up to the time I talked to him to read the revised version of the American proposal, he has not yet expressed any reaction to it.

WINANT

SECRET

STRICTLY CONFIDENTIAL

FROM:

Chungking

Date Sent: August 5, 1943
(by pouch)

Rec'd: Aug. 20, 5 p.m.

Secretary of State,
Washington.

DIVISION OF

AUG 23 1943

A-28, August 4, 9 a.m., 1943. **COMMERCIAL AFFAIRS**
Department of State
Embassy's 1270, July 23, 3 p.m., paragraph one.

1. A new and curious development along those lines, of which we have been informed by Admiral Yang, is that recently several of Yang's agents and several of those of General Tai Li in the Shanghai-Nanking area were tracked down and seized by the Japanese but, instead of executing these agents, the Japanese lectured them on political philosophy from the puppet point of view and sent them back to Free China to persuade their colleagues and superiors here that Japanese intentions toward Chinese were benevolent and that there was no use in continuing the state of hostilities between Chungking and Japanese-Nanking troops. Whether this incident is merely symptomatic of Japanese opportunism in attempting to further Japan's "soft policy" toward China or whether it has more far-reaching implications is an interesting matter for speculation.

Another instance of interest is the case of MU K'ai-hsien, member of the GEC and former head of the Chinese

secret

- 2 -

secret police in Shanghai who was seized by the Japanese in March 1942 and who arrived in Chungking May 7, 1943 (section A,1, (L), Embassy's May political review--despatch no. 1255, June 12) with, according to some rumors, Japanese peace proposals. A number of sources state that Ju was flown from Shanghai to Hong Kong in a Japanese military or naval plane; it is generally accepted that he made his way from Hong Kong to Kweilin in unoccupied China; he flew from Kweilin to Chungking by CNAAC plane and was met at the airfield by a number of Government officials. Subsequently he was feted to some extent but the welter of rumors about him reportedly soon caused him to go into retirement. He is now reported by several fairly reliable sources to have returned to Shanghai or Hanking.

2. With reference to paragraph three of our 1270 and to Adler's report for Treasury contained in our 1354, August 2, the Consul at Kweilin states that his informant in regard to the counterfeit notes was a Mr. J. C. Chen, Kweilin manager of the Bank of China. While the latter does not have a good reputation, there would seem to be little point to his inventing such a story and telling it to the American Consul. Mr. Adler suggests that his own informant, general manager of the Central Bank, might, by stating that the counterfeit or mutilated notes in question are those of the Bank of Communications, be seeking to protect

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protect the employees of his bank and of the Bank of China at Hong Kong at the time of its capture who had responsibility for the Chung Hua Book Company's plates.

3. We concur in Mr. Adler's opinions as expressed in the third paragraph of his message contained in our 1354, August 2, referred to above.

ATCENSON .

G. jr/hff

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OFFICE
SECRETARY OF TREASURYNOT TO BE RE-TRANSMITTED
1945 AUG 5COPY NO. 13BRITISH MOST SECRET
U.S. SECRET

TREASURY DEPARTMENT

OPEL No. 257

Information received up to 7 a.m., 5th August, 1943.

1. NAVALHOME WATERS. 5th. One of H.M. trawlers was sunk by E-boat off HARWICH.MEDITERRANEAN. 2nd. U.S. Cruiser bombarded roads and gun positions near AGATA (North coast of SICILY).ANTI-SUBMARINE OPERATIONS. U.S. aircraft engaged U-boats on 28th, 30th and 3rd in West Atlantic. On 3rd U.S. Destroyer took prisoners from Italian submarine off PANTELLARIA. 4th. Surface craft took prisoners from U-boat, which had been engaged by Sunderland south of ICELAND.2. MILITARYSICILY. 8th Army. Our troops have advanced 6 miles beyond REGALBUTO and patrols are overlooking SIMETO River from high ground to east of MUGLIA (2½ miles east of CATENANUOVA).

7th Army. On North Coast road U.S. troops have reached point 2 miles N.W. of SAN FRATELLO.

RUSSIA. Russians are fighting in OREL.3. AIR OPERATIONSWESTERN FRONT. 4th. 33 escorted Marauders (B. 26) bombed LE TRAIT shipyards near ROUEN with good results. Escorted fighter bombers attacked airfields at POIX and ABBEVILLE. Beaufighters (1 missing) possibly hit a 4,000 ton ship and a 4,500 ton tanker in convoy off NORWAY.

4th/5th. 3 Mosquitoes attacked DUISBURG, 2 attacked COLOGNE. Naval Albacores sunk 3 R-boats.

SICILY. 3rd. 155 medium and light bombers attacked enemy positions in ADRANO area.4. HOME SECURITY

4th/5th. Slight damage to property and 2 fatal service casualties in DOVER area from shells fired from French Coast.

August 6, 1943
9:30 a.m.

GROUP

Present: Mr. Bell
Mr. Gaston
Mr. Paul
Mr. Sullivan
Mr. Bernstein
Mr. Thompson
Mr. Smith
Mr. Blough
Mr. Gamble
Mr. Haas
Mrs. Klotz
Capt. Kades

H.M.JR: The main thing is, McCloy was here yesterday with three men whose names started with "H". There was nothing special except they are still looking for people - the same people you (Bell) talked to me about.

I talked with White as of last night and told him that Luxford and Taylor - he said they were going to some meeting. They still haven't anybody to head it up in Italy.

MR. BERNSTEIN: That is for Area Director, Mr. Secretary. He called me this morning about it.

H.M.JR: What meeting is there this morning?

MR. BERNSTEIN: There is going to be a meeting, apparently, about eleven o'clock or a little after, and Mr. White wanted to have these men put to you the question of whom we would back for Area Director. It may be that Mr. McCollester has turned down the position. I don't know.

H.M.JR: Who has got the facts?

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MR. BERNSTEIN: Mr. Taylor will know.

H.M.JR: Where is Taylor?

MR. BERNSTEIN: He will be coming in at this morning meeting when you are ready to see him.

H.M.JR: Those that are interested can stay. White said Taylor and Luxford. Do they both go to the meeting?

MR. BERNSTEIN: That is right.

H.M.JR: Paul?

MR. PAUL: To this eleven o'clock meeting?

H.M.JR: Are you with us?

MR. PAUL: I am with you but I can't be at the eleven o'clock meeting.

H.M.JR: I mean with me now, because you seem--(Laughter)

MR. PAUL: I haven't gotten this all clear.

H.M.JR: Will you stay?

MR. PAUL: Yes.

MR. THOMPSON: I have a report on that pay roll stuff. It is just about as I reported yesterday. Mr. Cann cleared it for ads and posters, but not for that little pay roll slip.

H.M.JR: Then what happened?

MR. THOMPSON: Then after that - for that purpose - War Finance people got up this little slip but did not submit that for clearance.

H.M.JR: How can this not happen again?

(Memorandum to Mr. Elmer Irey from Mr. Lane, Special Agent, dated August 5, handed to the Secretary.)

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MR. THOMPSON: Under the orders we have gotten out, anything going to the public must clear through Chick and Fred Smith.

H.M.JR: Do you know about this, Ted?

MR. GAMBLE: Yes.

H.M.JR: Evidently this is on your shop. But it can't happen again?

MR. THOMPSON: It couldn't happen again under this order. It must be cleared with the public relations people.

H.M.JR: All right?

MR. GAMBLE: Yes, sir. I don't think our people are guilty of anything but paying attention to their business so far as this job is concerned.

MR. THOMPSON: They had cleared the accuracy.

H.M.JR: You have gone into it and they all know about it and it won't happen again - until next time.
(Laughter)

MR. THOMPSON: I hope it will never happen again.

H.M.JR: That is that. Just the fact you investigated, that will be good for a while.

What else?

MR. THOMPSON: That is all.

MR. BELL: Mr. McKee of the Federal Reserve Board called last night and said that the Board had considered reduction of the rate on savings accounts, two and a half downward, and decided that it would be much better if they let it go over until after the drive. I haven't talked to him. He just gave me that message.

- 4 -

H.M.JR: It is all right with me.

MR. BELL: This is the vote on Library of Congress acceptance of a gift. (Letter dated July 27, 1943, regarding gift to Library of Congress (Dayton C. Miller estate) initialed by the Secretary.)

H.M.JR: Have some fun?

MR. BELL: Yes, a little bit. It was very hot.

H.M.JR: It was here, too.

On this invasion currency, they are all fussing around. We will just sit tight. I told Jack McCloy we would stick it through together. He has gotten letters from some Senators and Congressmen.

MR. BELL: I sent him some letters.

H.M.JR: And also I am very glad I had them because I pointed out to them our troubles with the English - big balances - that I didn't want them to help out the English balances through some of the things they might do. They were very much interested - these Army officers - in the whole picture. They said they are going to watch it very closely.

MR. BELL: Did you see the Colonel that was just back?

H.M.JR: They are bringing a General somebody over Tuesday to talk to War Bonds, who is just back.

Just to give you an example of how unprepared they are, they were looking to England to give them two hundred and fifty thousand tons of coal a month and they really need a million tons, and they now find England says they haven't got any coal. I told you what Ickes said, "Over my dead body." Instead of having the coal there ready to go in, to show how efficient the Democracies are, by the time they get the coal there all the plants will have stopped running.

- 5 -

MR. GASTON: Russia will probably be the first country to get coal in there. They have recently started turning out coal from some of their recovered mines, I am told.

H.M.JR: But they need help.

MR. BELL: I imagine they do.

H.M.JR: I liked this General Hilldring.

MR. BELL: Yes, he is rather straightforward.

H.MJR: You will be amused at this. McCloy said to me, "Now, we would like to have Burgess." I said, "Gawd damn you, no." I thought Hilldring - the way he laughed the room just shook. (Laughter)

I said, "Do you understand that kind of language?" McCloy said, "O.K." (Laughter) Hilldring loved that.

MR. BELL: How about the other recommendation?

H.M.JR: They went all through them. The man Wolf from the National City Bank, I know, because he did a swell job for us in War Bonds with the churches. I told them that he was all right.

MR. BELL: For what?

H.M. JR: They didn't say, but they want him for something.

MR. BELL: Not the top that we have been talking about?

H.M.JR: No, they just had him in mind for something. I told them at a lower level that - the man who used to do our foreign exchange - Cochran - at a lower level that he was a technician, and at a very much lower level he did know the technique.

MR. BELL: I believe he is still in South America.

- 6 -

H.M.JR: I told them that. Then we talked about Jeff Coolidge. I told them he had heart trouble. I wrote Jeff, incidentally. Did you know he had heart trouble?

MR. BELL: Yes.

H.M.JR: Did you write him?

MR. BELL: No, but I should. I will.

MR. BLOUGH: Just as a piece of gossip, the Wall Street Journal suggests that the presence of Mr. McConnell in the Treasury indicates you are trying to get back Alien Property.

H.M.JR: I didn't see it.

MR. PAUL: The other end of that is that the Alien Property Custodian is trying to get a big area away from us. We are having meetings this week end.

H.M.JR: What are they trying to get away from us?

MR. PAUL: I don't remember exactly. It is a substantial area.

H.M.JR: Judge Rosenman told me when they were setting up this order under which Crowley operates, the Bureau of the Budget was going to set up a separate department with all of this stuff in it including all of Foreign Funds, and they were outvoted.

MR. PAUL: We may have to have a fight on this.

H.M.JR: And that they were thinking now, Rosenman said, of where they could put Alien Property Custodian - in what Department they could put it.

MR. PAUL: That may not be Crowley.

H.M.JR: So I told him they could put it anywhere, that the Treasury could handle it very easily.

MR. PAUL: That is true because we do have the organization.

- 7 -

H.M.JR: Rosenman went all through that fight with us. I think he will keep us posted - I hope. I may have some time this morning to go to school with you (Blough). If I could get time shortly after ten o'clock, it may save you a trip. I am going to try to do it.

MR. PAUL: I have a date with Stam. Do you want me to cancel that?

H.M.JR: No, it is not necessary if he (Blough) is just here. He has what you have, hasn't he?

MR. PAUL: Yes. I can take Louis Shere up on the date with Stam.

H.M.JR: All right, if you could leave Blough behind.

MR. BERNSTEIN: I have nothing, Mr. Secretary.

H.M.JR: Paul?

MR. PAUL: I have nothing.

H.M.JR: George?

MR. HAAS: There are some rough charts we have prepared on the war expenditures.

H.M.JR: Where are they? Stand up and let the crowd see them.

MR. HAAS: They are not very well adapted for that sort of presentation; they are too small. I will explain it.

H.M.JR: I want Bell to get in on this.

MR. HAAS: It starts September 1939. Here is the total, and here is the breakdown of the total War Department, Navy, and miscellaneous (indicating). These three add up to that (indicating).

- 8 -

Now, this miscellaneous I have further broken down by giving this breakdown. It can be broken still further.

H.M.JR: For those who are interested, the Navy Department passed its peak a couple of months ago. The War Department seems to be leveling off, and miscellaneous war activities are down. Don't you think that is good?

MR. BELL: Yes.

H.M.JR: George, I wish you would find out, because last night - I mean, the people at the house who really know - there is a lot of cancellation of contracts going on, both Army and Navy, and I wish you would contact Army and Navy or Nelson and find out - let's get some dollar value on the cancellations.

MR. SULLIVAN: You might distinguish between outright cancellations and substitutions for new models, because you can get fooled on that pretty badly.

H.M.JR: Let's get that.

MR. HAAS: Yes, sir.

H.M.JR: I want to follow that once a week if I could.

MR. HAAS: I will make up a good chart.

MR. BELL: Some of those figures also include receipts as a result of renegotiation.

H.M.JR: I don't think you have this.

MR. BELL: I have it on paper, not on a chart. It shows on the daily statement every month.

H.M.JR: I can get it better through a chart. All right, George?

- 9 -

MR. HAAS: Yes, sir.

H.M.JR: Did Lindow tell you what happened outside with Baruch and the others?

MR. HAAS: Yes. He had a very good meeting. I think you ought to see him.

H.M.JR: All right, I will. I will see him right after Taylor and Luxford.

CAPT. KADES: I have nothing.

H.M.JR: Don't you think if there is going to be some talk about McConnell - why don't we get out a little statement?

MR. SMITH: I was going to ask you when it was my turn. Isn't there something we can say about why he is here?

H.M.JR: Say he is here as business advisor.

MR. PAUL: That doesn't refute this - you have to be more specific than that.

MR. BELL: Can't you say that he is here to study post-war problems in which the Treasury is concerned?

H.M.JR: Why not? If it is post-war, why not go further - conversion--

MR. BELL: You raise the question - you can say that part of it which the Treasury is concerned with.

MR. SULLIVAN: I think you are safe in keeping it general.

H.M.JR: Have a little talk with him, will you?

MR. SMITH: All right.

- 10 -

H.M.JR: I think you ought to get out something.

MR. GAMBLE: I have checked with Fred Smith on the appointment - and a number of newspaper people - of Max Cook. I also checked these editorials. While I agree with you about the editorials, the story I get on Cook is that he is well liked by newspaper people because he does not subscribe to Roy Howard's ideas and has been moved out of the editorial command that he had because he does not subscribe to them. But he is a very valuable man and has remained with Scripps-Howard and is well liked.

H.M.JR: What do you two boys think?

MR. SMITH: I think he should stay, because Roy Howard doesn't like him any better than Roy Howard likes you. (Laughter)

H.M.JR: Those are strong words. (Laughter)

MR. SMITH: You never took any yachts away from Howard, either. (Laughter)

H.M.JR: All right.

MR. GAMBLE: I had him come on today with the idea that he was either going to stay or not going to stay because I invited him.

H.M.JR: All right, I am big enough to have him in.

MR. GAMBLE: If you would like to see him, I will walk him in today.

H.M.JR: All right.

MR. GAMBLE: Hoyt asked me last night if you would like to see some expurgated shots of newsreels the Army took of the invasion of Sicily. He wants you to see them. He wants Byrnes, Vinson, and Jones to see them. The idea

- 11 -

is that maybe a group of you can help him with the Army and Navy. He said the shots they showed of the Sicilian invasion - if they were allowed to see them here - he said it is ridiculous, and that if the people could see what happened in the invasion of Sicily they would feel differently about the war. The ships that were blown up and the attacks - all of them were shown in the Army, and the Army wouldn't allow any of them to be included, and the films are released in this country.

He says that he thinks if we don't start letting the people of this country see it we will have to close up on the home front.

H.M.JR: I could see them at two o'clock.

MR. GAMBLE: He wants to show them this coming week. He wants to get all of you together if it is agreeable to you.

H.M.JR: We are having this fairly important group at four o'clock Tuesday on taxes. Maybe with that group here - you could find out who that group is from Paul - he might like it, too.

MR. PAUL: Fitzgerald has the list.

H.M.JR: He might like to take advantage of that group being here to show it to them. Find out who that group is. He might like to take that advantage to show them the film.

MR. GAMBLE: He has the feeling that nothing is more important so far as our war bond program is concerned - to let the people know what is going on.

H.M.JR: There is this group of fifteen or twenty fairly important people in the Government.

MR. GAMBLE: I will see if he can arrange it.

H.M.JR: Well, look at the group.

- 12 -

MR. GAMBLE: I will. That is all I have.

MR. PAUL: If you do that, I think we ought to perhaps advance the time a little bit and tell the people - tell Fitz so that he gets the two purposes.

H.M.JR: I can't advance it, because I have this general coming in at three o'clock to talk to War Bonds.

MR. PAUL: That is all right then, but at least we ought to tell the people there are going to be two things.

MR. GAMBLE: This won't take long.

H.M.JR: I would do this at the end. Listen, if we talk two hours on taxes and say, "At six o'clock we are going to show you a picture," it will cut out a lot of arguing.

MR. PAUL: That is right; it will keep a lot of people there that have to go. (Laughter)

CAPT. KADES: Mr. Secretary, in line with that general let-down I understand Forrestal is terribly concerned about the decline in production. The reason I am making this point is not only in connection with that movie, but also it seems to me we have to go kind of easy on the post-war aspects of McConnell's job in the publicity.

H.M.JR: The President is afraid of that, too. I don't see why you can't simply say that I had him come in as a business advisor.

MR. PAUL: Could you say that he was not dealing with any Alien Property - any Foreign Funds problems?

H.M.JR: No.

MR. GAMBLE: Why couldn't you say in the same statement that you don't think the war is going to be over tomorrow, that the Treasury wants to be prepared, and make

- 13 -

a statement about the war at the same time? It seems to me it would fit very well with what you are going to do with the post-war.

H.M.JR: Well, you handle it, Fred. That won't break down your mental capacity to handle that situation. (Laughter)

MR. SMITH: I will take a thyroid pill and go after it. (Laughter)

Are you going to be able to clear that memorandum to editors?

H.M.JR: Yes, I have it here. You will have to put the heat on me. I tell you what you do - because I don't like it - after General Deane leaves if you will come in I will do it right then. Tell them to let you know.

MR. SULLIVAN: I got that information over the telephone last night. I will be able to tell you about it any time you want it.

H.M.JR: Would you mind telling them that you come after Smith?

MR. SULLIVAN: All right.

H.M.JR: You might even have a letter drafted for me.

MR. SULLIVAN: Very well.

H.M.JR: Did you get through?

MR. SULLIVAN: Yes, very quickly.

H.M.JR: Herbert?

MR. GASTON: Recently the War Production Board asked all the agencies of the Government for a report on any telephones that could be spared, also teletypewriters.

- 14 -

It is rather interesting - of a total of two thousand eight hundred and twenty-one telephone instruments, of which War Production Board provides one thousand seven hundred and twenty--

H.M.JR: That they can give up?

MR. GASTON: Seventeen hundred and twenty surplus telephones that they can give up in War Production Board. The Treasury Department is next, with two hundred and twenty-two.

MR. PAUL: Does that include the Bureau?

MR. GASTON: Yes, it includes everything in the Bureau - two hundred and twenty-two.

MR. SULLIVAN: Is that just departmental?

MR. GASTON: It is here in Washington, a total of two thousand eight hundred and twenty-one instruments. There is one teletypewriter.

H.M.JR: We give up one?

MR. GASTON: No, one was given up by the Office of Scientific Research and Development.

August 6, 1943
10:22 a.m.

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HMJr: Norman.

Norman
Thompson: Yes, sir.

HMJr: The thing that I asked you to do - to fix up how
publicity will come out of the Bureau....

T: Yes.

HMJr:and all that. Is that all in hand?

T: I had an order all prepared and was about to issue
it. I had it initialed by Sullivan, Helvering,
Gaston and Paul, but this morning Helvering asked
if I'd hold it up - that he had a suggested change
he wanted to make in it.

HMJr: All right. Will I see it before it goes out?

T: Yes, sir.

HMJr: I'd like to see it.

T: Yes, sir, I'll have it all ready....

HMJr: All right, well....

T:as soon as I get that clear.

HMJr: You'll have to get it to me before lunch. Can you?

T: I'll - I'll get right after it.

HMJr: Put the pressure on it.

T: Yes, sir.

HMJr: Thank you.

T: All right.

TREASURY DEPARTMENT

115 ✓

INTER OFFICE COMMUNICATION

DATE Aug. 6, 1943

TO Secretary Morgenthau

FROM Randolph Paul

Attached is a transcript of conversation with
Congressman Doughton yesterday.

