

DIARY

Book 658

August 23-24, 1943

- A -

Africa
See Occupied Territories

Book Page

- B -

Business Conditions
Haas memorandum on situation, week ending August 21, 1943 -
8/23/43..... 658 10

- F -

Federal Home Loan Bank
See Financing, Government: War Savings Bonds
(3rd War Loan Drive)
Financing, Government
War Savings Bonds:
3rd War Loan Drive:
Maritime Commissioner Land offers support - 8/24/43.. 131
Knox asked to issue directive that fullest cooperation
shall be given Treasury in present drive - 8/24/43.. 137
a) Knox reply: See Book 659, page 187, and
Book 661, page 186
Federal Home Loan Bank System thanked for booklet -
8/24/43..... 142
Interdepartmental War Savings Bond Committee program -
8/24/43..... 145

- I -

Interdepartmental War Savings Bond Committee
See Financing, Government: War Savings Bonds
(3rd War Loan Drive)
Internal Revenue, Bureau of
Liquor: Bootleg operations as reported by Drew Pearson denied
by Helvering - 8/23/43..... 32
Italy
See Occupied Territories

- L -

Liquor
See Internal Revenue, Bureau of

- M -

Maritime Commission
See Financing, Government: War Savings Bonds
(3rd War Loan Drive)

- N -

Navy Department

See Financing, Government: War Savings Bonds
(3rd War Loan Drive)

North Africa

See Occupied Territories

Book Page

- O -

Occupied Territories

Fiscal Officer:

See also Book 653

Names suggested - 8/24/43..... 658 185

Italy: Treasury suggests to General Hilldring assistants
for Colonel Foley - 8/27/43: See Book 659, page 267

London: Wolfe as representative of the Army on fiscal affairs
in London discussed by HMJr, McCloy, Hilldring, and White -
9/1/43: Book 661, page 78

a) HMJr does not approve

African Program:

Purchases, August 16-22 - 8/23/43..... 27

" " 23-29 - 8/30/43: Book 660, page 73

- W -

War Agencies

Resumé - 8/23/43..... 30

14
August 23, 1943
5:25 p.m.

HMJr: Hello.
Operator: Mr. Daniels has gone for the day and he will be home in thirty minutes.
HMJr: Well, you might see if I'm still around.
Operator: All right.
HMJr: Thank you.

5:33 p.m.

HMJr: Hello.
Operator: Go ahead.
Jonathan Daniels: Hello, Mr. Secretary. How are you, sir?
HMJr: Fine. Miss Tully spoke to Mrs. Klotz today and they had an answer from the President and I gathered the gist of it was that the President will be glad to have you give us your spare time....
D: All right, sir. I can give you a good deal of that.
HMJr:and if that's all right with you, it's all right with me....
D: Fine.
HMJr:so I think I'll have a - if you would let Gamble know when you're ready to start, we'd like to have you start in the morning.
D: All right. Suppose I come by, Mr. Secretary, I'd like to get a chance to talk to you and get your ideas.
HMJr: Good. Well, what time would that be?
D: Oh, 'most any time that would suit you.
HMJr: How early?

- 2 -

D: Well, I - about 9:30.

HMJr: Ah - that would break into my morning.

D: Well, earlier than that?

HMJr: How about 9:00 o'clock?

D: 9:00 o'clock would be fine.

HMJr: Good.

D: I'll be at your office.

HMJr: Thank you.

D: Good bye, sir.

FROM TREASURY DEPARTMENT

BUREAU WAR FINANCE DIVISION

CHG. APPROPRIATION EXPENSES OF LOANS

August 23, 1943

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

To Attached List

BECAUSE OF THE COMMUNITY IMPORTANCE OF DRUG STORES AND THEIR EVENING SERVICE TO THE PUBLIC, I WOULD LIKE TO HAVE YOU SELECT AT LEAST ONE OF YOUR STORES IN EACH IMPORTANT SHOPPING COMMUNITY WHERE YOU OPERATE TO SERVE AS AN OFFICIAL DRUG STORE WAR BOND ISSUING AGENT FOR THE THIRD WAR LOAN SEPTEMBER 9 TO OCTOBER 1. IF YOU NEED THEN SPECIAL WOMEN VOLUNTEERS TO ASSIST IN ISSUING BONDS WILL BE PROVIDED. I HOPE YOU WILL LET YOUR MANAGERS KNOW OF MY DESIRE TO UTILIZE THE COMMUNITY IMPORTANCE OF DRUG STORES. WOULD YOU PLEASE FURNISH US A COMPLETE LIST OF YOUR STORES WHICH YOU WOULD LIKE TO QUALIFY AS ISSUING AGENTS SO THEY CAN BE SUPPLIED WITH THE NECESSARY ASSISTANCE AS WELL AS SPECIAL MATERIAL WE WILL FURNISH.

HENRY MORGENTHAU, JR.

AM

Presidents, Chain Drug Stores

August 23, 1943

Mr. E. Roy Albright,
Albright and Wood,
300 Dauphin Street
Mobile, Alabama.

Mr. J. F. Gallaher,
Gallaher Drug Company
301 East First Street,
Dayton, Ohio.

Mr. M. H. Katz
Katz Drug Company
1180 Walnut Street,
Kansas City, Mo.

Mr. Paul B. Bissette,
Bissette's Drug Stores,
114 East Nash Street
Wilson, North Carolina.

Mr. A. L. Gasen
Gasen Drug Stores,
4418 Olive Street,
St. Louis, Missouri.

Mr. M. C. Naylor,
Lane Drug Stores
477 Peachtree St.,
Atlanta, Georgia.

Mr. H. S. Shapero
Cunningham Drug Company
1927 Twelfth Street
Detroit, Michigan.

Mr. Joseph Genovese,
Genovese Drug Stores,
2112 Newtown Avenue,
Long Island City, N.Y.

Mr. M. L. Vermilya
Liggett Drug Company
71 West 23rd Street,
New York, New York.

Mr. Robert M. Cole,
Coles Drug Stores
712- 17th Street,
Knoxville, Tennessee.

Mr. Sam E. Weiss,
Glaser Drug Company
1005 Big Bend Boulevard
St. Louis County, Mo.

Mr. Webb Mading
Mading's Drug Stores,
1005 Jackson Street,
Houston, Texas.

Mr. Louis W. Cohen
Cohen Drug Company
905 Virginia Street,
Charleston, West Virginia.

Mr. H. A. Goodykoontz,
Goodykoontz Drug Stores,
Bluefield, West Virginia.

Mr. T. L. Evans,
Crown Drug Stores
1927 Twelfth Street,
Detroit, Michigan.

Mr. E. I. Ranner,
C. H. Griest Company
1125 Market Street,
Wheeling, West Virginia.

Mr. A. S. Lavine,
Dade Pharmacies,
1512 Northwest Seventh Ave.,
Miami, Florida.

Mr. G. C. Carey
Harvey and Carey,
327 Elm Street,
Buffalo, New York.

Mr. Robert B. Dockum
Dockum Drug Company
212 West Douglas Street,
Wichita, Kansas.

Mr. E. F. Rosch
Hook Drugs, Inc.,
27 North California St.,
Indianapolis, Indiana.

Mr. J. W. Cassin
Dew Drug Company
Fifth and Broadway
Cincinnati, Ohio.

Mr. Sinclair Jacobs,
Jacobs Pharmacy Company
77 Auburn Avenue
Atlanta, Georgia.

Mr. B. B. Berry
Eckerd's Drug Stores,
1107 State Street,
Erie, Pennsylvania.

Mr. E. L. Chapotel
Katz and Neuhoff, Ltd.,
841 Canal Street,
New Orleans, Louisiana.

Mr. W. J. Marshall
Marshall Drug Company
West Ninth Street and Lakeside Ave.
Cleveland, Ohio

Mr. A. P. Martin
Martin Drug Co.
Congress and Church Streets
Tucson, Arizona

Mr. G. H. Heine
Meyer Brothers Company
126 West Columbia Street
Fort Wayne, Indiana

Mr. H. E. Brooksbank
Fred Meyer, Inc.
633 Southwest Fourth Avenue
Portland, Oregon

Mr. J. S. Roberts
Morris Dickson Stores, Inc.
220 Travis Street
Shreveport, La.