RP

Mr. Paul returned Mr. Doughton's call - August 5, 1943 - 5:00 P.M.

Paul: You called me this afternoon.

Doughton: Yeh. I wanted to know if you had a copy of the statement I issued after the conference the other afternoon. I had one and a fellow came in my office and I gave it away.

Paul: I'll be glad to send you another.

Doughton: Put it in the mail.

Paul: How are you feeling?

Doughton: It is hard to get these things straightened out. I think that the President, uh, the Secretary, thought maybe my call on Judge Vinson the other evening might have some significance so far as the Judge's connection with tax matters. Nothing could be further from my feelings. Any part you, or the Pres -- the Secretary, wants to play would be helpful, but I don't think ... I think...I think he is trying to be helpful.

Paul: I have every confidence that is true.

Doughton: Before I went down there, I told Fred I would see him that evening. It had nothing to do with the tax discussion.

Paul: I am sure the Secretary has no doubt about that.

Doughton: I wish you would assure the Secretary of that. I will be back about the first.

August 6, 1943

**Tax issues to be decided in preparation for
revenue legislation of 1943**

- A. Revenue program: the volume of additional tax revenue.
- B. Sources of additional revenue.
 - 1. Individual income tax: rates and exemptions.
 - 2. Corporation taxes.
 - 3. Estate and gift taxes.
 - 4. Excise taxes.
 - 5. Other sources which may be considered:
 - a. Sales tax
 - b. Tax on increases in income
- C. War anti-inflation tax.
- D. Compulsory lending.
- E. Other issues.
 - 1. Tax simplification.
 - a. Elimination of Victory tax.
 - b. Simplification of withholding.
 - c. Dual rate schedule (normal tax and surtax).
 - d. Earned income credit.
 - 2. Privileges and loopholes.
 - a. Tax exempt securities
 - b. Percentage depletion
 - c. Community property
 - 3. Tax hardships
 - a. Debt relief
 - b. Relief for persons with fixed incomes.

RB:sd
8/6/43

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

August 6, 1948

TO Secretary Morgenthau
FROM Randolph Paul

On August 4 you referred to me an editorial from The New York Times, entitled "British Taxes and Ours" and asked how you should answer it.

I doubt if there is enough to criticize in the editorial to justify an answer. It appears to be only mildly hostile. It points out the dangers of the limited type of tax comparison which were used in the charts and adds some factual material which appears to be substantially correct.

It would be helpful in avoiding editorial criticism of statistical releases if proposed tax press releases were discussed with persons familiar with pitfalls in the use of tax figures at an early enough stage to assist the release writers.



MEMORANDUM

August 6, 1943.

TO: The Secretary
FROM: Mr. Sullivan

JHS

I am attaching hereto a Treasury release approved by Mr. Smith and myself and released by Mr. Smith and myself through Mr. Shaeffer late yesterday afternoon.

TREASURY DEPARTMENT

Washington

Press Service
No. 37-98FOR IMMEDIATE RELEASE
Thursday, August 5, 1943

According to Guy T. Helvering, Commissioner of Internal Revenue, all persons should now determine whether they are current in their payments for Federal income taxes for 1943. He points out that about 15 million people in the nation are not current.

Mr. Helvering stated that if you are single and your income is less than \$2700, or married and your income is less than \$3500, and the boss is withholding part of that pay for income taxes, probably you are all-square with your tax on 1943 income. Otherwise, you may owe some money on September 15.

If you are not among the two-thirds of the nation's taxpayers who are all-square on their 1943 income taxes, Commissioner Helvering announced tonight that September 15 is the deadline for doing something about it -- namely, filing a declaration known as Form 1040-ES and enclosing a check for half the amount due. This takes the place of your third quarterly installment of taxes that you formerly paid the collector.

All income taxpayers will be sent copies of Form 1040-ES between August 15 and August 20 which must be filed on or before September 15 by those persons who have not become fully current on 1943 taxes through the payroll deduction feature of the Current Tax Payment Act of 1943. Revenue officials estimate that approximately 15 million of the individuals who filed returns on March 15 will be required to fill out the declaration and make a tax payment on that date.

Form 1040-ES, known as the Declaration of Estimated Income and Victory Tax for individuals for the Calendar Year 1943, requires answers to only six questions. It will be accompanied by instruction sheets and tables for estimating tax on incomes up to \$10,000, so as to make the computation as easy as possible for the taxpayer. Payment of half the balance of the estimated tax still due on 1943 income must be made with the filing of the declaration.

Most taxpayers who filed returns on March 15 will not be required to file the declaration because their current year's tax requirements will have been fully met through the deductions at source on wages and salaries.

In general, a declaration is not required of wage earners subject to withholding who do not receive more than \$2700 a year if single, or more than \$3500 a year if married.

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However, inasmuch as the personal income of certain persons, such as physicians, lawyers, ministers of the gospel, agricultural labor, domestic servants, those in the armed forces and others, is exempt from withholding, and as other income such as interest, dividends, rents and business profits is not subject to deductions for taxes at source, - all persons receiving such income, generally speaking, will be required to file a declaration on or before September 15.

Penalties are provided for failure to file a Declaration of Estimated Tax or to pay an installment within the time prescribed, or for a substantial under-estimate of the Estimated Tax, or for willfully making a false return.

In order to place all taxpayers on an equal footing from the standpoint of being current in their income and Victory Tax payments, the Current Tax Payment Act of 1943 provided this method of filing a declaration of estimated tax for the year. The taxpayer pays his estimated tax either in a lump sum or in installments just as he has in the past, but with this difference--he will be paying, during this year, his tax on this year's income.

A taxpayer required to file a declaration must file it on or before September 15, 1943, with the collector in whose district he expects to file his income tax return for 1943, and must pay at the same time at least one half of the unpaid balance of the estimated tax for 1943, unless he is a farmer. If at least 80 percent of the taxpayers' estimated gross income is derived from farming, he must file this declaration on or before December 15, 1943, and must at the same time pay the entire unpaid balance of the estimated tax.

A taxpayer becoming liable after the first filing date because of a change in income or marital status must file a declaration on or before December 15, 1943. If necessary an amended declaration may be filed before December 15, 1943. A joint declaration may be filed by husband and wife even though they expect to file separate tax returns for 1943.

The Declaration Form 1040-ES, together with instructions and tables furnished for the convenience of taxpayers in estimating their income and Victory Tax, will be available to them in the office of their local collector on or about August 9. Should a taxpayer prefer to make a more precise computation of his estimated tax, he may, upon request to his local collector, receive an alternative work sheet with more detailed instructions, which has been prepared for the convenience of taxpayers in the higher income brackets.

-000-

MEMORANDUM

August 6, 1943.

TO: The Secretary

JWS

FROM: Mr. Sullivan

August 4th you asked me to follow up the Regulations on Salary Stabilization pending in Fred Vinson's shop to determine whether we should write Judge Vinson again asking him to expedite these Regulations.

I find that these Regulations have been informally cleared everywhere except in Mr. Paul's shop, and that he has dictated a memorandum for me on the only point not yet decided. Under the circumstances, I believe we should not write to Judge Vinson.

August 6, 1943

Dear Grace:

I realize that the President will only be in Washington a few days.

I would very much like to see him during that period. I would appreciate your asking him for an appointment for me.

Yours sincerely,

(Signed) H. Morgenthau, Jr

Miss Grace Tully,
Secretary to the President,
The White House.

WAR SAVINGS STAFF

ROUTING SLIP

Mr. Adams	Mr. Houghteling
Mr. Anderson	Mrs. Jones
Mr. Augustus	Mr. Kilby
Mr. Broughton	Mr. Long
Mr. Buckley	Mr. Lane
Mr. Callahan	Mr. Mahan
Mr. Coyne	Mr. McCorkle
Mr. Delehanty	Mr. Odegard
Mrs. Demonet	Mr. Olney
Mr. Duffus	Mr. Partain
Miss Elliott	Mrs. Russell
Mr. Engelsman	Mr. Shead
Mrs. Evans	Mr. Schram
Miss Finucane	Mr. Sloan
Miss Fitzgerald	Miss Spriggs
Mr. Gamble	Mrs. Thomas
Mr. Graves	Mrs. Turner
Mr. Hirzel	Mr. Williamson

Mrs M^c Hugh

*Mr. Gamble says
this was all settled
verbally with the wife
and that he and Mr
Wick had reached
a complete understand!*

John W. ...

CLASS OF SERVICE

This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable symbol above or preceding the address.

Gentle

WESTERN UNION (32)

1201

125
SYMBOLS

- DL = Day Letter
- NL = Night Letter
- LC = Deferred Cable
- NLT = Cable Night Letter
- Ship Radiogram

A. N. WILLIAMS
PRESIDENT

NEWCOMB CARLTON
CHAIRMAN OF THE BOARD

J. C. WILLEVER
FIRST VICE-PRESIDENT

The filing time shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination.

WV325 66=UD NEWYORK NY 6 739PP 1

043 AUG 6 PM 9 35

10N HENRY MORGENTHAU JR=

2434 BELMONT RD WASHDC=

SITUATION AT PRINCETON MAKES IT DESIRABLE I RETURN THERE
 (STOP FINDING I CAN DO LITTLE FOR TREASURY I REQUEST YOU
 RELEASE ME AS SOON AS POSSIBLE STOP IF AT ANY TIME YOU NEED
 ME FOR SPECIAL ASSIGNMENTS BE ASSURED I SHALL ALWAYS BE AT
 YOUR DISPOSAL STOP SHALL RETURN WASHINGTON NEXT WEEK AND V
 YOU'D APPRECIATE INTERVIEW STOP UNTIL MONDAY AFTERNOON
 PRINCETON CLUB NEWYORK STOP CORDIAL REGARDS=

R D WELCH.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

AUG 6 1943

Dear Bill Murray:

I asked Ted Gamble to talk with you earlier in the week regarding your resignation.

He has told me of his talk with you and I am glad to know that you will still be available to us on call.

All of us here are aware of the splendid service that you have given the Treasury in its War Bond activities. Certainly you can be proud of the contribution that you have made. The many sacrifices that you have made are matched only by the excellence of your work for us.

With all good wishes, I am

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. William Murray
1270 6th Avenue
New York City, New York

File copies to Mr. Gamble.
Copy in Diary.

COPY

JULY 31, 1943

BEVERLY HILLS CALIF JULY 30

THE HONORABLE HENRY MORGENTHAU JR
SECRETARY OF THE TREASURY

DEAR MR. MORGENTHAU: I FIND THAT THROUGH ENLISTMENT THROUGH DRAFT AND THROUGH DEATH THE MAN POWER OF MY BUSINESS IS SO DEPLETED THAT I MUST HEREAFTER DEVOTE MORE TIME TO IT. THE LIVELIHOOD OF SO MANY DEPENDS UPON ME THE PROGRAMS FOR TREASURY STAR PARADE ARE COMPLETED THROUGH SEPTEMBER 30, THE END OF THE NEXT DRIVE EXCEPT FOR THEIR SELLING MESSAGE ON WHICH THERE IS THE USUAL DELAY THE T S P PRODUCTION ORGANIZATION FUNCTION SMOOTHLY AND CAN CONTINUE UNDER THE ABLE SUPERVISION OF ROY WELSH TO PRODUCE WHAT IS REALLY THE MOST SUCCESSFUL OF GOVERNMENT RADIO SHOWS. I'LL BE BACK IN NEW YORK MONDAY AND WOULD APPRECIATE HAVING FROM YOU AN ACCEPTANCE TO TAKE EFFECT IMMEDIATELY OF THIS MY RESIGNATION. MY WARM REGARDS TO YOU AND YOUR MANY ASSOCIATES

WILLIAM B. MURRAY

AUG 6 1943

Dear Mr. Horn:

Upon his return from a trip through the Northwest, Mr. Gaston advised me that the Twin Cities Ordnance Plant has been doing an outstanding job on the Payroll Savings Plan for the purchase of War Bonds. I understand that your employees are subscribing 100 percent, and at a rate of about 13 percent of the average weekly payroll.

May I congratulate you on this good record, which testifies eloquently to the loyalty and patriotism of everyone at the Twin Cities Ordnance Plant. I confidently expect a continuing and even finer accomplishment from your organization.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Charles L. Horn, President
Federal Cartridge Corporation
Twin Cities Ordnance Plant
Minneapolis, Minnesota

Photo of incoming and copy
of reply in Diary.

File to Mr. Thompson.

typed 7/31/43

JDM:jml



**FEDERAL CARTRIDGE CORPORATION
TWIN CITIES ORDNANCE PLANT
MINNEAPOLIS, U.S.A.**

Charles L. Horn, President

June 16, 1943

Recd Jun 19

The Honorable Herbert Gaston
Assistant Secretary of the Treasury
Washington, D. C.

(PERSONAL)

Dear Herbert:

We had quite a party, when you consider the fact that two shifts were not able to attend because of the hour of the celebration. We would have enjoyed having you present.

I wonder if it is in good taste for me to ask you to do this: get the Secretary to write a letter to Mr. Charles L. Horn, President of the Federal Cartridge Corporation, to this effect:

Mr. Gaston, upon his return from the Northwest, advises me that he has learned from Mr. Purdy that the Twin Cities Ordnance Plant has been doing an outstanding job with payroll deductions -- that your employees, running into many thousands, have subscribed 100 per cent and for amounts aggregating approximately \$150,000 a week, with a percentage of 13 per cent and an average weekly deduction of \$6.10 per person. Let me congratulate you, as Mr. Gaston already has Mr. Purdy, on this fine accomplishment, which bespeaks loudly the wisdom and loyalty of your employed force.

Also, may I congratulate you upon the Army-Navy "E" Award, which was presented to your large institution the day before Mr. Gaston arrived.

What I will do with this, Herb, is to print it in the Twin Cities Ordnance News, which reaches all of our employees, numbering close to 30,000.

It was nice to see you for a moment, and to observe your functioning as effectively as ever. You gave an impressive talk, and I think you

The Honorable Herbert Gaston

-2-

June 16, 1943

will find you will get results in the September campaign in this region.

Yours very truly,

W. A. C.

E. A. Purdy
Assistant to the President

EAP:tm

Encl.

P.S. If you want to add a paragraph to the Secy's letter asking for still greater effort - fine.

August 6, 1943

Dear Barney:

I wish to acknowledge your very thoughtful letter concerning the report you received from South Carolina. I appreciate your calling this matter to my attention.

The Presidents of the Federal Reserve Banks as fiscal agents of the Treasury directed the field activities of the Second War Loan held last April. We have since, as you know, organized on a state basis merging the district committees which we had set up under the Federal Reserve Banks and the state committees, known as the War Savings Committees, into a new War Finance Committee. Attendant to this merger were numerous details which we needed to clean up in a hurry so that we could clear the atmosphere for the new committees.

The telegram you mentioned is either in connection with the latter or could have been in connection with an assignment that I gave them as my fiscal agent to prepare order forms for the Third War Loan. In either event, because of the pressure put on from here, they may have felt it proper to use a telegram in face of the recent considerable delay in the use of the mail. We constantly remind all of our people to use the mails instead of making a phone call or sending a telegram unless it is absolutely vital. I know our record is very good in this respect, but I am checking on this particular case.

With all good wishes, I am

Cordially yours,

(signed) Henry

Photo of incoming and copy of
reply in Diary

File returned to Mr. Gamble.

Mr. Bernard M. Baruch
Carlton Hotel
Washington, D. C.

TG

copy
2/21/43

BERNARD M. BARUCH
597 MADISON AVENUE
NEW YORK, 22, New York.

August 1, 1943.

My dear Mr. Secretary:

Having a very high regard for your administrative qualities, I am bringing a very small matter to your attention because I am sure you will want to check it.

I received a letter from a man in South Carolina in which he said -

"~~When~~ I called attention to the fact that some weeks ago I received in the morning a two page telegram sent by the Federal Reserve Bank of Richmond, under instructions of the Treasury, regarding the Third War Loan, which is not to start until September 9th, and later in the day all the information contained in this telegram reached me by letter. The use of the telegraph wires not only costs the Government money, but this message cluttered the wires when so needed for vital messages."

This is not a very important matter but is something which might be looked into because of the jammed condition of the wires.

Sincerely yours,

B. M. B.

I am coming in this week re: you charts given

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

B

MEMORANDUM FOR THE SECRETARY.

August 6, 1943.

Mail Report

A few of the unfavorable comments, particularly those on taxation, reflected the soaring temperatures of the past week. For the most part, however, the mail contained largely factual inquiries rather than emotional comments. One letter, which stood out from all others, pointed out the advantages of increasing the withholding tax to 40%! Numerous questions about applications of the new tax followed the lines of past inquiries. There continued to be many requests for tables or charts showing required deductions. Several letters, and a number of clippings, condemned the practice whereby employers, usually small ones, absorb the withholding tax for their employees, thus in effect granting an illegal salary increase. A number of correspondents asked that the form for the Declaration of Estimation be made as simple as possible so that the heavy paper work now demanded by the Government would be lightened rather than made more burdensome.

The bulk of the mail concerned routine Bond matters. More than 100 letters inquired as to procedures for correct handling of Bonds, many dealing with the recently called series. The approach of the date set for the Third War Loan Campaign brought out many ideas for increased sales of Bonds, as well as more slogans, patriotic poems, etc. On the other hand, the number of "E" Bonds submitted for redemption rose sharply this week. Complaints from personnel of the War Department remained at last week's low level.

Demands for Government economy or for control of inflation increased, but writers blamed the Treasury

- 2 -

Memorandum for the Secretary.

August 6, 1943.

less than the entire Administration. There were a few complaints against OPA, a number of clippings and comments on the Bovingdon incident, and a few very nasty anonymous communications.

Gabrielle E. Forbush

General Comments

An anonymous correspondent (New York) forwards a circular letter sent out by The Granite Foundation for Elementary Political and Economic Education, Lancaster, N. H. You and I belong to the class of people that it is the fixed purpose of the New Dealers to make helpless and impotent, to impoverish and "liquidate" -- to use their word; for we are the only obstacle that stands between them and the final and complete establishment of their autocratic, bureaucratic, all-enslaving and all-devouring New Deal Total State. Week after week, month after month, year in and year out, I keep up the fight and give all I have to save our enterprises from being taken over permanently by the New Dealers, and to save our private property, our personal income, and our individual rights and freedom of action from being finally and completely stripped from us. * * * More than one thousand of the professional and business leaders of this country (1,126 to date) have joined me in support of a definite, specific, practical procedure to defeat the New Dealers in this coming presidential election and thereby save our enterprises, our property and income, our rights and freedom from destruction at their hands. * * * We have not saved ourselves just by winning a few more seats in Congress last fall. We have merely scotched the New Deal Snake, not killed it. * * * This coming election, this final battle to break the strangle-hold of New Deal boa-constrictor government, will be a difficult, desperate and uncertain struggle. In 1944 our Porfirio Diaz, the best vote-getter of our time, will again be seeking to perpetuate himself in office and in power; and all the millions he has put on the public payroll and all the other millions he has subsidized - whose jobs and pay checks were not at stake in the last election but will be in this coming one - will fight desperately to keep their feet and snouts in the public trough, and will march all their cousins and their uncles and their aunts with them to the polls; while all the inner-circle of New Dealers - the socialist, communist, totalitarian fellow-travelers, friends and intimates of

- 2 -

Franklin Roosevelt and our Madame President - will be fighting for their political lives and jobs and to retain their power over us and to fasten their hateful "New Order" upon us, finally, completely and for keeps. (Appeal for funds follows. Etc., etc.)

W. F. Kennedy, St. Clairsville, Ohio. It seems to me you go out of your way at times to put your best foot forward. The chart you made public, according to Associated Press on August 2, illustrates what I am driving at. The comparison that Chart No. 3 revealed would leave the impression with the unthinking that the cost of the non-war activities was being greatly reduced, while, as a matter of fact, they remain at the all time high and apparently shrink in comparison only because of the tremendous increase in war spending. In a word you pat the Administration on the back by saying that in 1942 - 17% went for non-war; in 1943 this was only 6%; and in 1944 it will be only 5%. You didn't state, and you might have done so, that the non-war cost didn't vary more than 5 or 10% during those three years, hovering in the neighborhood of five billion dollars annually. * * * It is high time that our money spenders, and you one of them, set yourselves resolutely to the task promised every American by candidate Roosevelt in 1932, that he would relentlessly move to reduce the cost of government. * * * Therefore, such remarks and such charts as you have your people spend their time in producing may serve your purpose, but of course it is not yet out of order in the land of the free to do a little bit of our own thinking, and you can't criticize people for bringing to the notice of our money spenders some of the inconsistencies of the program.

Dr. John Alexander, Ann Arbor, Mich. The application form for renewal of the Federal Narcotic Tax of one dollar (which was payable by July 1, 1943) bore a rubber stamp note that payment must be made by certified

- 3 -

check, postal money order or cash (registered mail). I should appreciate your letting me know whether, in the future, you will arrange to permit payment by personal check. You permit payment of income tax by personal check. It seems to me absurd that in these exceedingly busy times any physician, or other person, should be forced to take the time and use the gasoline to go to the Post Office or bank when, in a few moments he could write a personal check. This is an example of the many little personal bedevilmments the citizens of this country are being subjected to by their own bureaucratic Government, and that are arousing increasing resentment.

A. Green, President, Peoples Bank of New Castle, New Castle, Pa. We enjoy the clientele of a large Italian population in our city and county. As a result of the wonderful success of the Allied Armies in Italy, and the turn of events there, those that still have near relatives located in Italy are getting anxious to send them a few dollars to help defray their living expenses. We thought that it might be advisable when Italy will surrender, and the Allies will be in charge of the country, to make some arrangements by which these people could be of some financial help to their relatives located in Italy. * * *

F. E. Turin, Executive Officer, American Legion War Bond Campaign, Richmond, Va. We are forwarding to you with this letter, cashier's check No. 177195, drawn by The Seaboard Citizens National Bank, Norfolk, Va., in the amount of \$215.00, and dated July 30, 1943. Original letter from the Reverend Sidney Quong, Chairman of the Chinese Committee organized to cooperate with us on our War Savings and other projects is also enclosed. * * * When they gave us the \$215.00 we offered to buy Stamps and Bonds for them, but they said that they did not want Stamps and Bonds, but did want the United States to have the money for the mystery ship that

- 4 -

would be launched for the bombing of Tokyo. (The following is the letter from Reverend Sidney W. Quong, Chairman, The Chinese Committee.) I am glad to be able to tell you that our Chinese residents of Norfolk have responded in a liberal way and have raised \$215.00 towards the "Shangri-la" campaign, desiring to make a contribution rather than buy Stamps. We all appreciate the opportunity given us to have a part in this campaign. We wish we could have made a larger contribution, but we will buy more War Bonds in large denominations for our final VICTORY.

H. H. England, Secretary-Treasurer, Washington, Virginia & Maryland Coach Company, Inc., Arlington, Virginia. We have been experiencing difficulty due to the fact that our patrons inadvertently insert new pennies in our fare boxes. During traffic hours these pennies occasionally pass through our fare box unnoticed by our drivers. Since they are responsible for the fares in the box, each penny, which will run up, represents a loss of nine cents to our drivers. * * * Do be good enough to advise me whether it is the intention of the Treasury Department to make any change in the new one-cent piece.

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Favorable Comments on Bonds

Harry Citron, Malcolm Brock Co., (Department Store), Bakersfield, Calif. Enclosed you will find another check for \$18.75 for a War Bond, my further contribution to the war effort. At this time please accept my humble gratitude for your citation which I received in April. Needless to say that I never dreamed, when I reached the shores of this great Continent, as an immigrant, with exactly two-cents in my pocket, that I would ever be recognized by this Government as a contributor to the welfare of our beloved Country.

F. E. Stockwell, Sharon Hill, Pa. An Associated Press statement in the Philadelphia papers indicates that the new Bonds will be half-size. I wish to commend you, or whoever is responsible for this change. The writer has been buying Bonds monthly for 6 years. The old size Bonds, or I may say, the present size Bonds require folding. The result is that I have had to increase the size of my Safety Deposit Box twice in order to accommodate this accumulation of Bonds. To the writer, there is no more sense in having a Bond in the present size than there would be to print a \$50 or a \$100 bill the size of the present Bond. I hope that the size you indicate you are going to furnish will lie flat in a Safety Deposit Box, without any folding.

Senator Joseph C. O'Mahoney, (Wyoming). As you know, the Interior Department appropriation bill for the fiscal year 1944 carries a provision authorizing the Secretary of the Interior to purchase from tribal funds one \$500 War Bond for each member of the Shoshone Tribe. The enclosed is a copy of a letter I have received from R. N. Harris, President of the Shoshone Business Council. * * * "At the request of the Members of the Shoshone Business Council, and leaders throughout the Tribe, I am writing you to offer an expression of gratitude for the service you did for the Tribe in getting through the Bond purchase. I am sure you

- 6 -

realized from information that has come to us, and from reading the record of the hearings, how much the Shoshone people wanted this purchase to go through. It is not in the hearts of any of our Indians to use all of the money the Tribe has for themselves, but to extend that benefit just as far as we can to the future for our children. This Bond purchase, as you know, gave a benefit to a large number of newborn Shoshone children who otherwise could easily lose any such benefits if the present generation were disposed to use all of the Tribal funds for themselves alone.
* * *

Helen G. Fraser, R.N., Detroit, Mich. I received your letter regarding my War Bonds yesterday. Also, in the same mail I received all War Bonds from the War Ordnance District, Detroit. I am sorry to have given you this trouble, and sincerely appreciate your investigation into this matter anyway.

Stacey E. Webster, Provident Mutual Life Insurance Co. of Philadelphia, Pittsburgh, Pa. I would be indeed ungrateful if I did not acknowledge with sincere thanks the citation you presented to me individually, and to all members of the Pennsylvania State Association of Life Underwriters. * * * We have tried hard to do an outstanding job as far as the Payroll Savings phase of this work is concerned. Many of the boys have served in other capacities during different drives. * * * Our only complaint is that we have not been able to do as much as we would have liked to do. This is not only because we want to do our bit, but because we are in a position to recognize more fully than others the importance of blocking inflationary trends, and we realize the value of large Bond purchases by the individual after the war is over. In this connection I would like to compliment you on your reply to Colonel Franklin D'Olier, in which you discourage the thought of compulsory savings. * * * After all, to do such things voluntarily is the very thing we are fighting this war for. To do otherwise would seem to be very inconsistent.

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Unfavorable Comments on Bonds

Goffredo Pantaleoni, N.Y.C. The Progresso Italo-Americano, August the 3rd, yesterday, has an astonishing announcement displayed in the first page: Generoso Pope has been appointed by your Department "Chairman of the Italian American War Finance Committee". A certain Mr. Nevil Ford seems to have written the official communication. * * * Astonishing, Mr. Morgenthau, because an official recognition bestowed to a man who has made his best contribution to make a war possible between Italy and the United States, and for over six years publicized and glorified Mussolini and his gangsters among Italo Americans in this country, cannot politely be called in a different way. Many Assistant District Attorneys in New York are after the people associated with the Progresso Italo Americano and are still inquiring about Generoso Pope, and I am one who is called very frequently by them. As it is a shock to me, it is a shock for many to see how badly informed your Department is in appointing people like Generoso Pope to a position of merit in which, regardless whether a man can supply money, there should be a man that has an honorable reputation, and Generoso Pope has not. * * *

John Johnston, San Antonio, Texas. * * * I was astonished last Friday evening to find the Treasury Department, my Treasury Department, paying tribute before and after the program, to the one responsible for the musician's strike. We must buy Bonds, Sir, and I'm furnishing a couple of mighty fine boys as soldiers. I'd go without food or luxuries that they and all other soldiers could have anything they need, but do we have to submit to insult upon injury by hearing one applauded as "with the cooperation of Mr. James C. what-have-you?" My friend, I'm only expressing the opinion of millions of much better citizens than myself. I'm a newspaper man, and I believe I know, and you more than likely do also, the big echo isn't so far away.

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Victor Gmyth, Washington, D. C. When I listened to the middle part of the President's speech I could not help feeling alarmed. We would naturally like to think of our boys receiving such rewards, in various forms, if the Government owned the money, with which to issue them, but as it is, the public's money is what he proposes to use, and this causes one's feelings to be mixed. What do you think about the future purchasing value of our dollars invested in Bonds if the Government is to be Santa Claus to such an extent? What will our Bonds be worth in purchasing value when we sell them? That is a very serious consideration. I would like greatly to hear a detailed statement in the President's next speech of the plans you have for raising the money to cover -- say 45% of our present expenditure! Until I know the plans devised for raising the money, I must reserve my decision as to the wisdom of promising anything at present, mustering out payments, veterans' bonuses, etc. As a prerequisite, I need to feel the integral value of our Bonds is being safeguarded by a courageous fiscal policy.

Anonymous - Postmarked, Utica, N.Y. Please do not ask us to buy Defense Bonds while 20% of our small salaries is being deducted to be wasted and thrown away at the Rome Air Depot. Let the idlers at the Depot who are being paid the most exorbitant salaries pay the taxes. The Rome Depot is a notorious scandal all over Central New York. When the force there is cut in half, and the salaries of the remaining half are cut in half, we will be glad to buy Bonds.

Walter J. Reese, Chicago, Ill. I am returning envelope received from you today and ask that you discontinue sending these to me, as I can no longer exist and carry this plan (Bond purchasing) through. * * * Of my total income this year I paid 40% income taxes, 4% into a pension fund, 1% Social Security, 7% in payroll deduction plan for War Bonds, 16% for insurance, 4% for

- 9 -

church and charity, leaving me 28% on which to live. With the freezing of salaries and the continued increase in taxes, we white-collared workers will either have to drop insurance, which we have been paying for years, or buy fewer war Bonds, instead of more War Bonds. I see no use in buying additional War Bonds and then have to sell them a few months later in order to pay income tax, or other obligations. Therefore, I am discontinuing this one, hoping that I can carry all of my other obligations along.

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Unfavorable Comments on Taxation

Copy of letter addressed to Senator George by Mrs. Bernice L. Wing, Pittsfield, Mass. * * * I earn \$16.00 a week. * * * The Government itself once set the minimum weekly wage for mere existence at \$16.00 a week, or 40¢ an hour; then when it taxes, it sets the minimum at \$12.00 a week, for a single person without dependents, and all over that to be taxed at 20%. Room and board for a single person in this section is at least \$12.00 a week, and mostly \$15.00 a week, at present food prices. Anyone earning \$16.00 a week, without dependents, must pay 80¢ a week tax. That 80¢ is the equivalent of 1½ meals a week. Over and above \$12.00 there is no surplus for the \$16.00 a week person left for taxation. All of the \$16.00 is necessary for minimum existence. * * * There should be someone on the tax-forming committees who knows, from actual experience, what it means to live on \$16.00 a week, with prices spiraling, and with an income tax tacked on to him besides. Just try it for awhile, before talking about "How happy a person should be to contribute to the war, and how honored he should feel". The \$16.00 people would feel more honored if they were understood and if they could buy food, clothes and necessities before being called upon for taxes, while they see those all about them, in higher brackets, still able to have a sizable income AFTER paying their taxes. Play fair with us and we will play fair with you. * * *

Thomas Jefferson Miley, Secretary, Commerce and Industry Association of New York, Inc., N.Y.C. * * * This Association has received a number of inquiries from its members who fear that unless great care is taken in the preparation of the forms to be used in furnishing a declaration of estimated tax by individuals, that such form might be complicated and burdensome for the taxpayer to comply with. We therefore earnestly request that all of the information required to be furnished under Section 58 be reduced to the simplest form that

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it is possible to devise, and that the information required to be furnished be reduced to a minimum, especially in view of the great amount of forms and paper work which businessmen and individuals are required to prepare and execute under the various regulations of Federal and other Governmental Agencies. Anything that can be done to simplify the forms which taxpayers have to execute and any reduction in the burden imposed upon the taxpayers will unquestionably be appreciated.

R. R. Barlow, Illinois Press Association, Urbana, Ill. I regret to express my conviction that the method of deducting income taxes under the new pay-as-you-go plan is screwy as a bat! * * * I earn something like \$416.00 a month, twelve months in the year. It happens that during two months I earn \$833.00 a month. My deductions amount to \$47.60 per month, except for the two months when I earn \$833.00 a month, when my deductions are about \$147.00 for each of the two months. During those two months I am taxed at a rate which would apply to a salary much more than I earn -- something like \$10,000.00. That is unfair. * * * It happens that on the basis of my 1943 earnings, after computation of the losses, interest on indebtedness, etc., my income tax will approximate \$300.00. I have already paid about \$135.00 on my 1942 tax. My employer is deducting \$147.00 in July, \$147.00 in August, and \$47.60 for September, October, November, and December. Add up these amounts and they approximate \$620.00. In other words, I am not only paying my 1943 income tax, but also my 1944 income tax. What the hell kind of a system is that?

Miss Adelaide Emerson, Minneapolis, Minn. (Letter addressed to the President and referred to us by the White House.) I have given your withholding tax plan a good try-out, and have spent the past three days in bed because I tried my best to live on what was left of my pay check. By the time War Bonds and all other

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deductions were taken off my pay check of \$18.00 per week, I have not had enough to live on. With the price of everything practically out of my reach, I don't even have an existence. I have been so thrifty that my health is impaired. I just don't have enough proper food to eat, and I positively cannot wait until sometime next year, after the income taxes are all figured out, to see if I might have a couple of dollars left. I can't live on credit in the meantime. * * * Can't you and Mr. Morgenthau please, please alter your plan so that we in this low bracket of income can really live and not end up by having the state or some other agency take care of us after we have collapsed? It is situations like this that breed discontent and end up in revolution. The State Employment Department has stated they cannot do anything for me because I am classified as essential. If I am so essential why don't I get paid for it? You and Mr. Morgenthau try going without your usual quota of food for a time and see how strong you don't feel.

* * *

(Telegram sent to the President by George J. Seedman, National President, American Business Congress, N.Y.C. and referred by the White House to the Treasury.)

We respectfully urge that in your talk you emphasize that employees demanding or allowing employers to pay 20% withholding tax, without deducting from salary, are defeating attempts to avoid inflation, as well as breaking the law by accepting salary increases. Thousands of small businessmen are suffering in silence as they must either pay this tax for their employees quietly and illegally or lose their irreplaceable workers who refuse to have it deducted from salary. In doing this they automatically give illegal salary increases and defraud Government of full tax since they pay on employee's base salary, which is lower than base salary including tax. Unless Government gives wide publicity to this recently developed

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condition, so that every worker fully understands complete object and meaning of the deduction, small business will be further endangered since it cannot survive a general 20% increase in salary, which, because it is paid surreptitiously, cannot even be deducted as a business expense. Big business is not affected as its employees are frozen. The only alternative will be to freeze every worker in every job and refuse certification for job change if requested because of lawful (or unlawful) tax deduction. This is a most serious problem and we cannot too strongly urge your full cooperation in giving it wide publicity.

George Lofftus, Hamilton, Mont. Having been made Deputy Collector of Internal Revenue by the Victory Tax, and now the withholding tax, please advise what salary I may expect. I believe Uncle Sam usually pays for such services as he requires. I am a good American citizen and very patriotic and will be glad to take my pay in War Bonds.

Camille Dekan, N.Y.C. Will you please tell me why my tax, earning \$120 a month, is as much as a person earning \$150 per month - \$8.80? I pay \$8.80 on the 15th and \$8.80 on the 30th of each month. Twenty percent of my salary should be \$7.80 twice each month. Two dollars to me means an awful lot -- this could bring back my milk which I had to cut off, and which I need very badly. It is quite difficult trying to live on \$100 per month in these high times, when everything is double in price.

(Neal W. Barnard, Dunsmuir, Calif., sends copy of letter he has addressed to the President.) * * * I am fully aware that the grievance I have is much too slight for you to bother with, but to me it is somewhat of a problem. Here it is -- I was a few days late in paying my installment on my 1942 income tax return and

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for that I have been penalized 10%, plus interest. I wouldn't mind so much, had it not been that the only reason I was late in my first payment was due to the death of my mother in January of this year. That took all the money I had saved for my income tax, and I was unable to pay it until April 19th of this year. Now I am told that I must pay all my tax at once, the amount being \$275.00. It is impossible for me to raise that much money at one time, unless I cash my War Bonds, and that's one thing I will not do. I don't know what the penalty will be if I don't make the entire payment, but it is absolutely impossible for me to get that much cash at present. I am employed as a locomotive fireman by the Southern Pacific Railroad Company here in Dunsmuir, and I think that my job is just as important as the work of a defense worker. * * * I am too old for the Army, will be 46 my next birthday, but I buy a \$50 Bond every month through payroll deduction, and all my spare dollars go for War Stamps. I don't really consider that I'm under any handicap in buying Bonds and Stamps because I fully realize that I'll be repaid many times over, and buying Bonds and Stamps is the only way I can really help in beating Hitler and the others. * * * I suppose if I don't pay this whole amount of my income tax, I'll be further taxed or even put in jail -- I certainly do not want to go to jail and I'd like to continue my occupation as locomotive fireman and help the war effort as much as possible. * * *

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE AUG 6 - 1949

TO Secretary Morgenthau
FROM Randolph E. Paul

Re: Charwomen pay in Bureau of Engraving and Printing

I met today with the Comptroller General and made a personal appeal to him on this matter. He would not change or suspend his written ruling given to this Department at its request. While we are continuing to study the law we have, so far, found no legal basis for a contrary opinion.

However, the Comptroller General advised that he will not press the matter at this time; also that he would look with favor on an application to cancel the charges against the certifying officers to the extent that past overpayments may not be collectible by means of deduction from current pay due to the fact that the charwomen may no longer be employed in this Department, which applies to about a third of the total number.


In the meantime the rate of pay for these women has been reduced to 85 cents per hour, the amount specified in the Comptroller General's ruling (which is the rate paid charwomen by the other agencies) and with the exception of the first payroll after this incident arose, no deductions from their pay have been or will be made. It is possible that a method may be devised by which, through overtime, enough credit may be obtained by the charwomen to cover their indebtedness under the Comptroller General's ruling. Mr. W. N. Thompson has suggested that this method should be used only if legislation is unsuccessfully submitted to Congress, and this question remains open. Nothing can be submitted to Congress until late in September, and in the meantime, Mr. Bell and I are giving further thought to the matter.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 8/6/43

TO Secretary Morgenthau
FROM Mr. McConnell



For the immediate purpose of securing for the Treasury the best advice available from financial and industrial leaders on post armistice problems, and for consideration of other Treasury problems, it is suggested that a group of twelve business men and industrialists be selected to form a financial and industrial advisory committee for the purpose of meeting from time to time with the Secretary and his staff on special problems involving the relationship of private enterprise to the administration of Treasury policies.

Attached is a list of the type of men believed to possess the ability, experience and character to accomplish the desired purpose.

Number

1	Iron & Steel	Norman Russell - Pres. U.S.Pipe Corp., Phila. Chas. Hook - Pres. Amer. Rolling Mills, Pgh.
2	Food Process- ing	James Adams - Pres. Standard Brands, N. Y. James Bell - Pres. General Mills, Minneapolis George Moffett - Pres. Corn Products, N. Y.
1	Utilities	Joe Gill - Pres. Elec. Power & Light, N.Y. Curtis Calder - Pres. Amer. & For. Power, N.Y.
2	Manufacturing	C. L. McCuen - V.P. General Motors, Detroit Chas. B. Wiman - Deere & Co., Moline John Pratt - Formerly G.M.-duPont, Wilmington
1	Chemical	Edgar Queeny - Monsanto Chem. Co., St. Louis Maj. Walker - Pres. Commercial Solvents, N.Y.
1	Commercial Banking	Gordon Rentschler - Chm. National City, N.Y. Sloan Colt - Chm., Bankers, N. Y. Wm. Potter - Chm., Guarantee, N. Y.
1	Mining & Oil	E. L. deGoyler - Independent - Texas
1	Construction	Carlton Proctor N. Y.
1	Investment Banker	Clarence Dillon Harold Stanley N. Y. N. Y.

25
49747

AUG 6 1943

My dear Mr. Livingston:

I have your letter of July 30, 1943, referring to the report entitled "War Progress" which you have been sending me each month. I have found the report very useful, and should appreciate it very much if you would continue to send me a copy of it.

Yours very truly,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. J. A. Livingston
Editor, War Progress
War Production Board
336 Standard Oil Building
Washington, D. C.

Photo of incoming and copy of
reply in Diary.

File to Mr. Thompson.

SGT:md 8/4/43

WAR PRODUCTION BOARD

WASHINGTON, D. C.

IN REPLY REFER TO:

336 Standard Oil Building
July 30, 1943

49747

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

Dear Mr. Morgenthau:

This is a periodic checkup to limit the distribution of War Progress to persons who actually find it useful. As you know, War Progress is a confidential report designed to provide a continuing and coordinated picture of the war effort. We want to guard against inflation in the circulation.

Do you feel, at this time, that you wish to continue to receive War Progress? If you do not, we shall stop sending it to you and thus relieve you of the responsibility of keeping it in safe custody.

A prompt reply by letter would be helpful.

Sincerely,

J. A. Livingston

J. A. Livingston
Editor, War Progress

P. S. For our editorial information we would like to know (1) if you personally read War Progress, (2) how many other persons see or read your copy.



25

AUG 6 1943

Dear Mr. Acheson:

This will acknowledge receipt of your letter of August 2, 1943, enclosing copies of the three documents left with Secretary Hall by Sir Ronald Campbell concerning the extension of the reciprocal aid program to cover certain imports from British Empire countries.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Dean Acheson,
Assistant Secretary of State,
Room 215 1/2,
Department of State,
Washington, D. C.

Photo of Incoming
and copy of reply in Diary
File returned to Mr. White.

TMK:rl 8/5/43

DEPARTMENT OF STATE
WASHINGTON

August 2, 1943

My dear Mr. Secretary:

I enclose copies of three documents left with Secretary Hull by Sir Ronald Campbell this afternoon, an aide-memoire concerning reciprocal aid, an "Additional Point for Oral Presentation" and a second aide-memoire concerning export policy.