Mr. W. M. Berg
Owl Drug Company
657 Mission Street
San Francisco, Calif.

Mr. Philip O. Small
Parkview Pharmacies
2000 Baltimore Avenue
Kansas City, Mo.

Mr. Otto Norton
Peck Drug Stores
427 Ottawa Avenue
Grand Rapids, Michigan

Lewis Rodnon
Silver Rod Stores, Inc.
14 Journal Square
Jersey City, N. J.

Mr. F. J. Griffiths
Pennsylvania Drug Company
636 Eleventh Avenue
New York, New York

Mr. T. N. Beavers
Peoples Drug Stores
77 F Street, Northeast
Washington, D. C.

Mr. Scott C. Rea
Rea and Derick
Fifth And Orngage Street
Northumberland, Pennsylvania

Mr. Wallace J. Smith
Read Drug and Chemical Company
Southwest Race and Ostend Streets
Baltimore, Md.

Mr. Oscar Rennebohm
Rennebohm Drug Stores
550 West Washington Avenue
Madison, Wisc.

Mr. Paul S. Wallingford
Republic Drug Company
1010 East Colfax Street
Denver, Colorado

Mr. J. C. Baker
Ropes Drug Company
193 Washington Street
Salem, Massachusetts

Mr. C. E. Roseman
Standard Drug Co.
401 West St. Clair Ave
Cleveland, Ohio

Mr. J. S. Rutledge
Rutledge Drug Company
380 East Exchange Street
Akron, Ohio

Mr. Henry Lischer
Schlegel Drug Stores
220 West Second Street
Davenport, Iowa

Mr. Ira I. Schwars
Schwars Druggists, Inc.,
95 New Jersey Railroad Avenue
Newark, New Jersey

Dr. H. H. Silverforb
Silverforb Pharmacies
55 and Troost Streets
Kansas City, Missouri

Mr. Rae E. Skillern
Skillern and Sons
516 North Pearl Street
Dallas, Texas

Mr. B. L. Snellgrove
Snellgrove Drug Company
546 Broad Street
Gadsden, Alabama

Mr. W. J. Hug
Sun Drug Company
Bouquet and Joncaire Streets
Pittsburgh, Pennsylvania

Mr. M. A. Sanders
Snyder's Drug Stores
26 South 7th Street
Minneapolis, Minnesota

Mr. T. P. Taylor
T. P. Taylor and Company
309 Coleman Building
Louisville, Kentucky

Mr. H. H. Borun
Thrifty Drug Stores
134 East Seventh Street
Los Angeles, California

Mr. C. R. Walgreen, Jr.
Walgreen Drug Stores
744 Bowen Avenue
Chicago, Illinois

Mr. Avit W. Cancienne
Waterbury's Drug Stores
526 Canal Street
New Orleans, Louisiana

Adolph Weinberger
Weinberger Drug Stores
2400 Superior Avenue
Cleveland, Ohio

Walter G. Baumhoger
Whelan Drug Stores
215 Fourth Avenue
New York, N. Y.

Mr. Lester F. Widmann
Widmann and Tesh
Bellefonte Avenue and Church Street
Lockhaven, Pennsylvania

Mr. Isadore Levine
John H. Wood, Company
126 Market Street
Philadelphia, Pennsylvania

Mr. H. A. Woods
H. A. Woods Drug Company
130 $\frac{1}{2}$ Southeast South Street
Evansville, Indiana

Ted Gamble
Secretary Morgenthau

7
Follow-up 8/24/43

Has Gamble reported
to Wisp? 8/20/43

Gamble was seen
8/24/43.

I think that we should make every effort to have as many places as possible, which are open in the evenings, sell war bonds, so that the working man and woman will have a chance to buy them. I would suggest that you start with the drug stores first.

Would you please let me have a report on this Tuesday morning?

2

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

August 23, 1943

TO Secretary Morgenthau
FROM Randolph Paul

Mr. Baruch called on Friday to express his regrets at not attending the meeting last Wednesday, and to say that he would like to get together with us the middle of this week.

I am attaching a transcript of the conversation.

R.C.P.

Attachment.

August 20, 1943

10:00 Mr. Baruch: Good morning, Paul. I want to express to you -- I hope you will tell the Secretary -- I deeply regret I could not come to the meeting. I have been so involved this week on the manpower business. I'm one of those fellows that can only do one thing at a time. I'm going over my report now.

Mr. Paul: I called you hoping you would be able to get over.

Mr. Baruch: You changed the day, didn't you?

Mr. Paul: That's right.

Mr. Baruch: I will have a little more time next week -- I thought I'd go over things -- I just wanted to express my regret.

Mr. Paul: I'm going to be out of town Monday and Tuesday.

Mr. Baruch: I hope you will arrange with the Secretary --

Mr. Paul: I know the Secretary will want to get your reaction.

Mr. Baruch: I'll call you about the middle of the week.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE August 23, 1943

TO Secretary Morgenthau

Prepared by: ~~Mr. Daggitt~~ Mr. Daggitt, Mr. Murphy and Miss Michener *W.M.*Subject: The Business Situation,
Week ending August 21, 1943. *Chambers*Summary

Cost of living: A reduction of living costs to approximately the September 1942 level "before many weeks have passed" was predicted last week by the OPA's general manager, Chester Bowles. Definite plans have been made but no details were given other than to indicate that a cut-back in the prices of fruits and vegetables is contemplated. The increase in fresh fruit and vegetable prices has accounted for approximately two-thirds of the rise in the cost-of-living index from September 1942 to July 1943.

Commodity prices: Resuming the downward movement of the past two months, the BLS all-commodity index declined 0.3 percent in the week ended August 14. The index is now at the lowest point in 6 months and is 1.2 percent below the peak reached at the end of May. Last week the index of 28 basic commodities, on the other hand, rose slightly to a new high for the war period.

Employment: Despite the attainment of new peaks in total employment and manufacturing employment in July, manpower shortages continue to seriously hamper the war production program. The West Coast aircraft industry has been particularly hard hit. A recent WLB order authorizing the 48-hour week in the coal mines seems likely to increase production somewhat and ease labor tension, but it will probably necessitate an upward revision in coal prices.

Construction: Employment on construction projects showed a further 6 percent decline in July, and contract awards for new construction dropped to the lowest level since February 1938. The tapering off in construction activity largely reflects the near-completion of the Government-financed war facilities program.

Steel production: Steel operations last week rose to the highest level since the last week in May, and some trade observers believe the balance between supply and demand is now the best since the war began. Civilian steel supplies in the last quarter of the year will be increased 25 percent over the current quarter, although the allotment for the quarter will be only 125,000 tons.

- 2 -

Reduction in living costs predicted

A reduction of living costs to approximately the September 1942 level "before many weeks have passed" was predicted last week by Chester Bowles, general manager of the OPA. This determination to cut back the cost of living was also reaffirmed by War Mobilization Director Byrnes. Both men stated that definite plans have been made, and although no specific details were given, it was indicated that prices of fruits and vegetables would be reduced.

After having risen about 6 percent from September 1942 to May 1943, the BLS cost-of-living index declined 0.2 percent in June and 0.8 percent in July. Moreover, the July figure, which is the latest available, is not believed to fully reflect the reduction in cost of living from recent Government action in reducing ceiling prices on meats and butter by 10 percent, on fresh fish by 20 percent, and on cabbage and lettuce by 50 and 25 percent, respectively. The new cabbage and lettuce ceilings did not become effective until July 20 and the fish ceiling not until July 19, whereas the cost-of-living index for July was as of the 15th of that month. If these reductions were fully reflected, the cost-of-living index would be only 4.5 percent above the September 1942 level, Mr. Byrnes declared.

Fruits and vegetables, the only items specifically mentioned for which price reductions are planned, have been a dominant element in the rise in living costs. The Bureau of Labor Statistics estimates that increases in the prices of fresh fruits and vegetables have been responsible for 84 percent of the rise in the food index from September 1942 to July 1943. This would mean that approximately two-thirds of the rise in the entire cost-of-living index during this period can be attributed to the higher costs of fresh fruits and vegetables. Thus, despite a decline in fresh fruit and vegetable prices of almost 6 percent since mid-May, as of mid-July they were still about 49 percent above the levels of September 1942.

It seems very unlikely that fresh fruit and vegetable prices can be cut back to September 1942 levels, except through the use of some form of subsidy. Some vegetable prices cannot be reduced to that level because of legal limitations governing the pricing of raw agricultural commodities. Moreover, it may not be feasible to cut back the prices of some items to September 1942 levels because of adverse effects on production.

- 3 -

Canadian cost-of-living index moves higher

In contrast to the recent decline in living costs in this country, the Canadian cost-of-living index has been rising gradually. By July 1 the Canadian index had reached the peak levels of last December, following a rise of about 0.3 percent during the preceding month and of 1.6 percent since February. (See Chart 1.) The index, however, is still only 2.9 percent above the level of October 1941, when general price control was instituted. Steadily increasing food costs have been largely responsible for the rise in the index. The largest price advances from June to July were shown by eggs, lamb, and potatoes.

Donald Gordon, chairman of the Canadian prices and trade board, warned recently that Canada's price controls are threatened with collapse through the pressure of labor for higher wages, agriculture for higher prices, and business for profit margins. Wartime controls are losing active public support as the certainty of victory increases, he stated, and the real pressure against the controls is making itself felt. "Unfortunately this let-down of public support comes at the very moment when the need for control is more vital than ever." This difficulty in Canada may foreshadow the problems we shall face as victory draws nearer.

Although the United Kingdom cost-of-living index (shown on Chart 1) rose slightly in the month ended July 1, it continues to move within the range of the past two years. The recent rise is reported to have been chiefly due to an advance in the price of new potatoes. The United Kingdom index of food prices for July 1, however, is not yet available.

All-commodity index declines

In the week ended August 14 the BLS all-commodity index resumed its downward movement of the past two months, after a slight increase in the preceding week. The 0.3 percent decline in the latest week brought the index to the lowest point since the end of February, 102.7 percent of the 1926 average, which is 36.9 percent above the August 1939 level. The index is now 1.2 percent below the peak reached at the end of May. Seasonally reduced prices for apples and potatoes largely accounted for the most recent decline in the index.

Reference to Chart 2 will show that the all-commodity index and the basic commodity index have been following divergent patterns since the President's hold-the-line order of early April. Thus, following the order, the all-commodity index continued to increase until the first part of June, whereas the basic commodity index showed a downward tendency. Since

- 4 -

then the all-commodity index has declined noticeably while the basic index has moved somewhat higher.

The principal reason for the divergence of the two indexes is the difference in their composition. Fresh fruit and vegetable prices, which were a very important factor in both the rise in the all-commodity index from April to June and the subsequent decline, are not included in the basic commodity index. Moreover, the 10 percent roll-back in meat prices, which contributed heavily to the recent decline in the all-commodity index, had no direct effect on the basic commodity index, since meats are not covered by that index. (The basic commodity index does include prices of hogs and steers, but these items were only temporarily and indirectly affected by the meat price roll-back.)

Basic commodity prices irregular

Basic commodity prices moved irregularly in relatively quiet markets last week and the BLS index of 28 basic commodities was very slightly higher. This increase, however, carried the index to a new high, 77.2 percent above the pre-war level of August 1939. (See Chart 3.)

Hog and steer supplies and prices tended to follow a normal seasonal pattern. With smaller marketings, hog prices rose to the highest level since the middle of April, and near the end of the week were 17½ cents above the \$14.75 level at which it has been announced that a ceiling would be imposed. On the other hand, steer prices declined moderately as receipts of grass-fed steers increased. Grain prices tended to move higher with wheat prices up somewhat and barley prices up sharply. However, prices of cotton, flaxseed, and rosin declined.

Manpower shortages retard production despite record employment

The shortage of manpower continues to be an outstanding obstacle to full attainment of war production goals, although total civilian employment in July rose to a new high of 54,300,000, or 300,000 above the previous peak reached in July and August of last year. A gain of 900,000 over June levels was attributed by the Census Bureau principally to the employment of students available for work at the close of the school year.

Aggregate manufacturing employment rose to a new peak in July, due largely to further gains in the transportation equipment industry and a seasonal expansion in the canning industry.

- 5 -

However, these gains were more than offset by a seasonal drop in the number of workers engaged in retail trade, so total non-agricultural employment in July was actually slightly lower than in the previous month.

Steps taken to alleviate labor shortages in aircraft and mining industries

Failure of aircraft production to reach WPB goals recently has been due in part to the shortages and heavy turnover of labor, particularly on the West Coast. In order to alleviate the situation, aircraft workers on the West Coast early this month were granted a blanket 60-day draft deferment but this obviously will afford only temporary relief. Indicative of the heavy labor turnover in the Pacific Coast aircraft plants it was reported recently that during the first half of 1943 150,000 new employees had to be hired to show a net gain of only 12,000 workers. The West Coast aircraft industry is reported to have a current shortage of about 20,000 workers.

Employment in the mining industry showed a further moderate decline in July, thus extending the drop in employment since July 1942 to 10 percent. Employment in bituminous coal mines in July was 15 percent under last year's level, while each of the metal mining industries except iron mining also showed decreases.

To ease the manpower shortage in the nonferrous metal mining industry, the Army has provided for the release of 4,500 soldiers for work in copper, zinc and molybdenum mines. In the coal mining industry, the WPB last week issued an order permitting the work week in the mines to be increased from 42 to 48 hours, with the avowed purpose of increasing production.

Since time and a half pay will be received by the miners for the additional 6 hours wherever the newly authorized schedule is put into effect, the pay envelope of the miners will be increased \$9 weekly. This should tend to assuage demands for additional wage increases and thus diminish the prospects for further labor troubles in the industry. At the same time, increased labor costs may force an upward revision in coal prices, with some operators claiming that an advance of 25 cents per ton will be necessary.

Construction activity shows further decline

In contrast to the situation in many other industries, employment in construction work continues to decline. The

- 6 -

number of workers engaged in construction activity showed a further drop of about 6 percent in July, thus extending the employment drop since July 1942 to more than 900,000, or 43 percent. Moreover, construction contract awards, as reported by the F. W. Dodge Corporation, for July fell 20 percent below the previous month and touched the lowest level since February 1938. Awards for manufacturing buildings during the month were only about one-tenth as great as in July 1942 which was the second highest month on record. (See Chart 4.)

Government-financed war facilities program largely completed

The drop in construction employment and contract awards reflects the fact that the huge Government-financed war facilities program is now very largely completed. According to a recent statement of WPB Chairman Nelson, this program was more than four-fifths completed at the end of June, whereas a year earlier it was only a little over one-third completed.

Facilities for production of ammunition and explosives were 95 percent finished at the end of June, while the synthetic rubber facilities program was 61 percent complete as compared with only 3 percent at the end of June 1942. Chemical facilities were more than 90 percent completed, while 39 percent of the Government-financed high-octane gasoline plants were finished, with substantially greater progress shown by the privately-financed high-octane gasoline program. Ship-building and aircraft facilities were 84 percent and 77 percent completed, respectively.

Steel operations improved

Due to concentration on the construction of facilities for output of ordnance, aircraft, ships and other end products, only 21 percent of the Government's war facilities constructed in 1942 were for raw materials output. During the current year, however, 40 percent of the facilities constructed will be devoted to raw materials expansion. More than three-fourths of the iron and steel program was completed at the end of June, and 7 of the plants that are furthest advanced are being rushed to completion this year.