Sincerely yours,

Dean Rusk

Assistant Secretary

Enclosures:

- Two Aide-Memoires,
- "Additional Point for Oral Presentation..."

The Honorable

Henry Morgenthau, Jr.,
Secretary of the Treasury.



AIDE MEMOIRE

On June 3rd Sir Frederick Phillips received from Mr. White a letter stating that one of the questions before the Interdepartmental Committee dealing with matters of financial assistance to the Allies was the advisability of bringing within the scope of the Reciprocal Aid Programme purchases of certain goods being made by the United States in British Empire countries. On June 26th Mr. Stettinius sent to Sir Frederick Phillips approximate estimates of the value of purchases by United States government agencies from the British Empire (excluding Canada) of which a copy is attached for convenience of reference.

2. On June 29th Mr. Acheson left with Mr. Opie for His Majesty's Ambassador a memorandum expressing the hope of the United States Government that His Majesty's Government would find it possible to assemble and, to the extent compatible with military security, to make public figures with respect to the cost of goods and services delivered as Reciprocal Lend Lease. The object of these figures would be to indicate the impressive scope of the Reciprocal Aid extended to the United States by the United Kingdom.

3. His Majesty's Government have given careful consideration to these issues. In their view the principle of the unstinted pooling of resources, namely that in a common war all shall give all they can to the common task, which has been adopted by the Governments of the United States and the United Kingdom, clearly goes far beyond the sharing of production and raw materials. Lend Lease and Reciprocal Aid form one element in a larger whole and are one illustration of a significant doctrine. It is with the desire to cooperate with the United States Government in the furtherance of this conception of pooled resources and in the confident belief that that Government will do ~~everything possible to the same end, that His Majesty's Government have~~ considered the requests put forward in Washington for the publication of Reciprocal Aid figures and for the supply of raw materials as Reciprocal Aid.

4. As regards the publication of Reciprocal Aid figures, His Majesty's Government have devoted much thought to devising a way in which the object that the United States Government has in mind could be achieved without incurring the dangers which His Majesty's Government have hitherto felt in the publication of figures. Their feeling has been that there is a risk of

misunderstanding in valuing in terms of money the goods and services provided in the pooling of resources. They have felt that the conversion of monetary values involves bringing back the dollar and putting signs into these transactions and furthermore that it would be difficult to establish comparative values without controversy. Moreover, they have throughout been impressed with the fact that keeping of detailed accounts would involve for them a diversion of man-power from other war duties which they feel they cannot afford.

His Majesty's Government understand that the United States War Department issued instructions in June to all theatre Commanders to report all monetary values of Reciprocal Aid received, these instructions to go into force officially on July 1st. For His Majesty's Government to keep values of all items on the lines contemplated by these instructions would require several thousands of clerks and accountants whom they are unable to spare for the purpose. Further, the Reciprocal Aid furnished by His Majesty's Government does not consist of large block shipments centrally procured and centrally financed but of a wide field of items given in the daily intercourse of the war effort by complete decentralisation of administrative responsibility. Whatever the American forces ask for His Majesty's Government give if they have it and often to the deprivation of the civil population, but they do not enter all these gifts in an exact ledger account.

6. Nevertheless, for the reasons explained in paragraph 3 above, His Majesty's Government are prepared to meet the suggestion that they should announce monetary figures for Reciprocal Aid. They accordingly propose during the week commencing August 1st to present to Parliament a White Paper describing the general principles of Lend Lease and Reciprocal Aid, illustrating the range of help given and containing global valuations for each of the main groups of such services and assistance as can be valued. This paper will set out what His Majesty's Government give to the United States and also what they give to the other United Nations. The contribution is on a very substantial scale especially in the case of Russia. As soon as the White Paper has been presented to Parliament its text will be communicated to the United States Government.

7. It will of course be understood that the White Paper can only deal with the contribution of His Majesty's Government in the United Kingdom, and His

9. His Majesty's Government assume that the United States Government is asking the Governments in the sterling area and the Government of India for material. In the meantime His Majesty's Government are informing the Governments of the action they themselves are taking.

10. In return for this action on their part His Majesty's Government expect that the War Department will find it possible to withdraw the restriction mentioned above. They hope that the United States Government will understand that for the reasons given in paragraph 5 above, they cannot give itemised valuations of reciprocal aid in the way the War Department's instructions would imply.

11. His Majesty's Government have in the light of the principle of the pooling of resources given the most careful and sympathetic consideration to the more important request made by the United States Government for the supply by His Majesty's Government, as Reciprocal Aid, of raw materials to a total value of about two hundred million dollars a year. On the assumption that the list and valuation accompanying the letter from Mr. Stettinius referred to above represents roughly the effect of what is proposed and that no major item will be added, His Majesty's Government have taken the decisions recorded in the following three paragraphs.

12. His Majesty's Government will supply as Reciprocal Aid and at the expense of the United Kingdom Government the raw materials called for from the United Kingdom, Southern Rhodesia and the Colonies which are purchased by the United States Government. It is understood that the United States Administration agree that this shall not apply to purchases made through private trade channels. It is proposed that this arrangement shall apply to contracts for the supply of such materials which are made on or after the 1st October, 1943.

13. Australia, New Zealand, South Africa and India either have separate reciprocal aid agreements with the United States or are negotiating them. His Majesty's Government therefore suggest that the United States Government may wish to approach directly the Governments of each of these countries. For their part His Majesty's Government will inform the latter of their decision and of their general policy.

In addition His Majesty's Government will defray at their own expense the cost of British shipping services for these materials from all parts of the Commonwealth.

BRITISH EMBASSY,
WASHINGTON, D.C.

AUGUST 2nd, 1943.

OFFICE OF LEND-LEASE ADMINISTRATION

FIVE-FIFTEEN 22d STREET N.W.

WASHINGTON, D.C.

June 26, 1943.

Sir Frederick Phillips
Assistant Secretary to
His Majesty's Treasury,
British Supply Council
Willard Hotel
Washington, D.C.

My dear Sir Frederick,

It gives me pleasure to send to you herewith a summary of the present estimates of purchases by U.S. Government agencies in areas within the British Empire (excluding Canada) for the fiscal year beginning July 1, 1943. This is being sent to you as promised in our conversation at the State Department yesterday.

These estimates are not entirely complete but are sufficiently accurate to give you a good approximation of the anticipated volume of these transactions. As soon as complete estimates are available, I shall be glad to send them to you.

With best wishes,

Sincerely yours,

(Signed) E.R. Stettinius, Jr.

E.R. Stettinius, Jr.

Enclosure.

Summary of Estimated Public Purchase Program
Fiscal Year July 1, 1943 - June 30, 1944

BRITISH EMPIRE COUNTRIES

(Other than Canada)

<u>Country</u>	<u>Value in \$1,000's</u>
Australia	23,700
Bahamas	140
British East Africa	17,000
British Oceania	3,500
British West Africa	14,600
Ceylon	26,300
Cyprus	200
India	87,300
Jamaica	
New Zealand	1,800
Nigeria	3,200
Rhodesia	3,100
Union of South Africa	9,300
United Kingdom	1,500
TOTAL	<u>191,720</u>

(Source: Analysis & Reports Division - Contract Report

Section - B.E.W.)

Major Commodities included under Public Purchase Program
Fiscal Year - 1943-1944

	<u>Total Value in</u> <u>\$1,000's</u>	<u>Commodity</u>	<u>Value of Major</u> <u>Items in \$1,000's</u>
Australia	\$ 23,700	Lead	\$ 3,500
		Livermeal	600
		Quartz crystals	2,400
		Tallow	1,100
		Tantalite	120
		Zinc	15,900
British East Africa	17,000	Goatskins	800
		Mahogany	2,200
		Pyrethrum	2,100
		Sisal	11,900
British Oceania	3,500	Copra	3,500
British West Africa	14,600	Chrome	3,100
		Cocoa	11,500
Ceylon	26,300	Coconut oil	3,300
		Copra	2,700
		Tea	20,300
India	87,300	Burlap	22,000
		Cashew nut shell oil	1,600
		Ferro manganese	1,100
		Goatskins	1,600
		Jute, unmanufactured	1,100
		Manganese ore & Concentrate	1,200
		Mica, all types	8,000
		Shellac (unf.)	9,000
		Tea	20,000
Jamaica	80	Goatskins	80
New Zealand	1,800	Livermeal	700
		Tallow	1,100
Norfolk Island	3,100	Asbestos	3,050
		Tantalum	50
Union of South Africa	9,300	Asbestos	900
		Chrome	3,800
		Corundum	600
		Goatskins	900
		Manganese	2,200
		Vanadium	600
United Kingdom	1,500	Coal tar acids	1,500

(COPIES) (LM 8/8/43)

Additional Point for Local Appreciation
in Connexion with Reciprocal AIA Agreement
August 1943.

The arrangements described in the above-mentioned document mean a serious additional burden to the financial position of the sterling area since it involves, by their nature, of war and in particular to that of the United Kingdom. His Majesty's Embassy will shortly be in a position to hand to the State Department, for their confidential information and also that of the Treasury and Office of Lend-Lease Administration a paper setting out the state of the United Kingdom's vast and growing external liabilities and its quite inadequate reserves of gold and dollars against these liabilities, a situation which His Majesty's Government believe is not a credit to any quarter of the Administration.

AIDE-MEMOIRE

His Majesty's Ambassador left with the Secretary of State on July 10th an aide-memoire tracing developments since September 1941 which in their view have rendered the White Paper of September 1941 out of date, and stating that they desired to discuss with the United States Government the proposal that a fresh statement of United Kingdom export policy be issued which would maintain the essential principle governing the use of Lend Lease supplies and at the same time take account of the developments mentioned.

2. His Majesty's Government feel that their offer to the United States Government of raw materials as Reciprocal Aid represents a further and vital development which should be taken into account in determining any new statement of policy. They therefore are of opinion that such new statement of policy should be reciprocal. If the United States Government agree, the form adopted might be an exchange of notes. His Majesty's Embassy will be happy to discuss these suggestions further.

3. His Majesty's Government wish to emphasise again the importance which they attach to the principle that no advantage in world markets shall accrue to either country at the expense of the other by reason of sacrifices made in the interest of the effective prosecution of the war. They suggest that this principle should be reaffirmed in the notes which the two Governments may agree to exchange.

BRITISH EMBASSY,

WASHINGTON, D. C.,

AUGUST 2, 1943

25

AUG 6 1943

Dear Sir David:

Please express my appreciation to the Chancellor of the Exchequer for sending me a copy of the Aide Memoire left by Sir Ronald Campbell with Secretary Hall on August 2, 1943.

Sincerely yours,

(Signed) H. Mergenthau, Jr.

Secretary of the Treasury.

Sir David Valey,
United Kingdom Treasury
Representative,
British Supply Council,
Willard Hotel,
Washington, D.C.

Photo of incoming and enclosures
and copy of reply in Diary.

File returned to Dr. White.

DMK:rl 8/5/43

Willard Hotel,
Washington, D.C.,
August 2, 1943.

My dear Mr. Morgenthau,

The Chancellor of the Exchequer has asked me to send you on his behalf a copy of the Aide Memoire which Sir Ronald Campbell on behalf of Lord Halifax gave to the Secretary of State this afternoon, on the subject of Reciprocal Aid figures and of the supply of certain raw materials as reciprocal aid.

The grant of raw materials as reciprocal aid involves a serious additional burden to the financial position of the sterling area already strained by four years of war, and in particular to that of the United Kingdom. I shall shortly be in a position to hand to the United States Treasury for their confidential information a note setting out the facts of our vast and growing external liabilities and our quite inadequate reserves of gold and dollars against these liabilities. I will bring this paper to the Treasury as soon as I receive it, and I shall be very glad to give them any explanations which they may require.

The Chancellor asks me to send you his kind regards.

I am,

Sincerely yours,

S. D. Waley

(S.D. Waley)

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

25

AUG 6 1943

Dear Sir Ronald:

Thank you for your letter of July 30, 1943, transmitting the reply of the Chancellor of the Exchequer to my inquiry of July 27, 1943, concerning the status of our request that certain raw materials be supplied as reciprocal aid.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Sir Ronald I. Campbell,
3100 Massachusetts Avenue, N.W.,
Washington, D.C.

Photo of incoming and copy of
reply in Diary.

File returned to Dr. White.

TRK:rl 8/5/43

BRITISH EMBASSY,
WASHINGTON.

July 30th, 1943

Dear Mr. Secretary,

The Chancellor of the Exchequer has asked me to convey the following reply to the message which you sent through me on July 27th:-

I am sorry to hear that you have been disappointed at the length of time which it has taken us to reach a decision on the proposal that we should furnish raw materials under Reciprocal Aid to the United States. We first learnt of this when Dr. White wrote to Sir Frederick Phillips at the beginning of June to say that this suggestion was being considered among others by the Inter Departmental Committee which deals with the matter of financial assistance to the Allies. Since then, however, it has been put to us as a formal proposal by the State Department together with other proposals relating to Lend Lease and Reciprocal Aid. These questions are to a large extent inter-linked and have given us a good deal of thought. Not only do they raise large questions of policy, they have also needed a very thorough technical examination. Some delay, therefore, has been necessary

but /

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

but I can assure you that I have given the matter my close personal attention throughout. All these questions are now before the Cabinet and I think I can assure you that Lord Halifax will have received instructions from the Cabinet at the beginning of next week on all outstanding questions which were raised with him by the State Department. These instructions will particularly cover the points you have raised and in a way which I hope you will find satisfactory.

I am, Mr. Secretary,

Yours very sincerely,

A. J. Campbell

AUG 6 1943

My dear Mr. Berle:

This is in reply to your letter of August 4, 1943, (NE 884.51/66) relative to the request of the Government of Ethiopia for financial assistance, and enclosing two memoranda submitted by Mr. Beressa, Vice Minister of Finance of Ethiopia.

At the request of the State Department the Treasury has previously discussed with Mr. Beressa the problem of currency stabilization. In view of the desire of the State Department to accommodate the Ethiopian Government as far as may be practicable, the Treasury will give sympathetic consideration to the requests of the Ethiopian Government for financial assistance in the stabilization of its currency and the development of its economy.

I am asking Mr. White to arrange for a meeting at the Treasury on these financial questions.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable A. A. Berle, Jr.,
Assistant Secretary of State.

Photo of incoming and enclosures
and copy of reply in Diary.

File returned to Dr. White.

BMB/jm
8/6/43



DEPARTMENT OF STATE
WASHINGTON

In reply refer to
E 884.51/66

August 4, 1943

My dear Mr. Secretary:

I enclose herewith copies of two recent communications from Mr. Yilma Dereessa, Vice Minister of Finance of Ethiopia, who is at present in Washington, relative to the desire of Ethiopia to obtain a loan from the United States.

This is one of several requests which have been addressed to the Department by Mr. Dereessa on behalf of his Government, the others relating to lend-lease aid, American advisers, American missions on agriculture, mining and engineering, et cetera. In short, the Government of Ethiopia is now looking to the United States for material and financial assistance and for advice in its efforts to rehabilitate the country and to contribute to the war effort. Its needs have been brought to the attention of the Department in various communications from Mr. Dereessa and in letters to the President from the Emperor. For political and other reasons the Department is anxious to accommodate the Ethiopian Government as far as may be practicable and, in principle, is disposed to give its support to the request of the Ethiopian Government for financial assistance, both as regards aid in the stabilization of its currency and the furnishing of funds for other purposes which would contribute to the restoration and development of the nation's economy.

As

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

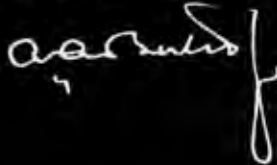


-2-

As a first step in the consideration of this matter it is suggested that a conference might be called for the purpose of discussing with Mr. Deressa such details as may be necessary precedent to a further exploration of the subject. The Department, upon receipt of an expression of your concurrence, will be glad to arrange such a conference at the convenience of the Treasury Department.

Sincerely yours,

For the Secretary of State:



Enclosures:

1. From Mr. Deressa,
July 12, 1943.
2. From Mr. Deressa,
July 20, 1943.

(COPIED:NE:DF)

Washington, D.C.
July 12, 1943

The Honorable Cordell Hull
Secretary of State
Washington, D.C.

Dear Mr. Secretary:

In pursuance of my memorandum of the 25th of June, I have the honor to bring to the notice of the Secretary of State the desire of my Government to secure a loan. I have been instructed to request a loan which my Government intends to use for the rehabilitation of the country. The revenue of the country which is raised by taxation is hardly sufficient to meet the current expenditures of the Government and cannot be made to cover capital expenditures which are essential to put the country back on its feet. Among the outstanding items for which the loan is requested are:- Rehabilitation of agriculture, repair and maintenance of roads, bridges and other means of communication, to finance existing industries and to secure the service of American experts to operate these industries, to develop mines and in general to improve the economic condition of the country.

The importance and need for agricultural development in Ethiopia cannot be too stressed from the point of view of increasing production which will go a long way to aid the Allied cause in the campaign of producing for the war effort.

There is in Ethiopia today a large floating peasant population which has been made homeless by the Italo-Ethiopian war and also by the subsequent campaign. There is also a vast area of fertile land which for lack of capital and labor now is idle and unproductive. My Government, after a careful study, has drawn up a plan by which to settle the floating population on this land. As most of these unfortunate men are quite poor and have no means of starting farms, the entire expense of re-settling them must, at least for the first year, be met entirely by the Government. The expense, when calculated, proved to be beyond the means of the meagre budget of the country.

Secondly

Secondly, the farmers in Ethiopia today are neither producing in sufficient quantity nor are they working for the right kind of production. Transportation conditions, uncertainty of finding a market, and lack of manufactured commodities to be exchanged for their products has played a large part during the last two years in curtailing production and therefore decreasing the potentiality of the peasant population. People in the far out provinces have been forced to produce for the subsistence of their families alone. It is, therefore, evident that production can only be increased by the latter group if a guarantee is given to the farmers by the Government to purchase the crops at a reasonable price. They must also be induced to raise certain types of agricultural products for export. The scheme requires a substantial sum to be held by the Government to effect the re-purchase.

There is certainly considerable room for the improvement of agricultural technique and farming methods in Ethiopia, and my Government has every intention to introduce scientific methods in so far as its financial condition permits. But even with the existing methods of production, it will be possible to increase production ten fold if credit can be provided. In addition, crops such as cotton, tobacco, oilseeds, fruit and similar products could be encouraged on a vast scale if only my Government could offer the necessary financial inducement to the farmers.

In Ethiopia, as elsewhere, the success of the economic system of the country is conditioned by facility of transportation. Communication in Ethiopia, as it stands today, is deplorable. To repair roads and bridges, overhaul the system of transportation and communication, finance is required, and the amount available from the national budget has proved hopelessly inadequate.

The currency situation in Ethiopia is not less preoccupying. Lack of subsidiary money and fluctuation of the exchange rate between the Maria Theresa dollar and the British East African pound has created currency problems.

Mining and industry likewise lack credit. A rehabilitated Ethiopia will undoubtedly be in a position to meet

its

its obligations within a reasonable period. Any loan granted will be of a self-liquidating nature as the whole sum received will be used for capital expenditure.

I enclose a statement of the amount of the loan and credit requested by my Government and also the manner in which we hope it may be supplied.

I hope, Sir, that you will be good enough to examine favorably the request of my Government.

I avail myself of this opportunity to renew to you the assurance of my high esteem.

Y. DERESSA

(Yilma Deressa)

Washington, D.C.

June 1943

CREDIT TO BE MADE AVAILABLE IN THE UNITED STATES IN CASH BALANCE AND TO PURCHASE CONSUMERS GOODS	\$40,000,000
SILVER LOAN UNDER LEND LEASE	<u>\$10,000,000</u>
TOTAL	<u><u>\$50,000,000</u></u>

THE CREDIT MAY BE SUPPLIED OVER A PERIOD, THE TERMS
AND CONDITIONS OF WHICH TO BE SPECIFIED.

Credit to be made available in the United States in
cash balance and to purchase consumers goods\$10,000,000

Silver Loan under Lend Lease\$10,000,000

TOTAL:- \$20,000,000

The credit may be supplied over a period, the terms
and conditions of which to be specified.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 6, 1943

TO Secretary Morgenthau
FROM Messrs. Paul and Bernstein

Re: Area Director for Italy

At this morning's meeting of the Policy Committee on Liberated Areas, attended by Taylor and Luxford, Dean Acheson stated that State had decided that they would like to have Alexander B. Royce designated as Area Director for Italy and asked for the views of the Policy Committee on the point.

Treasury stated that it was reluctant to see Royce appointed for Italy since it did not think he had the stature for such an important position, inasmuch as Italy was the first major area in which the civilian agencies were going to assume responsibility. Although Treasury had recommended Governor Syzmczak as an area director, we had objected to his appointment as area director for Italy because we did not think he was a big enough man, and certainly Royce was not even as big a man as Governor Syzmczak. We also pointed out that we had previously approved Herman Wells, President of Indiana University, as area director for Italy but that State had decided instead to make him an Executive Assistant to Acheson. We understood that Calvin Baldwin was interested and probably available and we felt that certainly he should be considered in preference to Royce. It was suggested that the Policy Committee consider both Robert Moses and William Myers as area directors for Italy.

Governor Lehman stated that while he did not have any objection to Royce's character or ability, he did have doubts as to whether he was a big enough man. He stated that he would definitely prefer Calvin Baldwin or some other man of a larger stature. He stated that he would oppose the appointment of Robert Moses on the grounds that although he was an extremely able man, he felt that he would be a "bull in a china shop" in Italy and that the man would have to be kept under close rein by someone who could knock him around when necessary.

- 2 -

Lend-Lease stated that they had no objection to Royce but that at the same time they felt very highly of Baldwin.

Before the meeting Morris Rosenthal, who represents O.E.W., talked to the Treasury representatives and advised them that just as he had left his office this morning, he had received a call from Leo Crowley; that Hull had phoned Crowley personally, and Rosenthal was instructed to oppose no man named by State Department; and that State was obviously desirous of pushing. At the meeting, Rosenthal stated that he had been instructed by his agency not to object to Royce but he added that personally he felt that Calvin Baldwin was a much better man.

Acheson was very upset and argued vehemently for Royce, placing great emphasis on the experience he had acquired in North Africa and the fact that General Eisenhower had found him acceptable. General Hilldring, when asked, stated that Eisenhower had been pleased with Royce, but made it clear that he did not want to intervene in the choice of any area director made by civilian agencies.

Acheson then inquired as to whether we objected to Royce as area director for any area. All the agencies made it clear that they did not mind considering Royce for some other less important area.

Acheson then summarized the views of the meeting with the statement that although Treasury preferred Baldwin everyone agreed upon Mr. Royce's qualifications and experience for the position of area director and that he would have to take the matter up personally with Mr. Hull. Treasury modified Acheson's statement by saying that it did not want to be represented as having approved Royce for Italy. Acheson then stated he would have to raise the matter with Secretary Hull.

Acheson next proposed Calvin Baldwin for sub-director for Western Germany. He said that the Policy Committee had already approved of Calvin Baldwin and that the question now was what area should he be designated for. Treasury suggested that in view of the opinion stated at the committee meeting it might be

- 3 -

more desirable to raise the question of Calvin Baldwin for Italy than to consider him for Western Germany. At this point, Acheson stated very forcefully that Calvin Baldwin would not be considered for Italy because he did not speak French and stated categorically that the man for Italy should be able to speak either Italian or French and that Royce spoke French; that State was only proposing at this meeting Royce for Italy and was not proposing any other name for that country. Everyone present at the meeting, except State, thereupon, on the direct request of the Treasury representatives as to Mr. Baldwin's suitability, stated that they would favor Mr. Baldwin for any area.

From the strong line that Acheson was taking at this morning's meeting and in view of Hull's call on Mr. Crowley, there is a strong possibility that Secretary Hull will call on you to get approval for Royce. In addition to the objections to Royce which we mentioned this morning in your office, Morris Rosenthal in leaving the meeting stated to us privately that Royce had told him in his office that he wished that there were nine McReynolds on the Supreme Court in preference to the present personnel, and that further before Royce was assigned to his post in London, he had contributed nothing of any importance to the O.E. W. despite excellent opportunities.

Handwritten signature
E.H.B.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking, China.

DATE: August 6, 1943, 9 a.m.

NO.: 1392

FROM ADLER FOR SECRETARY OF THE TREASURY. TF 150.
STRICTLY CONFIDENTIAL.

Dr. Kung's reply, which I have just received, to my letter of August 2 formally submitting my resignation, neither accepts or rejects it. Dr. Kung writes that he has telegraphed Chinese representatives in Washington to ascertain what bearing your instructions to me have on the possible negotiation of an altered stabilization agreement and proposed international monetary arrangements. His letter concluded with a statement that after receiving a reply to his inquiry he will communicate further with me.

ATCHESON

NOT TO BE RE-TRANSMITTED

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 258

Information received up to 7 A.M., 6th August, 1943.

1. NAVAL

On 3rd/4th, coastal forces engaged enemy trawlers off the Dutch Coast. 2 of our motor gunboats were damaged.

2. AIR OPERATIONS

WESTERN FRONT. 5th. A Spitfire sank a 1,500 ton tanker by cannon fire off FROUVILLE. 5th/6th. 4 Mosquitoes attacked DUISBURG and one attacked DUSSELDORF. ICELAND-based Lightnings shot down a Focke Wulf 260 miles off north of the Island.

OFFICE
SECRETARY OF TREASURY

1943 AUG 7 AM 11 25

TREASURY DEPARTMENT

August 7, 1943

MEMORANDUM FOR THE SECRETARY

On Friday, members of the three research divisions and Fred Smith had a long conference regarding the anti-inflation (spending) tax plan which he has proposed.

Great interest was evidenced in the use of the spendings tax technique as a method of attacking the inflation problem. There were, however, very serious misgivings with respect to two points:

1. Whether the people of the United States are in a mood at this stage of the war to accept either the restrictions on spending imposed by such a tax or the necessary paper work involved in its payment.

2. Whether the type of exemption proposed by Fred Smith is equitable and whether it would be acceptable to Labor and other low income groups. The exemption calls for the same proportional reduction in the expenditures of high income and low income groups. This effect is somewhat offset by a sharply progressive rate scale which would have the effect of bearing more heavily on high income groups.

Fred Smith agreed that in times of scarcity, the consumption of high income groups should be reduced by a larger proportion than the consumption of low income groups. However, his view was that the adoption of the anti-inflation tax is the really important matter and that his exemption proposal is necessary to secure such adoption. He expressed the opinion that he can secure the support of labor for the proposal as a compromise measure to defeat the sales tax and that he can also secure the support of conservatives.

We are of the opinion that, despite the progressive rate schedule, the exemption provision, which is the heart of Fred Smith's plan, would not be acceptable to Labor or to other liberal political groups. This is a political question, but we venture the suggestion, in which Fred Smith concurs, that you have some test of sentiment made before you commit yourself, even tentatively, to this plan, assuming you personally feel that you can support the exemption as being sufficiently fair and equitable.

ASP RB

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 7, 1943

TO Secretary Morgenthau
 FROM E. M. Bernstein

Mr. Acheson tried to get you this morning to say that the O.E.W. wishes a copy of the Aide Memoire submitted by the British Government. Because mention is made of a proposed White Paper, Mr. Acheson thought it would be well to restrict knowledge of this to avoid any word getting out to unauthorized sources.

He proposed that instead of the whole Aide Memoire, only those paragraphs dealing with raw materials be given to the O.E.W. They are concerned with Government purchases of these raw materials and are qualified to determine the actual monetary value of what would be received.

I told Mr. Acheson that in your absence I should like to clear the matter with Mr. Bell. Mr. Bell agreed it would be well to limit the information turned over to O.E.W. to that portion of the Aide Memoire concerned exclusively with raw materials. I so informed Mr. Acheson.

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U.S. SECRET
BRITISH MOST SECRET

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NOT TO BE RETRANSMITTED

COPY NO. _____

OPTEL 259.

For J.S.M. Washington. Information received up to 10.0 a.m. 7th August, 1943.

1. NAVAL

On 24th one of H.M. submarines sank a schooner west of Stromboli and on 25th shelled a tug towing a schooner off the western toe of Italy. Both vessels were beached and abandoned. An Italian sabotage party of 2 officers and 18 men landed from a U-boat on the 3rd south of Benghazi. They were all captured before reaching Berca Airfield, their objective.

2. AIR OPERATIONS.

WESTERN FRONT. 6th. Fighters damaged 4 locomotives in Northern France. 2 Mustangs missing.

6th/7th. Aircraft despatched: Seaminging 34 (2 missing) Cologne 3, Duisburg 4, Leaflets 14, Intruders 2, Anti-shiping 4.

SICILY AND SOUTHERN ITALY. 4th. In addition to operations reported yesterday, 225 aircraft flew offensive sweeps.

4th/5th. Wellingtons dropped 78 tons at Battipaglia 40 miles south-east of Naples hitting a transformer and the railway centre. Other Wellingtons dropped 97 tons on Messina.

5th. Fortresses dropped 185 tons on Messina. Enemy positions at Adrano and Biancavilla were attacked by 60 medium and light bombers.

SARDINIA. Escorted Mitchells made a low level attack on Guspini switching station 35 miles North West of Cagliari scoring 3 hits.

OFFICE
SECRETARY OF TREASURY
1943 AUG 9 AM 9 51
TREASURY DEPARTMENT

BRITISH MOST SECRETU.S. SECRETOPTTEL No. 262

Following is supplementary resume of operational events covering the period 31st July to 7th August, 1943.

1. NAVAL

A small reconnaissance raid was carried out on French coast on 4th/5th. 8 all ranks landed Northeast of LE HAVRE and having gained useful information were re-embarked by a motor torpedo boat. During three engagements off the Dutch coast R.M. Coastal Forces have seriously damaged one Sperrbrecher and at least 3 trawlers.

MEDITERRANEAN. H.M. Cruisers, Destroyers and a Monitor have bombarded LOCRI, COFRONE, TAORMINA and two places in the Gulf of SUPIMIA. H.M. Coastal forces severely damaged an E-boat and bombarded railway targets at GIARDINI. U.S. Cruisers and Destroyers have carried out several bombardments in support of the 7th Army and sunk an E-boat and a lighter south of LIPARI. H.M. Submarines have sunk two minesweepers, one A/S yacht, one minelayer, one trawler and a schooner.

SUBMARINE WARFARE. Summary of anti-submarine attack for month of July reported up to noon 1st August:

Number of Attacks by:			
Shore-based aircraft	118	TREASURY DEPARTMENT	1943 AUG 12 PM 1 11
Carrier-borne aircraft	8		
Warships	46		
Sunk and probably sunk by:			
Aircraft	27		
Warships	11		
Possibly sunk by:			
Aircraft	6		
Warships	5		
Probably damaged by:			
Aircraft	10		
Warships	3		
Possibly damaged by:			
Aircraft	4		

In August up to noon 4th, 12 attacks were made by aircraft and 5 by warships. 4 submarines were sunk or probably sunk. Estimated that recent sinkings of supply U-boats will cause U-boats operating in CARIBBEAN and off SOUTH AMERICA to cut short their cruises by at least a fortnight. Shipping casualties from 31st July to 6th August inclusive - 8 ships were reported torpedoed. One British and one Brazilian were sunk in the South Atlantic; in the Indian Ocean one Dutch, one Swedish and 3 British (one a belated report) sunk and one U.S. torpedoed, but reached port. In addition, one British and one U.S. and a Norwegian tanker were damaged at GIBRALTAR by under-water explosions (caused by human torpedoes according to Italian claim). A British ship was sunk by aircraft at PALERMO. A U.S. tanker was mined off CAP BON but is proceeding and a Belgian trawler was sunk by mine southeast of BERRY HEAD. A British ship reported torpedoed 15th July east of CANARIES has reached port.

TRADE. There have been signs of increased activity among Far Eastern blockade runners in BISCAY ports during the past fortnight. During week ending 1st 5 ocean convoys arrived destination without loss. Imports, convoy into UNITED KINGDOM week ending 31st July - 754,000 tons including 339,000 oil.

2. MILITARY

SICILY. Casualties 10th July to 4th August. 8th Army (including Canadians) - killed, wounded and missing 9,353. 7th Army, same period - 7,700. Prisoners to 4th August - 8th Army - 28,000; 7th Army - 91,600.

3. AIR OPERATIONS

WESTERN FRONT. Night. Out of 909 sorties, 33 aircraft missing. Another heavy attack on HAMBURG, not as successful as previous ones owing to bad weather, but further damage caused. On same night 402 tons on other objectives in Northwest GERMANY.

Day. Operations mostly against airfields in FRANCE and on shipping. LE TRAIT shipyards bombed. In shipping attacks 3,000 ton ship sunk and 3 escort vessels damaged off TEXEL. 2 armed trawlers probably destroyed off LORIENT. 1,000 ton ship set on fire and 7 E-boats damaged off LE TOUQUET. 4,000 ton ship and 4,500 ton tanker probably hit off NORWAY and 1,500 ton tanker sunk off TROUVILLE. In all these operations we lost 10 aircraft.

ENEMY. 10 enemy aircraft crossed East Coast. One was destroyed.

ITALY. Heavy attacks on airfield, railway centre and U-boat base at NAPLES and twice on CATANZARO and PAOLO railway centres. In attack on airfield 15 miles south of ROME 34 enemy aircraft destroyed and damaged on ground.

SICILY. Up to 4th operations mostly against enemy positions and communications, particularly in ADRANO, RANDAZZO and MILAZZO areas. From night 4th/5th onwards attacks concentrated on MESSINA. 30 enemy aircraft attacked PALERMO harbour.

SARDINIA. Warhawks gained noteworthy success against German and Italian fighter aircraft on 30th. Successful low level attack on GUSPINI switching station.

GREECE. 5,000 ton ship, a gun boat and 6 motor boats damaged off West Coast. In all these Mediterranean operations Allies lost 13 aircraft.

RUSSIA. Russian Air Force continued support of their land forces Orel area. Heavy Russian night raids on railway junction OREL and BRYANSK and on German airfields OREL area. Still no indication of German air reinforcements from other fronts or GERMANY, although strength of German Air Force in RUSSIA estimated reduced from 2,000 at beginning of July to about 1,850 at beginning of August.

4. EXTRACTS FROM PHOTOGRAPHIC AND INTELLIGENCE REPORTS OF ALLIED AIR ATTACKS

HAMBURG. Still not possible to give comprehensive estimate of damage caused, but particularly severe in East and Southeast of districts, docks and near main station at ALTONA. Industrial damage widespread, shipyards and oil plants have suffered badly.

REMSCHIED. Damage very severe especially in central area near main station. Factories of following nature involved - aircraft forgings, chemical machinery, tube works, steel works.

CASSEL. Main building of Spinnfaser Textile Factory (priority one) received two direct hits and was set on fire. Two large buildings of Fieseler Aircraft Components Factory severely damaged. Other damages to machine tool, paper and cotton weaving factories. Very heavy damage to large assembly shop of Fieseler aircraft Assembly Works.

AACHEN. Final interpretation of photographs discloses heavy damage to textile industry. The town contains numerous small textile and engineering firms, especially in centre. 80 are damaged out of about 140. Damage is also severe to railway property, permanent way, warehouses and rolling stock.

KIEL. 25th July. Damage in Naval dockyard and at Deutsche Werke. In former two covered floating docks badly burned and sheds and stores destroyed. In latter, direct hits on workshops and engineering shops. 29th July. Further damage to Naval dockyard, especially to large engine workshop, iron and steel foundries and another floating dock.

WARNEMUNDE. Photographs 29th July show at least 100 craters on the airfield. Buildings in Heinkel Factory severely damaged or destroyed include 4 Assembly shops, offices, stores and a boiler house.

5. HOME SECURITY

2 fatal service casualties at DOVER from shell fire.

NOT TO BE RE-TRANSMITTED

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 260

Information received up to 10 A.M., 8th August, 1943.

1. NAVAL

One of H.M. Destroyers was seriously damaged by fire while helping a burning ship in ALGIERS Harbour on the 4th. One of H.M. Submarines sank an inward-bound three-funnelled transport off BRINDISI on 3rd.

2. AIR OPERATIONS

WESTERN FRONT. 7th/8th. Aircraft despatched: TURIN and GENOA 124 (3 outstanding); MILAN 73, Intruders 11, COLOGNE 4, DUSSELDORF 1, Anti-shipping 4. Over North ITALY weather good and bombing well concentrated at all three places.

August 9, 1943

Harry White

Secretary Morgenthau

I wish you would make the first order of business today getting together with Lend-Lease on a memorandum that I can send to the Chancellor of the Exchequer on why we don't like their proposal on raw materials under Lend-Lease in Reverse.

Finished.

File 191

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE August 9, 1943

TO Secretary Morgenthau
FROM Mr. Thompson

With respect to volunteers to help in the Offices of the Collectors of Internal Revenue, Harold Graves assures me that full arrangements have been made in each Collector's office to get the material out as fast as it is received. Daily reports are to be made by each Collector, and if any bottleneck develops anywhere, immediate steps will be taken to correct it. He assures me that they have the situation completely in hand and there is no danger of a failure.

With respect to the War Bond literature, fortunately the program is rolling ahead of schedule and there are no difficulties there. Our own men have been out in the field checking local printing plants and everything is going at top speed ahead of schedule.

Tom

UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

AN APPRAISAL OF THE SECOND WAR LOAN DRIVE
Identification and Motivation

CONFIDENTIAL

For Administrative Use Only

Study 68
Report No. 49

Program Surveys Division
August 9, 1943

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INTRODUCTION *

This is a final report on certain aspects of a total appraisal of the Second War Loan. It supersedes two preliminary reports:

An Appraisal of the Second War Loan Drive -
Identification and Motivation, June 14, 1943

An Appraisal of the Second War Loan Drive -
Identification and Motivation (A Comparison
of Farm and Non-Farm Populations), June 23, 1943

Minor changes in these reports have been made, but without affecting their principal conclusions.

This report is restricted to a discussion of (1) "Identification," or popular awareness of the drive and its purpose; and (2) "Motivation," or the reasons for buying bonds. It should be read in conjunction with:

An Appraisal of the Second War Loan -
Participation and Implementation, July 8, 1943

A short summary of the most important conclusions of the survey is also available.

The sample comprises a total of 474 interviews with farmers and 873 interviews with non-farmers. These interviews were taken in the period between May 14 and June 4, 1943.

Sample points for the survey included the following cities: New York, New York; Chicago, Illinois; Detroit, Michigan; and Los Angeles, California. In addition the following counties were sampled: Lackawanna, Pennsylvania; Clarke, Georgia; Grant, Louisiana; Natchitoches, Louisiana; Rockland, New York; Santa Cruz, California; Sanilac, Michigan; Ogemaw, Michigan; Jackson, Missouri; Leon, Florida; Monroe, West Virginia; Hamilton, Illinois; Hennepin, Minnesota; Bennington, Vermont; Howard, Nebraska; Custer, Nebraska; Douglas, Kansas; Columbia, Oregon; Giles, Virginia; Cumberland, Maine; Blue Earth, Minnesota; and Worth, Iowa.

*This study was conducted for the Treasury Department.

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FINDINGS

1. Before the April campaign the great majority of the people living in towns and cities owned at least one bond and considered themselves "bond buyers." To be widely effective, therefore, the campaign had to persuade these people to buy more bonds than usual.

In sharp contrast, only half of the farmers of the country had at least one bond before the campaign. For this group, therefore, the April campaign might have served as the stimulus for buying their first bond.

2. During the April campaign, about a fifth of the population bought bonds for the first time or increased their usual bond purchases. Two percent of the farmers and one percent of the non-farmers bought their first bond. In addition, 16 percent of the farmers and 19 percent of the non-farmers increased their bond purchases.
3. Most people were aware of the April drive. About one-third of the farmers, however, and one-sixth of the non-farmers did not realize that there was a special drive to sell bonds in April. Farmers who did know about it tended to view it as a local drive more often than did city dwellers; fewer of them were able to identify it as the "Second War Loan;" and they spoke of the local quota more frequently than did the people living in towns and cities.
4. The effectiveness of the April campaign was reduced by the incorrect notions of its purpose held by many of the people who were aware of the drive. This discovery is probably the most significant result of the study.
 - a. To many the drive seemed merely an intensification of usual sales tactics. Apparently the campaign failed to show them a clear reason for buying extra during the drive, nor did they understand what they personally were supposed to do during April. The most commonly held view of the purpose of the drive was that it was intended to remind people of their obligation to buy bonds.
 - b. Twenty percent of the non-farmers and seven percent of the farmers escaped the pressure of the drive by

viewing it as aimed at those not yet doing their share. Most people who participate in a payroll deduction plan or who regularly invest at least 10 percent of their incomes in bond purchases believe that they are doing their share, and that the drive was, therefore, not intended for them. That the quotas were so readily reached without extra purchases reinforced this belief for many people.

- c. Still others thought the drive was aimed at getting "extra" or "spare" money from people, and it was easy for them to believe that they had no "spare" money. Great numbers of these people, citing the rising cost of living, rising taxes and "unusual" expenses, said that they "could not afford" to buy extra bonds in April.
 - d. Farmers tended to escape the pressure of the drive in much the same way as city people. An additional avenue of escape was open to a small group of farmers, particularly in areas where there was no personal solicitation, who viewed the drive as aimed at city people. On the other hand, because of the greater amount of personal solicitation among farmers, fewer farmers than city dwellers escaped the pressure of the drive by holding that it was meant for the "other fellow."
5. When asked what type of promotion they liked best, people mentioned the radio more often than any other type. The other preferred types in order of frequency among the population were:

- Special promotion (rallies, displays, bond booths, etc.)
- Posters
- Slogans
- Personal solicitation
- Movies
- Quotas

Each of these types, except personal solicitation, was mentioned less frequently by farmers than by city dwellers. That fewer farmers mention the radio is probably due in part to the difficulty of obtaining radio batteries in areas where electricity is not available.