Steel operations showed a further moderate rise last week, and at 98.8 percent of capacity stood at the highest levels since the last week in May. Moreover, the Iron Age stated last week that steel observers now see a better balance between supply and demand than at any time since the war began. Due in part to the effects of the coal strike, steel ingot production in July was below that of other 31-day months in 1943, but it

- 7 -

was still 3 percent above July 1942. At the rate of gain shown thus far this year, steel ingot production in 1943 would approximate 89 million net tons. This would be below the more optimistic predictions made at the beginning of the year, and noticeably short of the 97 million ton capacity which the WPB last December expected would now be in operation.

Civilian steel supplies increased

As a result of an improved supply situation, civilian steel supplies in the last quarter of 1943 will be increased 25 percent over the current quarter, although the allotment for the quarter will be only 125,000 tons. Among the beneficiaries of this increase will be such widely-assorted civilian goods items as kitchen utensils, bed springs, stoves, needles, and pins. Moreover, it is now predicted that another boost in civilian steel supplies will be possible by the first quarter of 1944, and that limited production of such items as washing machines, electric irons and refrigerators may be possible.

Department store sales gain narrows

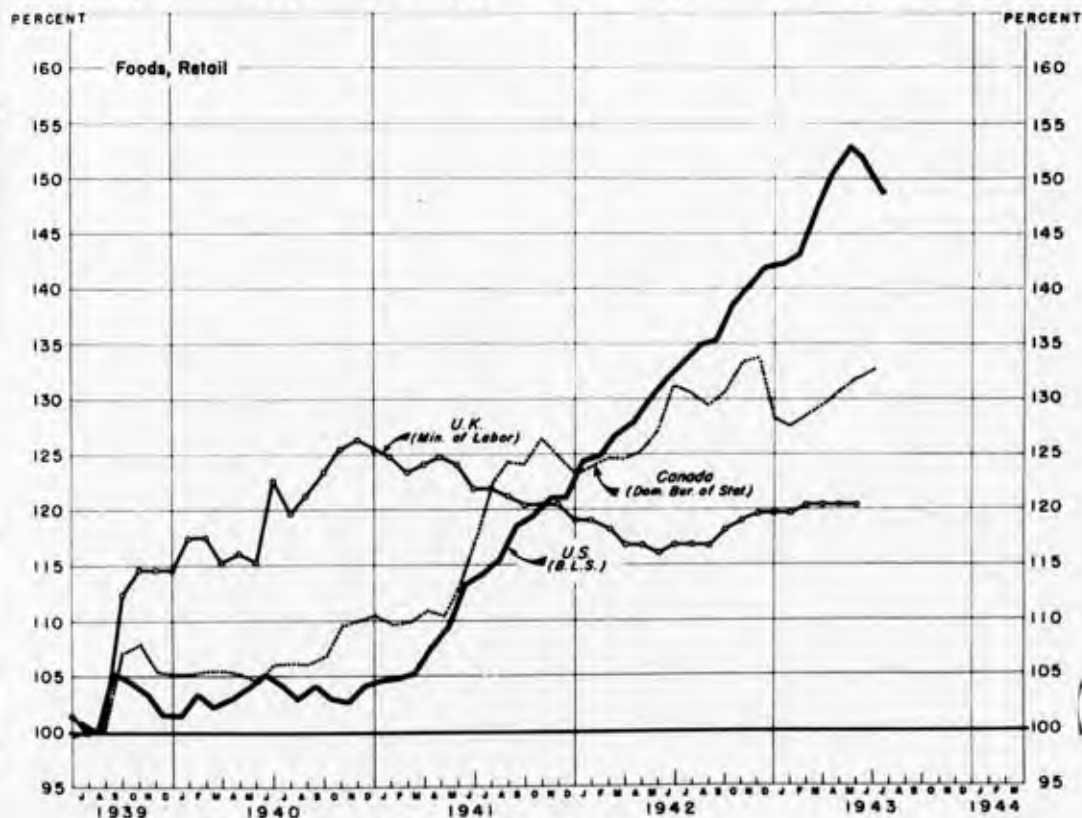
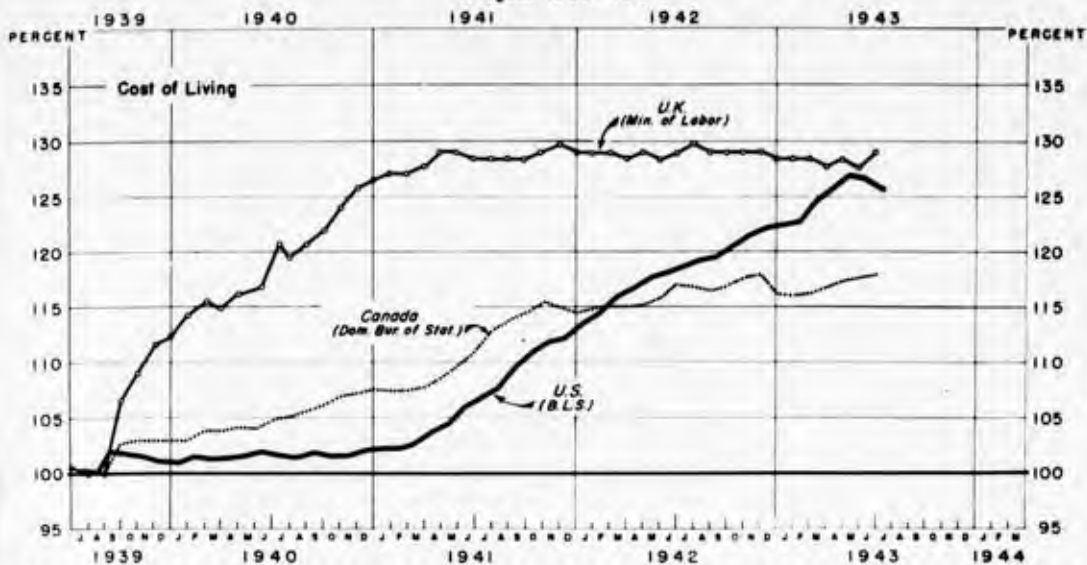
The gain in department store sales over year-earlier levels again narrowed in the week ended August 14, and fell to 4 percent as compared to 7 percent in the previous week. (See Chart 5.) These moderate gains compare with a cumulative sales gain for the year to date of about 14 percent. Sales in the Richmond, New York and Philadelphia districts have fallen below year-earlier levels in each of the first 2 weeks in August, while the Dallas district continues to make the strongest showing with a gain of 37 percent over last year in the latest week reported.

Average prices of department store items are at the same level as last year, according to the Fairchild index for July, hence the above sales comparisons represent approximately the gains in actual volume.

The reduced pace of retail sales continued last week, according to Dun and Bradstreet. The agency reported relatively few promotions to offset the seasonal slack in trade. This may indicate that the WPB program to cut down undue sales promotional activity is getting some results. However, merchandise shortages undoubtedly have been a contributory retarding factor, while the withholding tax may have a somewhat more important influence on sales than first reactions indicated.