6. Even when given an opportunity to complain about annoyances in bond promotion, most people found nothing to criticize. The few who did make criticisms mentioned the following annoyances:

- Extreme pressure on buying bonds
- Excessive repetition on the radio
- Interrupting movies to sell bonds
- Interrupting radio programs to sell bonds
- Using movie stars to sell bonds
- Using sound trucks and street rallies
- Using soldiers to sell bonds
- Presenting atrocity stories to sell bonds

7. Some people cited certain recent events in their lives which made them more eager to buy bonds. The people who mentioned the following events bought extra bonds more frequently than people who did not mention them in connection with bond buying:

- The execution of American fliers by the Japanese
- Recent drafting of a member of the family
- Receipt of a letter from a Service man urging bond purchases
- The sinking of a hospital ship
- A war casualty among the members of the family

Some people said that the Tunisian victory, which occurred immediately after the campaign, made them want to buy bonds.

A slightly smaller percentage of farmers than non-farmers mention recent events as incentives for buying bonds.

8. In general, the conclusions concerning motivation reached in the report, "The Sale of War Bonds in Urban Areas," still apply to an effective bond promotion technique. Between March and May, however, there appear to have been three significant changes in the reasons people give for buying bonds:

- (1) More people say that bond buying will help a member of the family in the service.
- (2) More people now see bond buying as a way of winning the war sooner.
- (3) More people are aware that the Government is trying to control inflation through bond sales. There has

been no increase, however, in the number of people who give inflation control as the major reason they are buying bonds.

Farmers and non-farmers differ in two respects with regard to reasons for buying bonds:

- (1) Farmers mention personal economic reasons for buying bonds less often than non-farmers. For those farmers who do mention them, their appeal seems to be equally effective.
 - (2) Farmers less frequently mention inflation control as a reason for buying bonds.
9. Only one type of motivation seems to have been particularly effective in inducing people to increase their purchases during the campaign - the investment appeal of bonds. At each income level the "investment-minded" people, those who spoke of bonds as a good and safe investment, made extra bond purchases during the campaign more than did other groups.

Evidence from the present survey and previous ones indicates that the following seem to be the most effective appeals for regular bond buying among both urban and rural people:

Prevent inflation
Save for specific post-war use
Help a member of the family in the service
Save for a post-war depression
Invest money safely in bonds

10. Personal solicitation in following up publicity was a very important factor in selling bonds. Although fewer farmers were reached by the publicity than non-farmers, they bought extra bonds in approximately the same proportion. The explanation for this apparent contradiction is that a larger percentage of farmers were personally asked to buy bonds, and more of them give this as their reason for buying extra bonds during April.

RECOMMENDATIONS FOR THE THIRD WAR LOAN

To be most successful, the Third War Loan must do two things:

- (1) Sell bonds to a large number of people.
- (2) Sell a large amount of bonds to each individual in proportion to his income.

To reach the first objective, it is important:

- a. To write the publicity so that it is perfectly clear to every individual that he is expected to buy more bonds than usual during the drive.
- b. To coordinate the publicity with a thorough solicitation campaign.

In this way it should be possible to multiply many times the number of people who participate in the Third War Loan.

The problem of reaching the second objective remains. How can people be convinced that they must buy even after it hurts? That Government bonds are a good place to invest spare money has proved an effective argument, but will not alone sell enough bonds. Since people must be asked to make sacrifices in buying bonds, they must be given reasons for sacrificing that will be meaningful to them individually. The following suggestions are made in this connection:

- a. Buying bonds to help a member of the family in the service promises to become an increasingly effective appeal. Since the desire to get the boys home quickly is becoming ever stronger the purchase of bonds can, for more and more people, be made to mean a personal participation in the war. A good slogan might be: "Back your boy with bonds!"

Whether it is wise from the point of view of national morale to stimulate the desire to see the boys home should be carefully considered before using it as an appeal in selling bonds.

- b. Current events can be used to make a connection for people between the progress of the war and their bond buying. In this way purchase of bonds becomes for the

APPENDIX

individual a realistic action which has meaning in the world in which he lives. The Treasury releases following the announcement of the execution of the American fliers by the Japanese are a good example of the way extra purchases were tied in with current events.

This type of approach need not, however, be confined to the exploitation of atrocities. The military victory in Tunisia immediately following the last drive could have been used to sell many more bonds simply by connecting the event with bond buying in people's minds: "Our boys have won a victory in Tunisia. Show your appreciation by buying bonds."

- c. Since more and more people are beginning to see the connection between bond buying and inflation control, it might be desirable to reconsider the further use of this appeal in bond promotion. To be effective this appeal should be put in highly personal terms which bring home to the "average man" the meaning of inflation.

Not only must the Third War Loan Drive furnish people with individual motivation for bond buying, but it must also give them a definite idea of the amount they are expected to buy. The drive must be so conducted that an individual whose financial position warrants a purchase of \$300 worth of bonds will not feel that he has done his share when he buys one \$25 bond. It is quite important to set individually adjusted goals which can be made to apply concretely to every person.

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Table 17.	Plans for Using Bond Money Given by Bond Owners
	Most Effective Reasons for Buying Bonds

INTERVIEW SCHEDULE

1. Have you heard more about bonds than usual in the last month or so?
 2. What sort of things were they?
 3. What sort of things about the way they have been trying to sell bonds have you liked?
 4. What sort of things have annoyed you?
(If not fully discussed)
 5. Have there been special drives around here?
 6. What did they do?
 7. Were they trying to sell bonds to anybody in particular?
 8. How do you think the drive went over?
 9. Do you think it is a good idea to have special campaigns to sell bonds? Why?
 10. (If this is not mentioned before) Did anybody come to you and ask you to buy bonds?
 - 10a. Tell me about it.
 - 10b. What did he say?
 - 10c. Did he represent any special organization?
 - 10d. How did you feel about this visit?
- We are interested in knowing how people got started buying bonds.
11. Do you have bonds taken out of your pay where you work?
 12. Do any other members of your family?
If yes to 11 or 12:
 13. Have you had the amount changed since the first of April?

14. What changes have you made?
15. How did it happen that you changed?
16. Have you bought any more bonds than usual since the first of April?
- If yes to 16:
17. How did you happen to buy them at that time?
18. Where did you buy them?
19. Did you buy them through some organization?
20. How did you buy these extra bonds? Out of money you had saved or out of your current income?

(If not certain whether respondent owns bonds)

We are interested in talking to people about the uses that they plan to make of the money from their bonds.

21. Do you happen to own any bonds?
22. Have you made any special plans for using the money from the bonds?
23. Why do you think the government is anxious to get people to buy bonds?
24. Why do you think some people feel they don't want to buy bonds?
25. Is there anything about War Bonds that people want to know?

Table 1. Magnitude of Bond Purchases Prior to April Campaign

Magnitude in Percent of Income	Non-farm	Farm
Does not buy	20%	44%
Buys irregularly	24	40
Regularly 1-5%	5	*
Regularly 6-9%	3	*
Regularly 10%	26	4
Regularly 11% or more	10	1
Not ascertainable	12	11
	100%	100%
	N=873	N=474

* Less than 1 percent

Table 2. Changes in Bond Buying During April

Changes	Non-farm	Farm
Made increase in purchases		
Bought first bond	1%)	3%)
Started payroll deduction	1)	0)
Increased payroll deduction	3)20%	0)18%
Bought at least one extra bond	15)	12)
Signed pledge to buy	0)	4)
Made no increase in purchases	77	74
Not ascertainable	5	8
	100%	100%
	N=873	N=474

Table 3. Changes in Bond Buying During April as Related to Usual Method of Purchase (Non-farm Population) *

Purchases During April	Usual Method of Purchase		
	Payroll Deduction	Own Regular System	Irregular
Bought extra bonds	26%	46%	24%
Did not buy extra bonds	73	54	71
Not ascertainable	1	1	5
	100%	100%	100%
	N=370	N=75	N=240

* Includes only that part of non-farm population who buy bonds.

Table 4. Changes in Bond Buying During April as Related to Usual Method of Purchase (Farm Population) *

Purchases During April	Usual Method of Purchase		
	Payroll Deduction	Own Regular System	Irregular
Bought extra bonds	22%	45%	39%
Did not buy extra bonds	78	57	55
Not ascertainable	0	0	6
	100%	100%	100%
	N=27	N=14	N=213

* Includes only that part of farm population who buy bonds.

Table 5. Awareness of Campaign

Degree of Awareness	Non-Farm	Farm
Did not realize there was a special campaign	16%	33%
Knew only of local drive	12	20
Knew of national drive, but not by name	4	8
Knew of Second War Loan, but only as an increase in publicity	25	13
Knew of Second War Loan as more than an increase in publicity	42	28
Not ascertainable	1	*
	100%	100%
	N=873	N=474

* Less than 1 percent

Table 6. Awareness of Campaign as Related to Weekly Family Income *

Degree of Awareness	Weekly Income			
	\$0-25	\$25-45	\$45-65	\$65 and over
Did not realize there was a special campaign	10%	16%	10%	8%
Knew only of local drive	18	14	10	10
Knew of national drive, but not by name	3	3	7	7
Knew of Second War Loan, but only as an increase in publicity	23	26	23	26
Knew of Second War Loan as more than increase in publicity	37	37	48	47
Not ascertainable	3	2	2	2
	100%	100%	100%	100%
	N=148	N=229	N=234	N=214

* Includes only that part of non-farm population whose weekly income was ascertainable.

Table 7. Spontaneous Mention of Quotas

Quotas Mentioned	Non-farm	Farm
Mentions national quota	11%	7%
Mentions local quota	15	23
Mentions a quota, but not clearly identified	11	5
Mentions both national and local quotas	5	4
Does not mention quota	58	61
	100%	100%
	N=673	N=474

Table 8. Do You Think it is a Good Idea to Have Special Campaigns to Sell Bonds?

Attitude toward Special Campaigns	Non-farm	Farm
Yes		
Because some people need to be reminded	45%	28%
Because rallies, contests, quotas, etc., sell bonds	5	5
Because people buy when personally asked	5	3
Because they tell people how the money is used	1	2
No reason given	16	25
Conditional approval		
All right for people who aren't buying their share	4	2
All right if the Government needs the money	2	1
All right if they don't come too often	2	2
All right if pressure is put on people with extra money	1	*
No		
Because people will buy anyway	4	7
Because it is a nuisance to people on payroll deduction who buy anyway	1	0
Because farmers have irregular income	0	2
Don't know	4	7
Not ascertainable	5	10
	100%	100%
	N=673	N=474

* Less than 1 percent

Table 9. Reasons People Give for Not Buying Extra Bonds in April *

	Non-farm	Farm
Never heard of the drive	15%	31%
Say they could not afford to buy	35	43
Say they were doing their share already	13	5
Say both they could not afford it and they were doing their share already	7	2
Give no reason	29	19
	100%	100%
	N=681	N=378

* Includes only that part of population who did not buy extra bonds in April.

Table 10. Type of Promotion Found Most Appealing and Percentage of those Mentioning Each Type Who Bought Extra Bonds

Type of Promotion Found Most Appealing	Percentage Mentioning Each Appeal		Percentage of Those Mentioning Each Appeal Who Bought Extra Bonds	
	Non-Farm	Farm	Non-Farm	Farm
Radio publicity	14%	4%	25%	25%
Rallies, booths, displays, etc.	8	4	24	19
Posters	6	1	13	0
Personal solicitation	4	7	43	42
Slogans	4	1	23	17
Movies	2	*	22	0
Newspaper publicity	2	1	37	50
Quotas	1	3	29	100
Mentions nothing relevant to campaign	59	79	18	18
	100%	100%		
	N=673	N=474		

* Less than 1 percent.

Table 11. What Sort of Things About the Way They Have Been Trying to Sell Bonds Annoy You?

Type of Annoyance	Non-farm	Farm
Nothing mentioned	85%	94%
Forcing people to buy	3	2
Excessive repetition on radio	3	2
Asking people who are doing their share already	1	0
They didn't put enough pressure on people with money	1	1
Interrupting movies to sell bonds	1	0
Interrupting radio programs to sell bonds	1	*
They didn't visit everybody	1	0
Door-to-door canvassing	1	*
Having movie stars sell bonds	*	*
Use of atrocity stories	*	0
Sound trucks and street rallies	*	0
Using soldiers to sell bonds	*	*
	100%	100%
	N=573	N=474

* Less than 1 percent

Table 12. Reasons for Buying Given by Those Who Bought Extra During April

Reasons	Non-farm	Farm
Because they had the campaign (could not attribute reason more specifically)	24%	13%
Because I was personally asked to buy	19	52
Because they asked me at work	10	2
Because I had extra money at that time	14	8
To help fill the quota	11	13
As a result of a rally, exhibit, etc.	8	2
I would have bought anyway	12	3
Because of execution of fliers	*	0
Don't know why	2	7
	100%	100%
	N=195	N=91

* Less than 1 percent

Table 13. Spontaneous Mention of Recent Events which Stimulate Bond Buying *

Events	Non-farm	Farm
Tunisian victory	5%	4%
Execution of fliers	4	1
Recent drafting of member of family	1	1
Receipt of letter from service man urging bond buying	1	**
Sinking of hospital ship	1	**
A war casualty among members of family	**	**
Nothing mentioned	88	93
	100%	100%
	N=573	N=474

*More of the people mentioning these events bought extra bonds than did people of comparable income who did not mention them.

**Less than 1 percent

Table 14. What do you Think is the Most Important Reason to Buy Bonds?

Reason	Non-farm	Farm
Help the country, pay for the war	70%	68%
Help the boys	8	12
Bonds are a good investment	5	3
Bonds are a good way to save	4	4
It is one's patriotic duty to buy	3	2
Prevent inflation	3	1
Aid friends or relatives in Service	2	1
Preserve the American way of life	1	2
Miscellaneous	1	1
Don't know	3	5
	100%	100%
	N=573	N=474

Table 15. Reasons People Give for Buying Bonds

Reasons	Non-farm	Farm
<u>Patriotic</u>		
Country needs money to win war	50%*	57%*
It is a patriotic duty	11	5
Help a member of family in the Service	12	11
Preserve the American Way of Life	3	2
Provide war material	10	12
Get the war over sooner	8	7
<u>Personal Economic</u>		
Save for use after the war	10	6
You get a high rate of interest	25	17
It is a safe investment	21	21
You not only save but help country too	18	8
If I didn't buy bonds, I wouldn't save	16	11
If bonds aren't good after the war, nothing will be	10	11
Safe against a post-war depression	4	3
Save for some specific post-war use	3	1
<u>Other Reasons</u>		
Help prevent inflation	17	10
Help keep prices down	4	3
Keep people from spending money foolishly	4	5
Prevent a post-war depression	1	**
	N=573	N=474

* These percentages total to more than 100% because many respondents gave more than one reason for buying bonds.

** Less than 1 percent

Table 16. Increases in Frequency of Certain Reasons for Buying Bonds since March (Non-Farm Population)

Reasons	March	May
To help a member of family in the Service	4%	12%
To get the war over sooner	0	9
To help prevent inflation	4	17

Table 17. Plans for Using Bond Money Given by Bond Owners

Plans	Non-farm	Farm
Help the children (education, etc.)	16%	11%
Buy a home or farm	15	6
Keep as an emergency fund	5	8
Funds for old age	6	5
Reserve in a post-war depression	2	3
Buy household furnishing, car, etc.	3	4
Travel	1	*
Pay debts and taxes	*	2
Farm machinery	0	2
Miscellaneous plans	2	*
Has no plans	51	58
	100%	100%
	N=703**	N=242**

* Less than 1 percent

** Number of people owning bonds about whose plans information could be obtained

Most Effective Reasons for Buying Bonds

Reasons Given by Both Farm and Non-farm Population

Prevent inflation
Save for specific post-war use
Help a member of family in the Service
Save for a post-war depression
Bonds are a safe investment
If bonds are not good, nothing will be good

Reasons Given by Non-farm Population *

Preserve the American Way of Life
Bonds are a good investment

Reasons Given by Farm Population **

You not only save but help the country too
It's a good way to save
It's a patriotic duty
You get a high rate of interest.

-
- * Non-farm Population - This list contains both reasons which proved effective before the campaign and reasons which were effective during the drive. More of the people who give these reasons buy bonds than do people of comparable income who do not give them.
 - ** Farm Population - This list contains only the reasons which proved effective during the April campaign. Holding solicitation constant, more people who gave these reasons bought bonds than people who did not give them.

TREASURY DEPARTMENT

204

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE August 9, 1943

TO Secretary Morgenthau
 FROM Mr. Duggan, Mr. Murphy and Miss Richener
 subject: The Business Situation,
 Week ending August 7, 1943.

Summary

National income: Income payments in June attained a record annual rate of \$142.1 billions. This compares with an annual rate of \$140.2 billions in the previous month and only \$113.9 billions in June 1942. Income payments during the first half of 1943 were 27 percent higher than those of a year earlier, the rise being due almost entirely to increases in Federal Government payrolls, manufacturing salaries and wages, and net income of farm operators.

Factory wages: Average weekly earnings of factory workers, after allowance for rising living costs, rose 28.9 percent from January 1941 to March 1943. This rise exceeded that of any other major group of workers, and contrasts with a corresponding decline of 2.9 percent in the adjusted weekly earnings of non-manufacturing employees, exclusive of farm workers.

Stock market: Stock prices showed further declines last week, but the net loss for the period was less than 1 percent. Trading activity dropped sharply, with trading volume 52 percent below the previous week. So-called "peace" stocks continued to display somewhat greater resistance to the decline than "war" stocks, and by Friday the former stood in the strongest relative position since September 1939.

Commodity prices: The BLS index of 25 basic commodities rose 0.3 percent last week, and now stands at the peak level reached just before the issuance of the President's hold-the-line order of early April. The all-commodity index has shown a downward tendency for the past seven weeks, and in the week ended July 31 the index was at the lowest point in the past five months.

Farm real estate: The rise in farm real estate values is causing increasing concern among Government officials. The index of estimated value per acre of farm real estate rose 3 percent in the four months ended July 1. Speculative activity is evident in some sections of the country, and the volume of voluntary sales has been rising.

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- 2 -

National income payments at new peak

The long upswing in national income payments continued during June and attained a record annual rate of \$142.1 billions. This compares with \$140.2 billions in May and only \$113.9 billions in June 1942. (See Chart 1.) In addition to the usual May to June increase in interest and dividend payments, payrolls of factories engaged in war work continued to expand and contributed to the greater-than-seasonal rise in total payments. Reference to Chart 1 will disclose that all major components showed gains over 1942 levels, although the rise in "other income payments" was relatively slight, with a decline in relief payments largely offsetting an increase in allotments to soldiers' dependents. On the other hand, payments to individuals from Government sources were 61 percent higher, in reflection of the great expansion in military and civilian personnel during the past year.

Income payments in the first half of 1943 totalled \$67.1 billions, or 27 percent more than in the corresponding period a year ago. All but a small portion of the rise in 1943 has been due to increases in Federal Government payrolls, manufacturing wages and salaries and the net income of farm operators. Federal Government payrolls in the first half of 1943 were 148 percent higher than a year earlier, while net income of farm operators, and manufacturing wages and salaries, showed corresponding gains of 48 and 42 percent, respectively. It should be pointed out, however, that the rate of increase over last year's levels in Government and manufacturing payrolls has shown a declining trend in 1943 as the war program has approached steadily closer to ultimate goals.

Factory workers' earnings rise faster than living costs

Despite the great expansion in payments for salaries and wages during the war period, leaders of organized labor recently have been extremely critical of the price and wage control programs. Following up earlier demands that prices be rolled back to September 15, 1942 levels, the presidents of the AFL and the CIO last month said they would demand that Price Administrator Brown be removed from office if the rollback in prices is not carried out.

In an apparent refutation of organized labor's claim that workers have been hard hit by wage stabilization measures in the face of rising living costs, OPA last week released figures covering the course of "real" wages to non-farm

- 3 -

workers during the period January 1941 to March 1943. In order to allow for the rise in the cost of living, actual hourly and weekly earnings were deflated by the BLS cost-of-living index. On this basis, changes in "real" wages of workers by major groups during the period mentioned were as follows:

Group	Percent change Jan. 1941 to March 1943	
	Hourly earnings	Weekly earnings
Factory workers	+12.3	+26.9
Mining workers	+1.6	+27.2
Construction workers	-4.0	+6.6
Transportation and public utility workers	-6.5	-0.6
Trade workers	-1.7	-3.6
Financial workers	-5.4	-5.1
Government workers	-21.2	-10.3

It will be noted that factory workers and miners, whose leaders have been most vociferous in denouncing the alleged inequities of the price and wage control programs, have actually received a substantial increase in "real" wages since the beginning of 1941. Moreover, their earnings position has been considerably more favorable than those of other groups of workers, particularly in comparison with Government workers, whose "real" earnings have dropped substantially.

In contrast to the gain of 26.9 percent in the "real" wages of factory workers during the period January 1941-March 1943, "real" wages of non-manufacturing employees, exclusive of farm workers, dropped 2.9 percent. Moreover, during the longer period from August 1939 to March 1943 the CPA study revealed that the weekly wages of factory workers, adjusted for living costs, rose 41.4 percent, in comparison with a rise of only 13.9 percent for all non-farm workers.