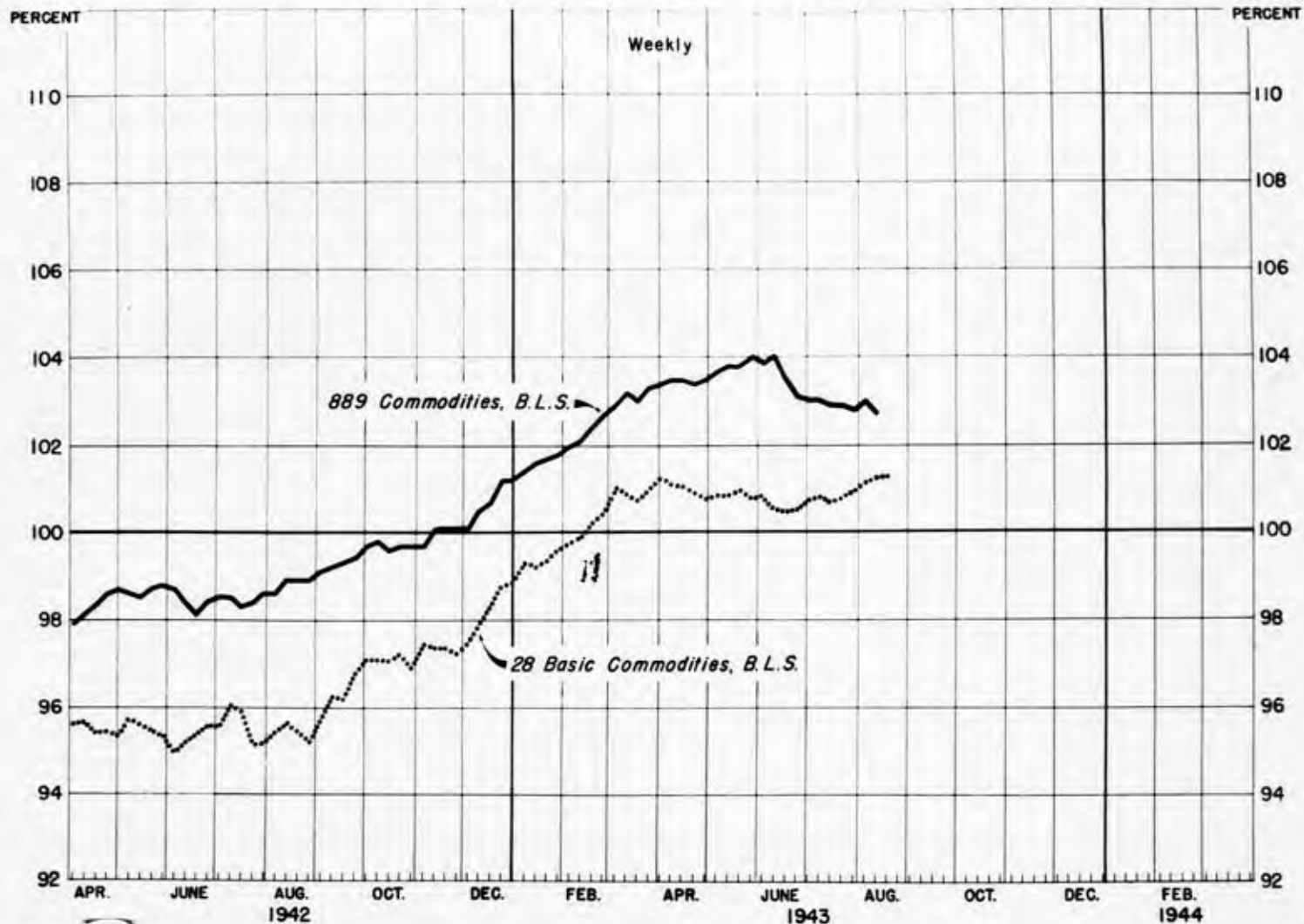
COST OF LIVING, U.S., U.K. AND CANADA

August 1939 = 100

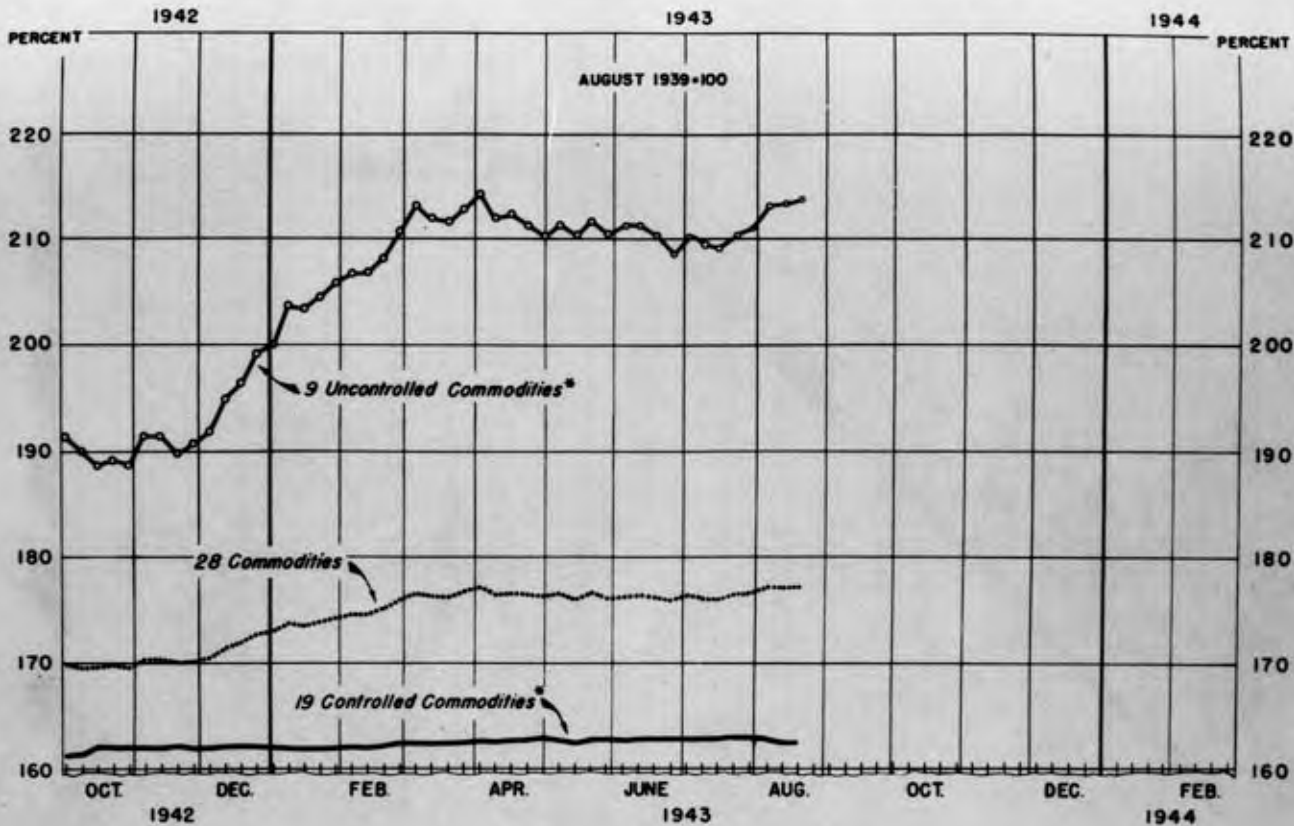


COMMODITY PRICES

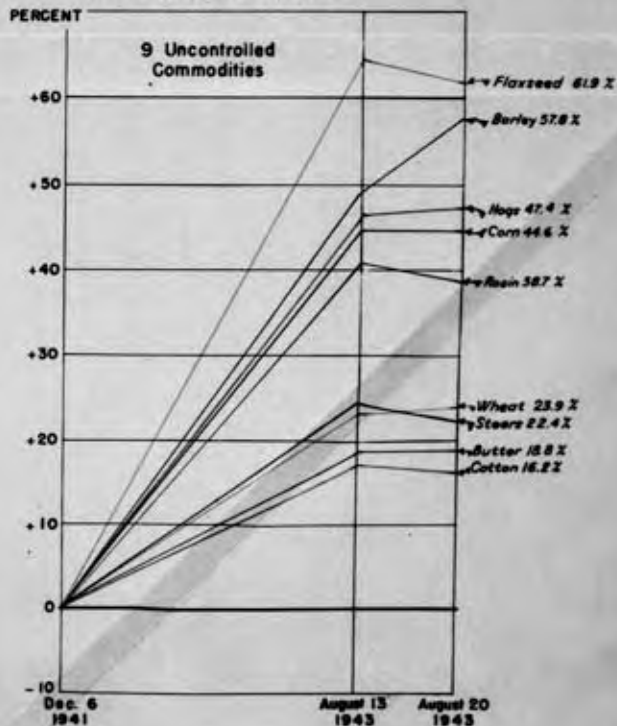
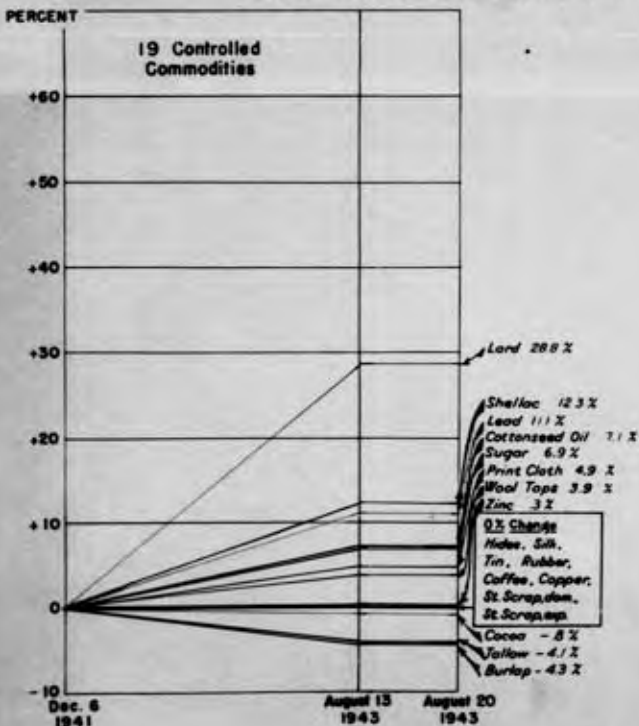
1926 = 100



MOVEMENT OF BASIC COMMODITY PRICES

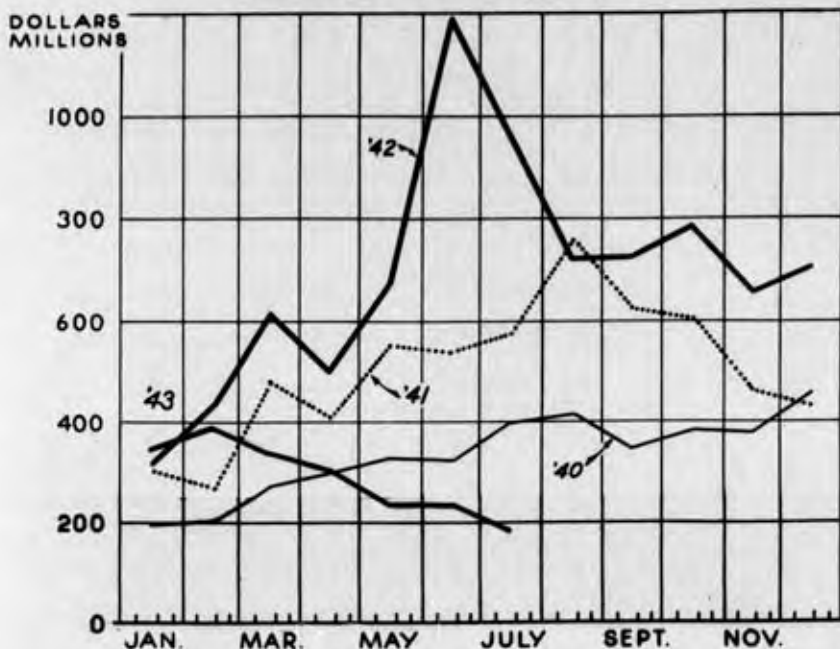


PERCENTAGE CHANGE DEC. 6, 1941 TO AUGUST 13, AND AUGUST 20, 1943

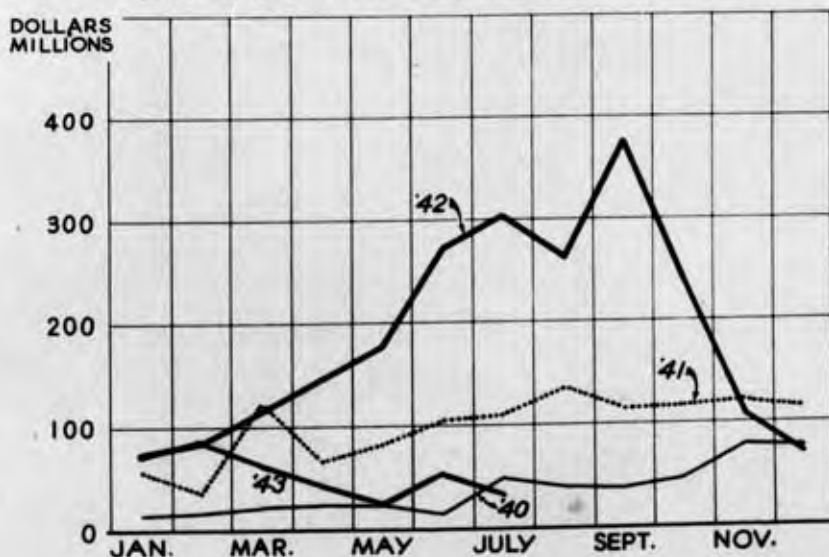


*20 Controlled & Uncontrolled previous to June 26, 1942

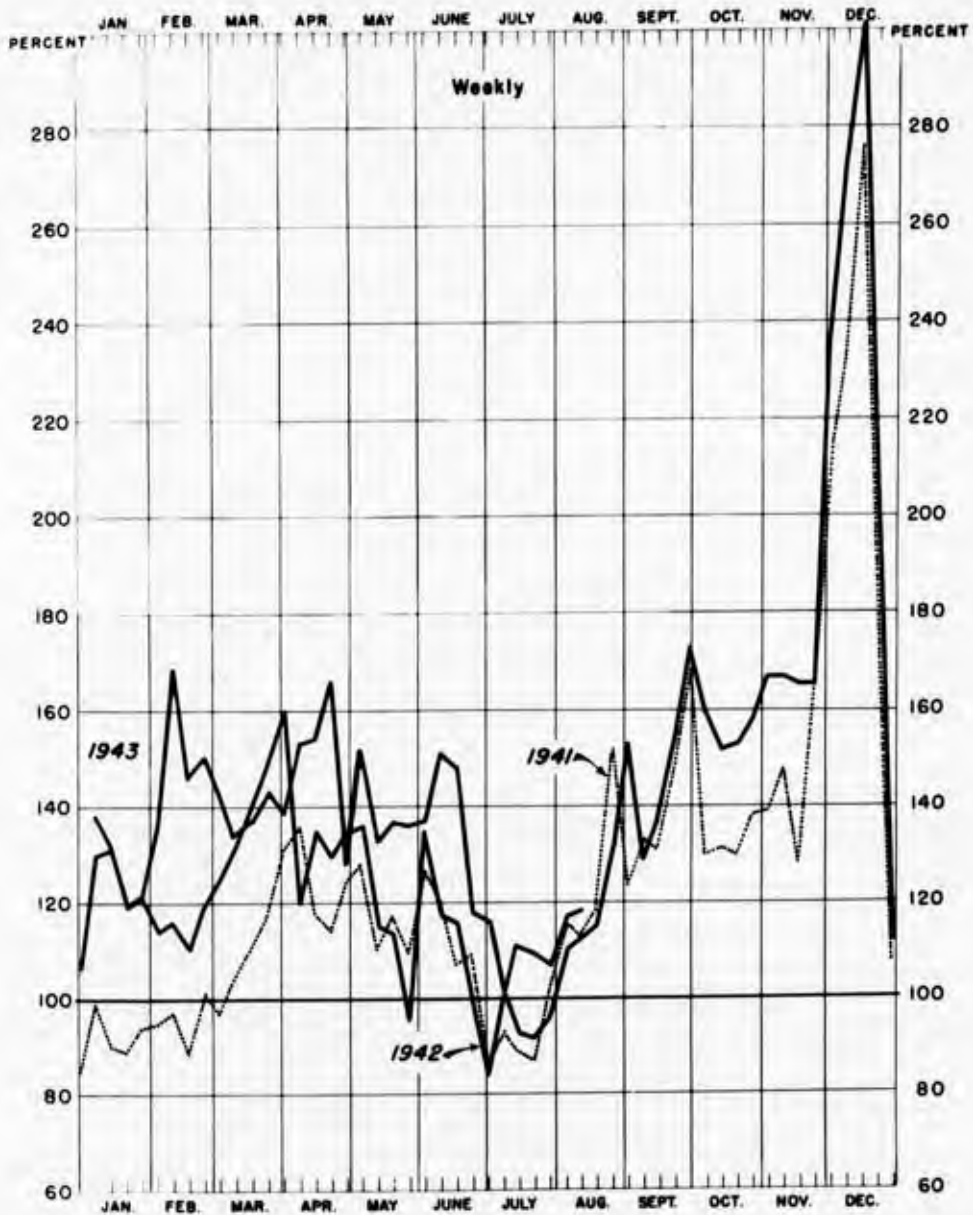
TOTAL CONSTRUCTION CONTRACT AWARDS
(37 States, F. W. Dodge Corp.)