Stock market activity declines

After declining further at the beginning of last week, stock prices subsequently rallied slightly and then declined again in the latter part of the period. Trading activity, however, dropped off sharply from the previous week, and on

- 4 -

Thursday fell to the lowest level since last January. At the close on Saturday railroad stock prices averaged about 1 percent lower than a week earlier, while utilities and industrial stocks showed smaller declines. (See Chart 2.)

While so-called "peace" stocks continued to weaken along with "war" stocks, their decline (as in the previous week) was of smaller proportions, so that by Friday our ratio of war and peace stocks showed the latter to be in the strongest relative position since September 1939. Industrial stock prices in London last week continued to make stronger showing than industrial stocks in New York, although prices levelled off after reaching a new high for the year on Wednesday.

Commodity prices higher

Commodity prices moved up somewhat last week in relatively quiet markets. Advancing 0.3 percent, the BLS index of 28 basic commodities reached the peak level just preceding the issuance of the President's hold-the-line order of early April. (See Chart 3.) Steer prices were noticeably higher, and hog prices rose 2.3 percent as marketings fell off in line with the normal August-September decline. Mill buying pushed up wheat prices; also the CCC is reported to be buying considerable quantities of wheat for feed purposes. Rosin prices continued their sharp advance and have now risen almost 16 percent in the past seven weeks.

An announcement of a reduction in Army procurement schedules of woollens and worsteds for the balance of the year caused some decline in wool top prices. The apparent drop in print cloth prices shown on Chart 3 is due to a change in the item quoted rather than an actual decline in the price of the commodity.

All-commodity index continues downward movement

The BLS all-commodity index has shown a downward tendency for the past seven weeks. In the week ended July 31 the index declined slightly to 102.8 percent of the 1926 average, which is 37.1 percent above the pre-war level of August 1939. The index is now 1.2 percent below the peak reached at the end of May, and is at the lowest point in the past five months. The rollback of meat and butter prices, and a seasonal decline in fresh vegetable prices, have largely accounted for the downward movement.

The recent relative stability of the all-commodity index contrasts with the rather sharp rise which began in the corresponding months of World War I. (See Chart 4, upper section.)

- 5 -

Moreover, the same divergence has been shown recently in the trend of the wholesale food index as compared with that of the last war. (See Chart 4, lower section.) The disparity between the rise in the all-commodity index in the two war periods, however, has been much greater than in the case of the wholesale food index. From August 1939 to July 1943 the all-commodity index rose only two-fifths as much as during the corresponding period of World War I, whereas the wholesale food index rose two-thirds as much. Success in controlling the prices of industrial commodities during the present war is largely responsible for the relatively smaller rise in the all-commodity index.

Increase in livestock slaughter forecast

Several factors now point to a marked increase in supplies of livestock for slaughter during the last half of 1943 and in 1944, according to the Bureau of Agricultural Economics, which will probably tend to lower prices during the fall months, as well as to increase meat supplies for civilian consumption. The present record levels of livestock numbers and production are beginning to outrun total feed resources. Allowing for a further increase in livestock during 1943, the supply of feed per animal unit this year may be 10 to 15 percent below the 1937-41 average. Rather than risk a very drastic shortage of feed next spring, livestock growers are expected to begin expanding marketings in the near future.

The drying up of pastures in sections of the Southwest is likely to cause premature marketing of grass-fed cattle. Because of the deteriorating conditions of pastures, the Department of Agriculture urged last week that western stockmen market their range cattle early. Rain is needed for pastures and ranges in practically all sections except in part of the eastern third of the country. Moreover, in Oklahoma and Texas livestock are reported to be losing weight due to the serious dry condition of the ranges.

Farm real estate values rising

Increasing concern has been manifest by Government officials over the rise in farm real estate values. The index of estimated value per acre of farm real estate rose 3 percent in the four months ended July 1, according to preliminary figures of the Department of Agriculture. While the increase is less than half that which occurred from November to March, the land market is normally less active from March to July than during the preceding four months. The average rate of increase during the past year has been about 1 percent a month, the highest of record aside from the boom year 1919-20.

- 6 -

Concurrent with the rise in value, the volume of voluntary sales of farm property has increased considerably. In the 12 months ended March 15, 1943 such sales were the largest since 1919-20. Voluntary transfers per 1,000 farms increased to 44.4 for the year ended March 15, 1943 as compared with 41.7 for 1942 and only 30.2 for 1940.

Although investors have constituted an important element of all buyers, farmers continued to buy more than three-fifths of the number of farms sold during the year ended March 1943. While the total outstanding farm mortgage debt is estimated to have decreased 5 percent during 1942, it was indicated that in recent months heavier mortgages have been placed against many farms as the result of sales, despite an increase in cash payments.

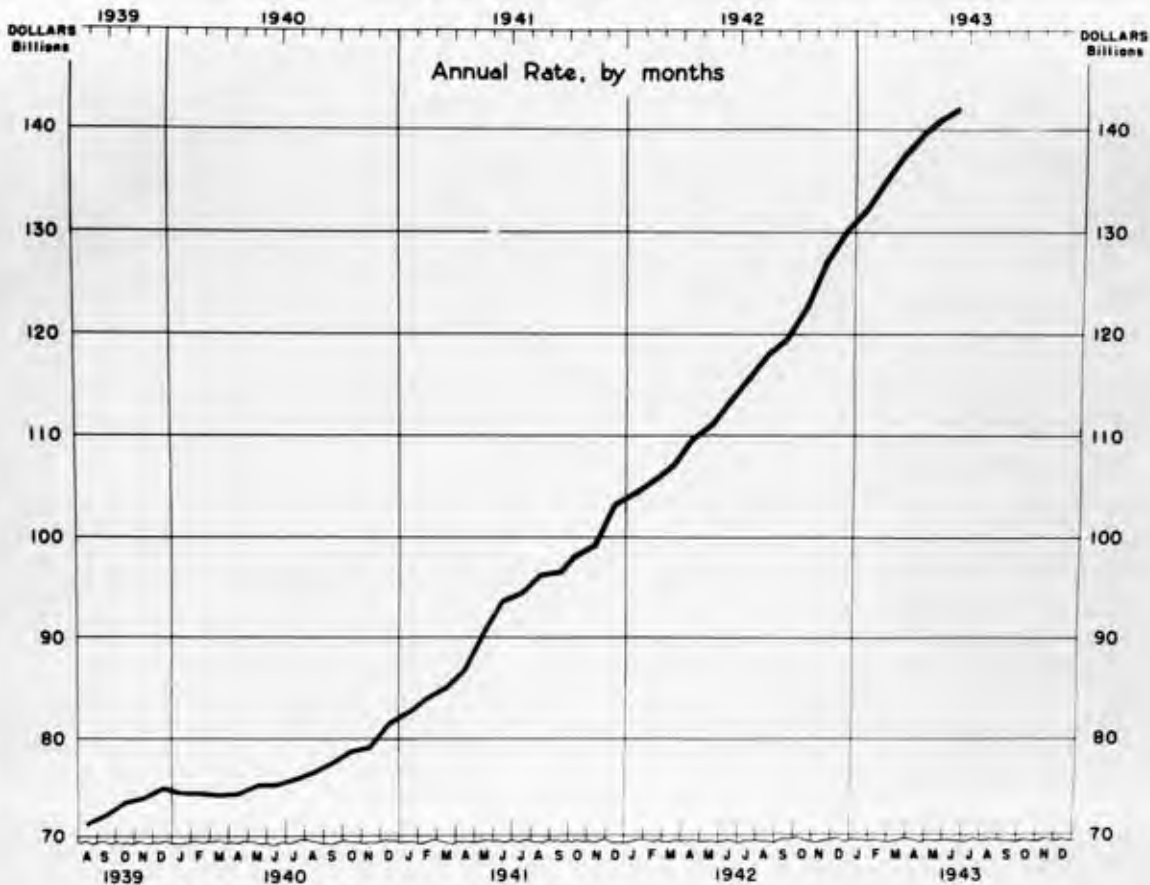
Farm values in two wars compared

The trend of farm real estate values during the present war has been similar to that of World War I, but the extent of the rise has not been as great. (See Chart 5.) Whereas from March 1919 to March 1943 the index of estimated value per acre of farm real estate increased 18 percent, the index rose 25 percent from March 1914 to March 1918. During the fourth year of World War II, however, (year ended July 1, 1943) the index advanced at a faster rate than during the fourth year of the previous war.

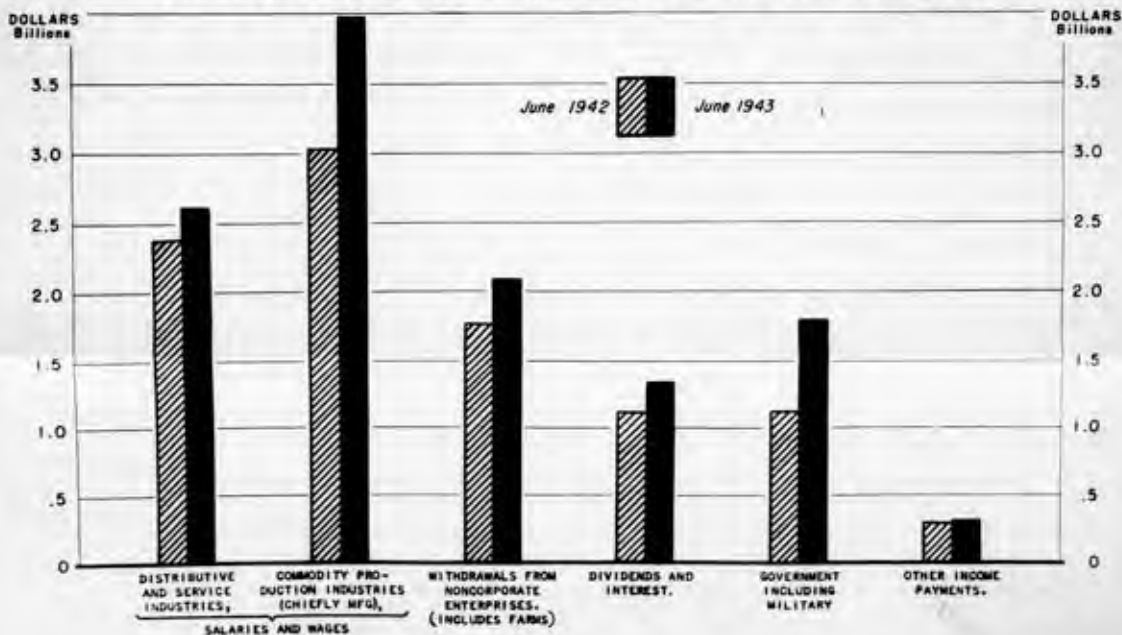
Several factors have tended toward raising farm land values. Farm prices have risen 22 percent in the year ended July 15, and the volume of liquid purchasing power in the hands of potential buyers of farm real estate continues to grow. Speculative buying for early resale is reported to be increasing, particularly in several Western and North Central States. While speculative buying is not widespread, in areas where such activity is increasing values are rising at accelerated rates. On the other hand, the fears of shortages of farm labor and farm machinery, which have been deterrents to purchases of farms, appear to be lessening. "In many respects current developments in the land market," the Department of Agriculture stated last week, "offer a striking parallel to those of the World War I period, which culminated in the 1919 land boom and subsequent collapse."

The Farm Credit Administration, is reported to be studying ways to forestall the development of a speculative farm land boom. Some preventative measures that have been suggested are: (1) special taxes on land profits, (2) credit controls, and (3) the requirement that permits be obtained before sales can be made.

NATIONAL INCOME PAYMENTS AND COMPONENTS



Dollar Totals for Selected Components, June 1942 and June 1943



Source: Department of Commerce

STOCK PRICES, DOW-JONES AVERAGES

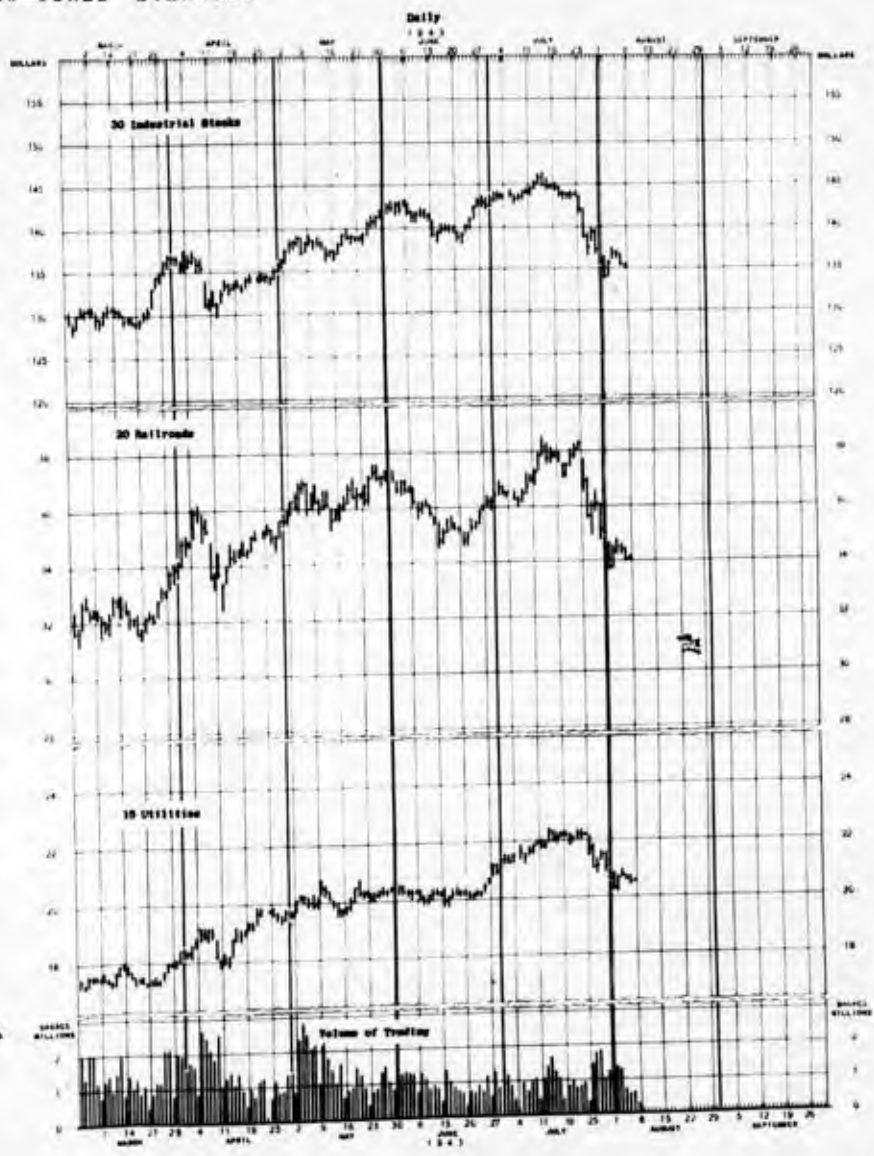
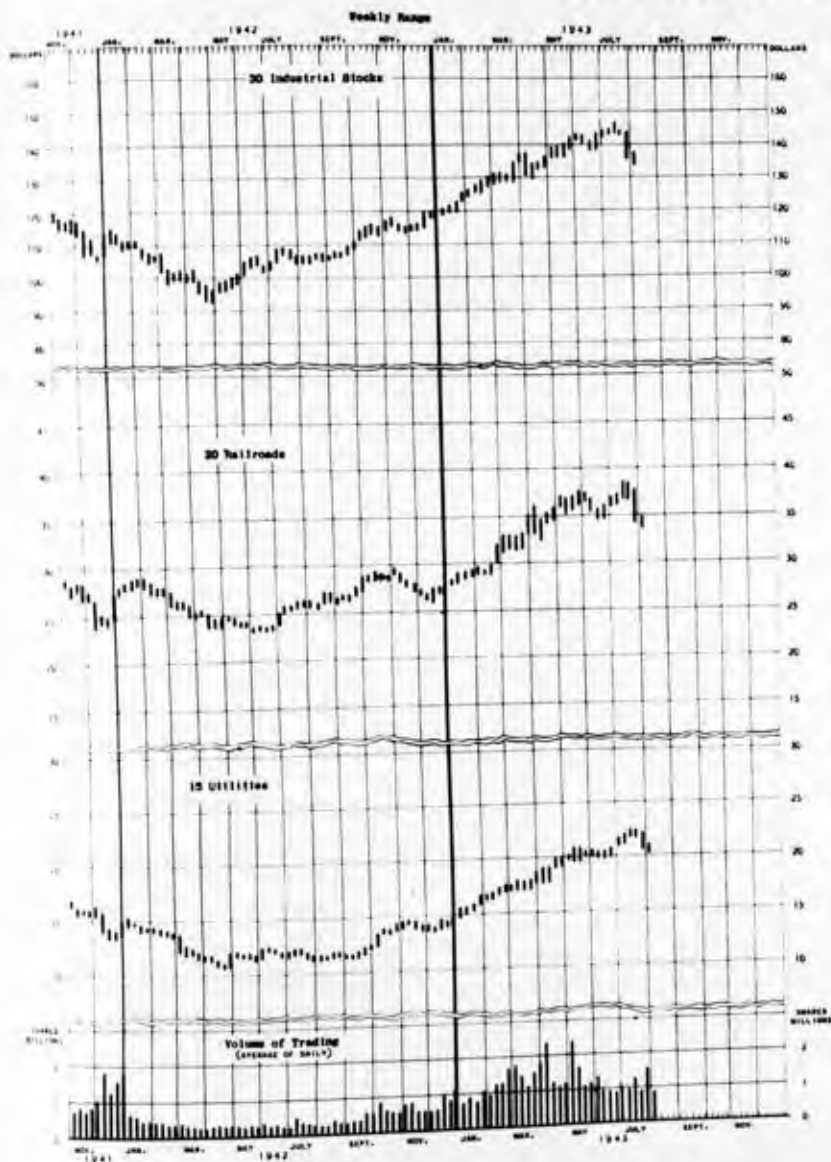
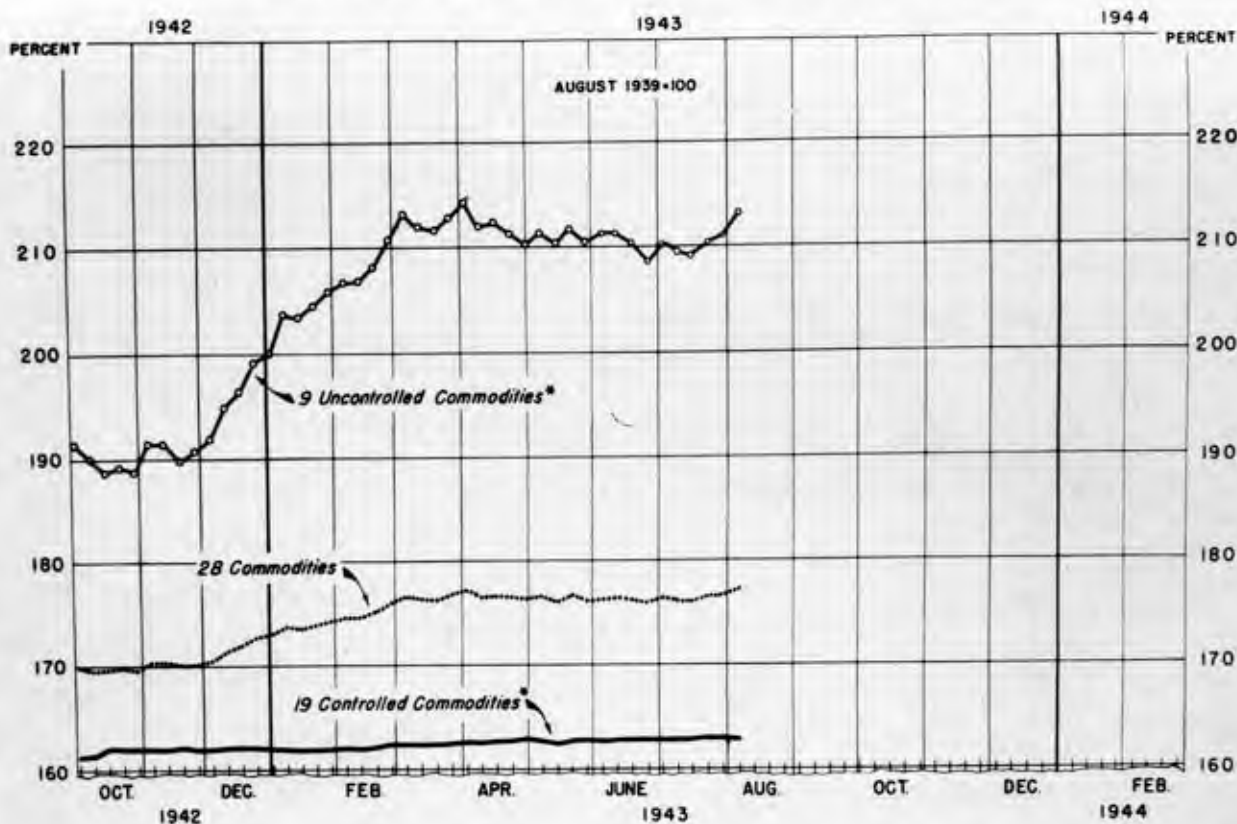
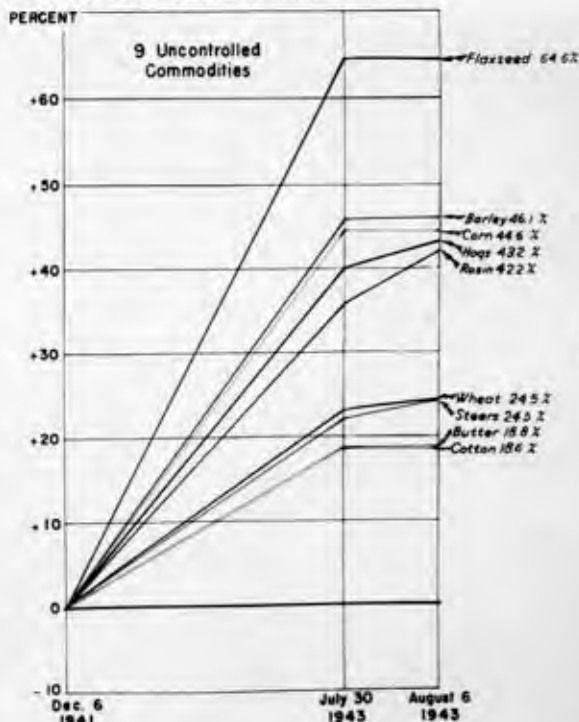
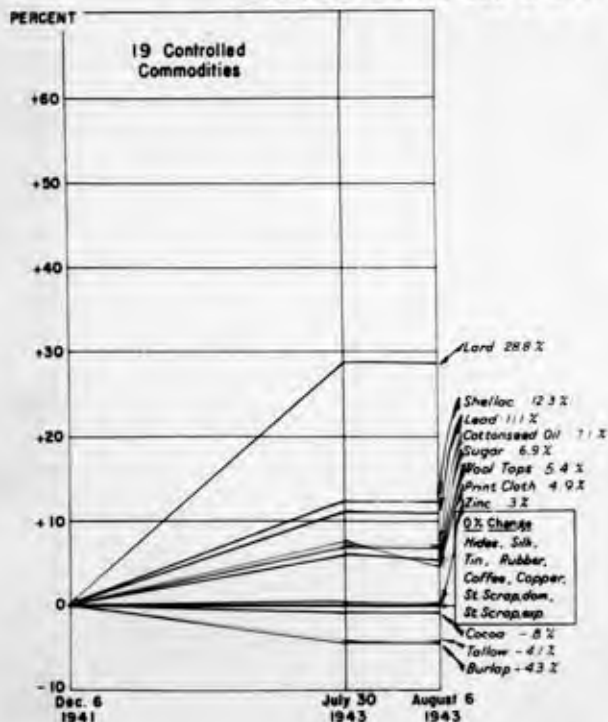