MANUFACTURING BUILDINGS CONSTRUCTION CONTRACTS AWARDED



DEPARTMENT STORE SALES 1935 - '39 = 100, Unadjusted



MEMORANDUM

August 23, 1943.

TO: The Secretary
FROM: Mr. Sullivan

MS



I am attaching hereto a memorandum from Commissioner Helvering denying the charges in the Drew Pearson article carried in the Washington Post on August 18. I am satisfied that the charges are untrue.

Attachment.

ii



TREASURY DEPARTMENT
WASHINGTON

August 19, 1943.

OFFICE OF
COMMISSIONER OF INTERNAL REVENUE

ADDRESS REPLY TO
COMMISSIONER OF INTERNAL REVENUE
AND REFER TO

MEMORANDUM FOR MR. SULLIVAN:

This memorandum is submitted in accordance with your telephone request to Deputy Commissioner Stewart Berkshire, asking for the facts relating to the column by Drew Pearson appearing in the Washington Post of August 18, 1943.

In the first paragraph of the column the statement is made that certain government officers suspect a large bootleg operation has developed in the United States. The information which Mr. Pearson is presumed to have obtained for the purpose of writing his column did not come from any responsible officer or employee of the Bureau of Internal Revenue, and is without foundation.

The statement in the second paragraph to the effect that withdrawals for taxpayment from warehouses are only 55% of withdrawals for last year is untrue. The extent of the reduction in withdrawals of distilled spirits is a matter of public record, and the exact figures are available to anyone desiring to know the facts. Treasury releases for the years 1942 and 1943 show that there were withdrawn and taxpaid during the fiscal year 1942, ending June 30, 1942, exactly 153,967,742 proof gallons, and for the fiscal year 1943, ending June 30, 1943, exactly 152,225,728 proof gallons, or a reduction of 1.1%. While withdrawals of tax gallons decreased to that extent, tax collections on distilled spirits increased from \$574,598,077 to \$781,872,821, on account of the increase in the tax rate from \$4.00 to \$6.00 a proof gallon, which became effective November 1, 1942. The small decrease in withdrawals was not brought about by the tax increase but was the result of self-imposed rationing by the distillers. Without the rationing



- 2 -

program withdrawal of spirits would no doubt have increased in more or less the same proportion as beer, which increased from approximately 60,000,000 to 68,000,000 barrels.

The other point in the column, which assumes the decrease in consumption of taxpaid liquor to be correct as he stated, forthwith proclaims there exists wholesale diversion and consumption of cleaned taxfree denatured alcohol which more than offsets the reduction in consumption of taxpaid spirits. This statement is equally fanciful with the others, and is without foundation in fact. While the production of alcohol has greatly increased during the past year, stocks are either owned or controlled by the government and are used almost entirely in the production of munitions and essential war materials or in the creation of stocks for rubber reserve. The allotments for use in the manufacture of toilet articles, etc., which have always been the source of supply for those engaged in diversion, have been greatly reduced by orders of the War Production Board. There has been no evidence of any cleaning plants in operation, and chemical analysis of seized liquors does not indicate that any is derived from denatured alcohol, as is the case when cleaning operations really exist.

It is true that inspectors and storekeeper-gaugers are not assigned at all times to plants using denatured alcohol in the production of toilet articles, anti-freeze products, etc., as is indicated in the note at the foot of the article, but such denatured alcohol is withdrawn from the distilleries or warehouses under a bond covering the tax and denatured in such a manner as to protect it against diversion, or at least when cleaned for beverage use will leave remaining some trace of the denaturant. Regulations require the keeping of records and periodical inspections are made at these plants, and diversions are sooner or later detected. As stated above, no evidence of any diversion exists at this time.

Of course there is a limited amount of

- 3 -

bootleg spirits produced, largely in the mountainous areas, which production is at its lowest ebb as a result of sugar rationing and other conditions incident to the present emergency. Aside from this, it is not believed there is any considerable amount of non-taxpaid spirits being consumed throughout the country.


Commissioner.

AUG 18 1943

The Washington

Merry-Go-Round

By Drew Pearson

CERTAIN Government officials who deal with the liquor industry strongly suspect that a multimillion dollar bootleg operation has developed in the United States.

They began to smell something when they got the latest figures, which show that the amount of liquor being withdrawn from warehouses for sale to the public is only 55 per cent of last year. And there is every evidence that actual consumption of liquor not only has not dropped to 55 per cent, but is even greater than last year.

America learned the tricks of bootlegging some years ago, when bootlegging was really beset with difficulties. It was illegal, during prohibition days, to distill liquor, to bottle it, and to sell it. Today, however, none of these processes is in itself illegal.

Temptation to carry on bootleg operations is very strong because of the vast quantities of alcohol available, and the tremendous profit in marketing this alcohol as a beverage. Industrial alcohol costs only 90 cents a gallon. Add 5 cents for "cleaning" the denatured alcohol, another 5 cents for bottling, and you have a 190-proof gallon of "beverage" which, after adding water to reduce the "proof," is marketable at \$38 a gallon.

The difference between a cost price of \$1 a gallon and the retail price of \$38 is apparently more than some producers can resist.

NOTE: Alcohol Tax Unit inspectors are assigned to distilleries, but not to plants using industrial alcohol, as in the manufacture of paints or antifreeze mixtures.

Meat

A WASHINGTON housewife walked into a chain store market with 35 red points and a hunger for ham.

She said to the butcher, "Could I get half a ham? I have only 35 points."

The butcher produced a 5-pound piece. The lady did a little mental arithmetic. Nine points a pound, times six pounds, equals 54 points. "But I don't have 54 points," she said.

"That's all right, lady," said the butcher. "You can take it anyway. We have more hams around here than we know what to do with."

This is the first twitter of what will soon become a welcome chorus. Pork products are coming onto the market with a rush. In fact, marketings of both hogs and cattle are shooting upward, and this trend will continue through the late summer and fall.

Total United States meat production for 1943 is officially estimated at 23,250,000,000 pounds—nearly two billion pounds more than 1942, and by far the largest meat production in the history of the United States.

This staggering figure is so much greater than the 4.8 billion pounds required for the armed forces and Lend-Lease that there will be a comfortable quantity left over for civilian consumption.

Nevertheless, there is no plan to raise the ration allotment for civilians. It looks as if the combination of these two factors—abundant meat supplies and continued tight rationing—will produce more of the irregular marketing which the Washington housewife encountered at the local store.

Rubber Deluge

Officials in the office of the rubber administrator are beginning to wonder what they can do with the hundreds of thousands of tons of synthetic rubber which will come from the new plants next year. It seems a little late, but they are now facing the elementary question of whether or not the tire companies can handle the vast quantities of synthetic rubber.

The greatest amount of rubber ever processed by the Nation's rubber companies in one year was 540,000 tons. But next year we shall have nearly one million tons to deal with. Obviously, the present facilities will be inadequate.

But the problem is aggravated by the fact that tire manufacturing machinery has been knocked down and stored away so that rubber companies could convert to production for the war. Instead of tires, they have been making rubber boats, balloons, tank treads, and life rafts.

Thus we have the problem of finding new plant space in which to bring the machinery back into production, and the further problem of creating entirely new productive facilities to take care of the increased quantities of rubber which will be available for manufacture.

NOTE: The problem of synthetic rubber tires, as previously noted in this column, is quality, not quantity. There will not be enough natural rubber to mix with synthetic to insure a high quality of heavy duty tires.