Chart 2

MOVEMENT OF BASIC COMMODITY PRICES



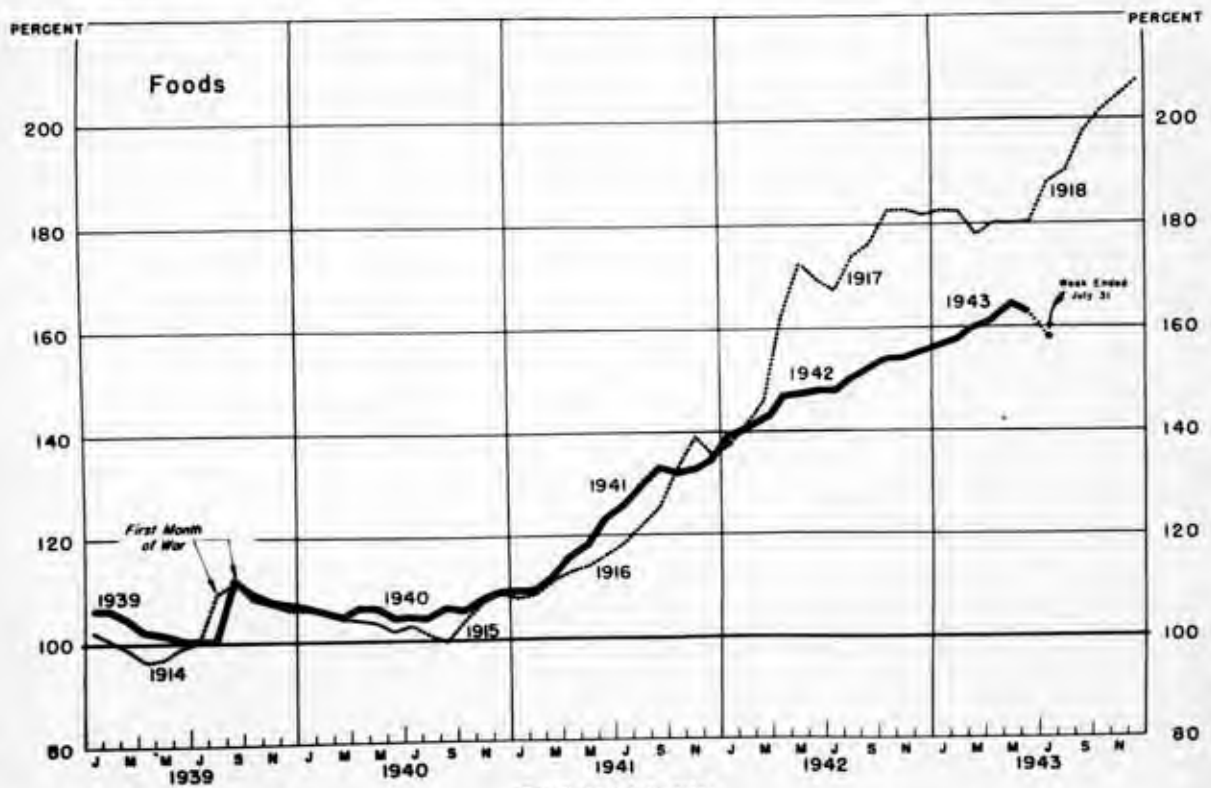
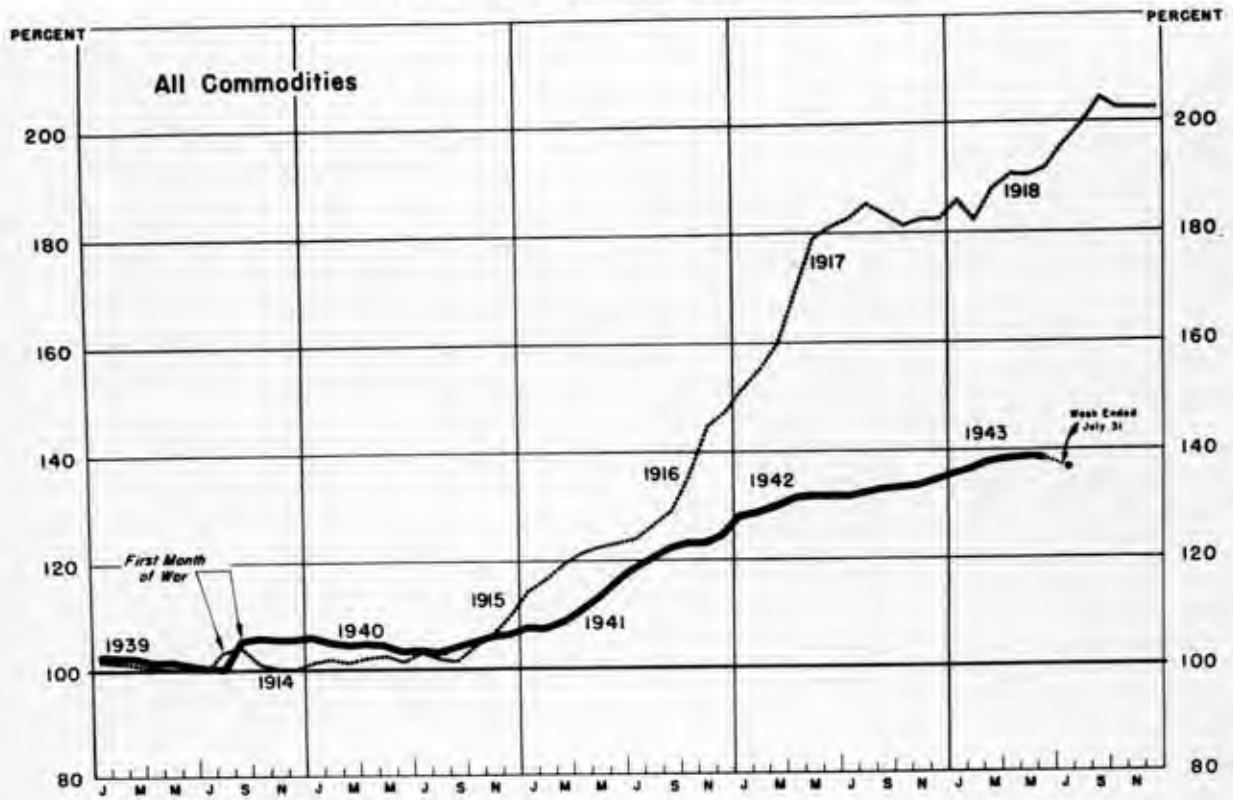
PERCENTAGE CHANGE DEC. 6, 1941 TO JULY 30, AND AUGUST 6, 1943



* 20 Controlled 8 Uncontrolled previous to June 26, 1942

PRICES, 1939 TO DATE COMPARED WITH 1914 TO 1918

July 1914 = 100 World War Period; Aug. 1939 = 100 Present Period

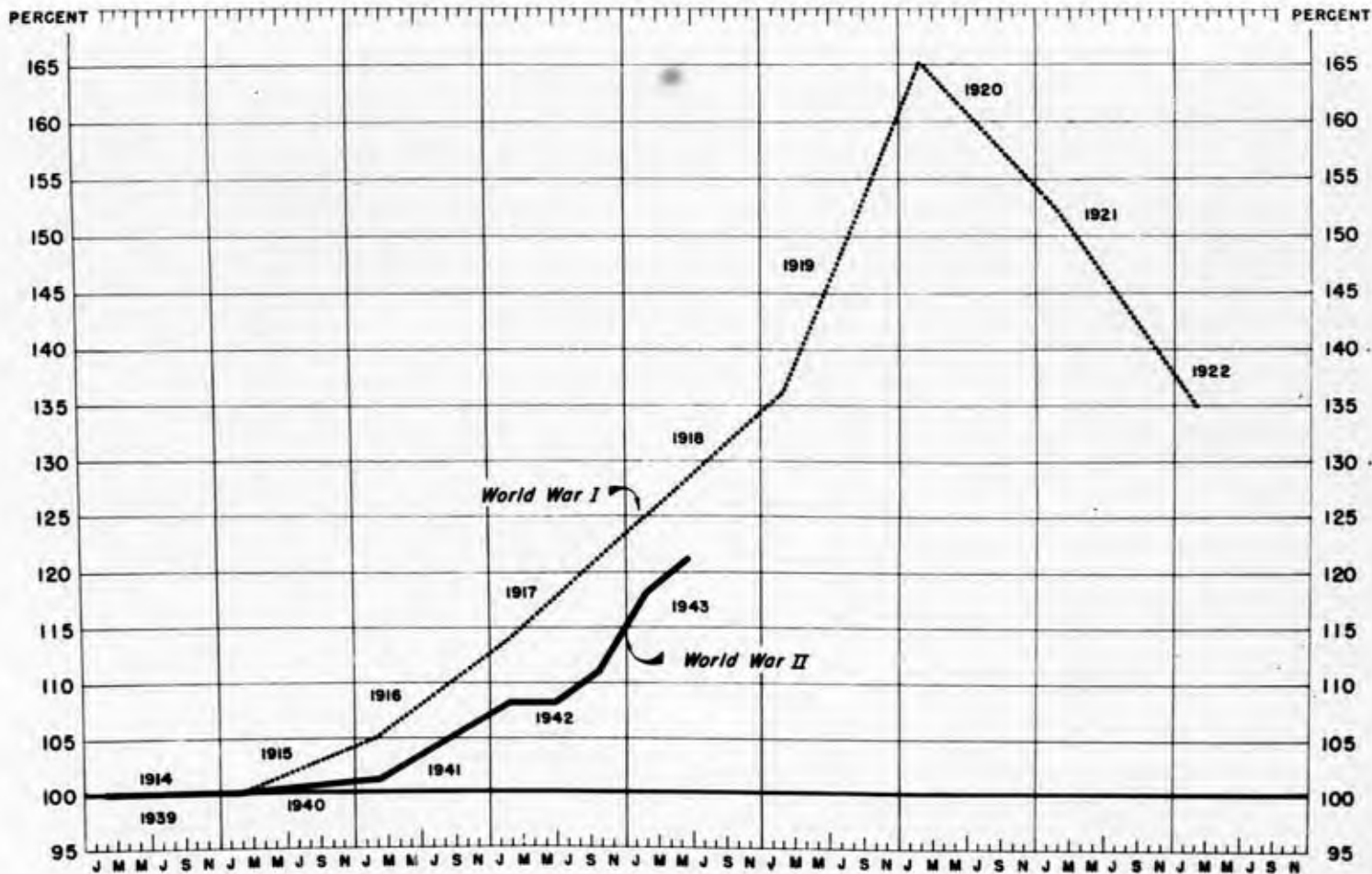


Based on B.L.S. data

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FARM REAL ESTATE VALUES IN TWO WORLD WARS

World War I, 1914=100; World War II, 1939=100



Office of the Secretary of the Treasury
Division of Research and Statistics

C-515

Chart 5
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Regraded Unclassified



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT
PROCUREMENT DIVISION
WASHINGTON**SECRET**

August 9, 1943

MEMORANDUM TO THE SECRETARY:

Supplementing report to you of August 2, 1943, the purchases against the African Program from August 2, 1943, to August 8, 1943, totaled \$2,818,649.60 or a total of purchases for the program thus far of \$54,389,404.02.

Attached is report giving status of shipping against these purchases.

A. J. Walsh
Acting Director of Procurement



SECRET

<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>
Agric. Mach. & Implements	1352.54	106.08	487.95	269.85
Automotive Equipment & Parts	714.57		129.78	72.69
Batteries	84.03	8.	34.99	7.25
Bearings	1.88		2.70	.25
Brass & Bronze	288.4	2.5	137.6	
Brushes & Brooms	.2	.75		
Building Hardware & Material	178.29	38.31	142.	49.86
Chemicals	15008.5	1978.71	4743.06	4671.48
Clothing, Notions & Textiles	15398.10	198.15	2034.24	4848.55
Copper in Various Forms	208.32	44.	108.44	58.43
Electrical Eqpt. & Supplies	66.52	4.	5.29	20.02
Explosives	14.15			
Ferro-Alloys	44.	24.5		
Food & Food Products	6032.25			
Furniture & Office Equipment		.6	.01	
Glass	99.6	60.	78.	95.3*
Graphite Products	22.68		109.86	**
Hand & Cutting Tools	643.09	52.9	541.39	443.70
Industrial Machinery	44.30	63.44	49.92	13.01
Iron	145.00	410.	172.	349.
Jute Bags	751.19	33.55	555.	
Lead & Lead Alloys	54.97	6.5	97.	
Medical Supplies	52.12	5.	23.	
Non-Ferrous Metals, Other	386.	24.	44.	
Paper & Paper Products	3258.31	2123.82	522.9	3486.83
Rope & Twine	247.75	34.75	14.	12.
Rubber	644.06	32.78	319.73	372.

SECRET

<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>
Shoes & Boots	315.68	5.34	199.77	813.5
Steel Alloy & Carbon	6221.12	310.55	5013.18	3595.04
Steel, Pipe & Tubing	216.		44.41	56.5
Tin Plate	845.			
Zinc			28.	
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	53,338.62	5,568.23	15,638.22	19,235.26

*Shipping instructions for 38 tons canceled.

** Shipping instructions for 13.05 tons canceled.

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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. 114 covering
Aircraft Flight Delivery as at August 3, 1943.

The Honourable Henry Morgenthau, Jr.
Secretary of the Treasury
WASHINGTON, D. C.

August 9, 1943.

REF. NO. B-25
SERIAL REPORT NO. 115LOCATION OF OCEANIC FLIGHT DELIVERY AIRCRAFT
(Covering Movements through August 3, 1943)

	(1) RIZE (RAG)	(2) LEN. (RAG)	(3) HND. (RAG)	(4) VST. (RAG)	(5) FL. BOAT (RAG-L/L)	(6) VST. (L/L)	(7) HND. (L/L)	(8) POST. (L/L)	(9) BALT. (L/L)	(10) RIZE, P (A-R-L/L)	(11) HEAD (A-R)	(12) E25 (A-R)	(13) E24, S (A-R)	(14) TRANSP. (L/L)	(15) TOTAL
UNITED KINGDOM	20	96	432	140	302	15	373	177	1	64	193	140	4	37	1,994
MIDDLE EAST		5					95						48	31	179
SOUTH AFRICA				127											127
WEST AFRICA															4
AUSTRALIA					27						4				27
SINGAPORE					9										9
INDIA											2			3	5
OTUS IN CANADA			45	63		6	165								279
BOAF					28			1			16				45
HASSAN											27	51			78
FERRY SERVICE		7									6				13
Acara, Tabaroff, or Freetown				2		14	91		506					2	138
En route Overseas				5		16		1	40		21	1		9	93
Gander, Goose, etc.				1			1	1			7	1		1	12
Hassan or Bermuda (en route)				2	1				22					6	31
Special duty *		4	1	15	4		20		1						45
Montreal				2	1	12	19	4	4		9	5	1	3	60
CRASHED AFTER REPORT			18	20	10		38	15	21		3	2	8	1	136
En route export									4		1				5
At installation center					59						1			1	61
En route instal'n center														1	1
At modification center						28					44	60	10		142
En route modification center						6									6
Special duty in U. S.		2	2						3		1				8
Under repair															1
At starting point (Len Beach, etc)									6						7
CRASHED IN U. S.		1	2	5		1	26	1	13		2	2	7		60
REVERTED TO U. S.		50	20	281											351
TOTAL	20	165	520	643	441	98	828	209	63	64	377	262	81	138	4,578

* In Canada, Bermuda, or Nassau.

**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. 97 -- Aircraft Despatched
-- for week ended August 3, 1943.

The Honourable Henry Morgenthau, Jr.
Secretary of the Treasury
WASHINGTON, D. C.

August 9, 1943.

STATEMENT NO. 97Aircraft Despatched from the United States
Week Ended August 3rd, 1943

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>CONSOLIDATED</u>					
Liberator III	U.K.	U.K.		1	
Liberator III	India	India		4	
Liberator GR V	India	India		5	
Liberator GR V	W. Africa	W. Africa		2	
Liberator GR V	Bahamas	Nassau		2	
Catalina IV	U.K.	U.K.		1	
<u>Curtiss</u>					
Kittyhawk	S. Africa	Capetown		4	
Kittyhawk	Australia	Sydney	20		
Seamew	U.K.	U.K.		2	
<u>DOUGLAS</u>					
Dakota III	India	India		1	
Dakota III	M.E.	M.E.		8	
<u>FAIRCHILD</u>					
Cornell II	S. Africa	Capetown		7	
<u>GRUMMAN</u>					
Hellcat	U.K.	U.K.		2	
<u>GLENN MARTIN</u>					
Baltimore IV	M.E.	M.E.		1	
Baltimore V	M.E.	M.E.		9	
<u>NORTH AMERICAN</u>					
Harvard	U.K.	U.K.		2	
<u>VULTEE</u>					
Vengeance	India	Bombay		7	
Vengeance	India	Karachi		7	
Vengeance	U.K.	U.K.		2	
<u>STINSON</u>					
Reliant	Trinidad	Trinidad		2	
<u>VEGA</u>					
Ventura GR V	M.E.	M.E.		4	5
Ventura GR V	Canada	Canada			
			TOTALS	53	40
					5

British Air Commission
Movements Division
August 7th, 1943

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 261

Information received up to 10 A.M., 9th August, 1943.

1. AIR OPERATIONS

WESTERN FRONT. 7th/8th.

MILAN. 191 tons dropped, including 45 4,000 lb. H.E. Bombing fairly well concentrated, attack effective, many fires, moderate heavy and light anti-aircraft.

TURIN. 191 tons, including 27 4,000 lb. H.E. and 82 tons incendiaries. Very concentrated attack, fires quickly gained hold, smoke to 10,000 feet, very weak ground defences.

GENOA. 166 tons, including 25 4,000 lb. H.E. Docks and harbour clearly identified, attack concentrated, large fires, several explosions reported. 2 Bombers missing from MILAN, a third crashed in NORTH AFRICA.

8th. 40 unescorted Bostons made a successful low level attack on U-boat stores at RENNES. A large concentration of bombs was seen in and around the main section of the depot. 2 Bostons missing. Torpedo Hampdens attacked a convoy off Southwest NORWAY, probably hitting a 2,000 ton ship and escort vessel.

OFFICE
SECRETARY OF TREASURY
1943 AUG 10 PM 4 25
TREASURY DEPARTMENT