Badoglio Stymied

STATE DEPARTMENT officials believe that Badoglio took office with the definite intention of getting Italy out of the war and that he cannot turn back from that purpose. But if he had proceeded directly, the Germans would have stepped in and Badoglio would have stepped out before he could catch his breath.

It must be remembered that the German force in Italy is not merely a military force. German civilian officials are in control of practically all railroad, telegraph, and other communication facilities, as well as holding or supervising important municipal and provincial government posts. Thus it becomes impossible for the Italian government to take any step without the Germans being fully aware.

According to this view, the Badoglio "secession" with the Nazis is no indication of what he hopes to do, or try to do later. Likewise, the subsiding of civilian protests against the Badoglio government should not be regarded as indicating that Badoglio has resorted to the same suppressive measures as Mussolini.

State Department officials point out that liberal civilian elements have now shown their hand and thus become vulnerable to Nazi reprisal. Thousands of men have signed manifestos, and scores of editorial writers have broken out into a fine fury against fascism. But this only makes them more vulnerable to the Nazis, who, after all, are still in control.

These Italian leaders, realizing it is no easy matter to step out of the war, are now moderating their tone and indicating a chance to work but plans for peace.

SECRET 27 ✓



OFFICE OF THE DIRECTOR

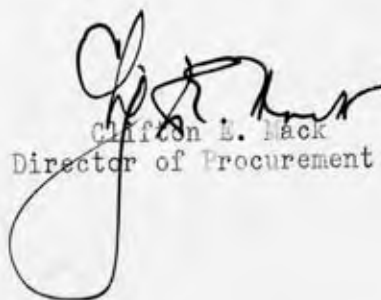
TREASURY DEPARTMENT
PROCUREMENT DIVISION
WASHINGTON

August 23, 1943

MEMORANDUM TO THE SECRETARY:

Supplementing report to you of August 16, 1943, the purchases against the African Program from August 16, 1943, to August 22, 1943, totaled \$941,080.65 or a total of purchases for the program thus far of \$55,941,842.05.

Attached is report giving status of shipping against these purchases.


Clifton E. Mack
Director of Procurement



<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	1730.91	5.5	404.01	251.16
Automotive Eqpt. & Parts	783.37		86.12	71
Batteries	120.77		16.75	7
Bearings	1.95	.02	3.01	.1
Brass & Bronze	288.4	2.5	87.6 *	
Brushes & Brooms	.8	.15		
Bldg. Hardware & Material	220.58	45.8	161.08	121.1
Chemicals	17,051.41	439.02	5265.36	5305.5
Clothing, Notions & Textiles	15,567.75	32.60	2515.3	5176.75
Construction Machinery				.07
Copper in Various Forms	240.41	52.11	129.67	4.07
Elec. Eqpt. & Supplies	66.52	4.32	24.14	33.52
Explosives	14.15			
Ferro-Alloys	66.44	13.76		
Food & Food Products	6032			
Furniture & Office Eqpt.	.1	.5	.01	
Glass	194.82	60	42.78	95.3
Graphite Products	92.5		40.04	
Hand & Cutting Tools	704.95	261.3	362.91	459.85
Industrial Machinery	46.68	63.32	50.17	79.35
Iron	145	410	425.6	925.4
Jute Bags	857.47		535	
Lead & Lead Alloys	73.18		102.5	
Medical Supplies	56.12	1	23	
Non-Ferrous Metals, Other	386	24	44	.75
Paper & Paper Products	3576.44	2041.09	755	3178.53
Rope & Twine	247.75	34.75	14	12
Rubber	680.91	58.8	281.46	426.4
Shoes & Boots	315.68	5.34	246.79	1214.4
Steel, Alloy & Carbon	5590.55	564.65	4978.87	4986.05

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>
Steel, Pipe & Tubing	229.85	21.5	9.06	56.5
Tin Plate	845			1000
Zinc			28	27.5
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	57,228.46	4,147.03	16,634.23	23,432.3

* - 50 Tons previously reported under Brass & Bronze should have been reported as Copper in Various Forms.

8/23/43

30



WAR AGENCIES, IN DETAIL:

- Council of National Defense
- National Emergency Council (Abolished)
- Advisory Commission to the Council
(Abolished)
- Office for Emergency Management
- Office of Production Management (Abolished)
- War Production Board
- Office of War Mobilization
- Office of Economic Stabilization
- Supply Priorities and Allocations
Board (Abolished)
- Board of Economic Warfare
- Office of Economic Warfare
- Office of Lend-Lease Administration
- Office of Price Administration

The National Defense Program¹

Council of National Defense

MEMBERS

SECRETARY OF WAR
SECRETARY OF THE NAVY
SECRETARY OF THE INTERIOR

SECRETARY OF AGRICULTURE
SECRETARY OF COMMERCE
SECRETARY OF LABOR

The Council of National Defense was created by act of Congress, approved August 29, 1916, but was not fully organized until March 3, 1917. Under the terms of the act, the Council was, among other things, charged with the "coordination of industries and resources for the national security and welfare" and with the "creation of relations which render possible in time of need the immediate concentration and utilization of the resources of the Nation." The act further provided that "the Council of National Defense shall nominate to the President, and the President shall appoint, an advisory commission, consisting of not more than seven persons, each of whom shall have special knowledge of some industry, public utility, or the development of some natural resource, or be otherwise specially qualified, in the opinion of the Council, for the performance of the duties hereinafter provided."

On May 29, 1940, the President approved the regulation of the Council that "the Advisory Commission provided for in section 2 of the Act of August 29, 1916 (39 Stat. 649), shall be composed of an Adviser on Industrial Production; an Adviser on Industrial Materials; an Adviser on Employment; an Adviser on Farm Products; an Adviser on Price Stabilization; an Adviser on Transportation; and an Adviser on Consumer Protection." The advisers so designated became known as commissioners and their offices as divisions. The Division of Employment was popularly called "Labor" and the Division of Farm Products was known as "Agriculture."

This was the beginning of the National Defense Program. The realignment of relationships necessitated by the expansion of the Program decentralized the Advisory Commission as such by merging most of its divisions with other newly created national defense units. Industrial Production, Industrial Materials, and Labor became integral parts of the Office of Production Management. Price Stabilization and Consumer Protection were combined into the Office of Price Administration and Civilian Supply.² The Division of Agriculture was succeeded by the Office of Agricultural Defense Relations in the Department of Agriculture. Transportation continues to function as a division under the Office for Emergency Management.

¹ National Defense chart on p. 507.

² Now Office of Price Administration.

NOTE.—Printing of this issue was delayed in order to incorporate recent reorganization of the national defense agencies. Changes are shown through September 22.

NATIONAL EMERGENCY COUNCIL (Abolished)

(U. S. Government Manual, Summer 1943, page 621)

Created by Executive Order 6433-A of November 17, 1933, to coordinate and make more efficient and productive the work of the numerous field agencies of the Government.

Executive Council consolidated with National Emergency Council by Executive Order 6889-A of October 29, 1934.

The National Emergency Council was abolished by Reorganization Plan II, part 3, Section 301, and its personnel and functions (except those relating to the Radio Division and the Film Service) transferred to Executive Office of the President, effective July 1, 1939.

ADVISORY COMMISSION TO THE COUNCIL OF NATIONAL DEFENSE (ABOLISHED)

Federal Reserve Building
REpublic 5050

COMMISSIONERS

Industrial Production	WILLIAM S. KNUDSEN
Industrial Materials	EDWARD R. STETTINIUS, JR.
Employment	SIDNEY HILLMAN
Farm Products	CHESTER C. DAVIS
Transportation	RALPH BUDD
Price Stabilization	LEON HENDERSON
Consumer Protection	HARRIET ELLIOTT

STAFF

Secretary	WILLIAM H. McREYNOLDS (Administrative Assistant to the President)
Director of Information	ROBERT W. HORTON
Director, Bureau of Research and Statistics	STACY MAY
Coordinator of National Defense Purchases	DONALD M. NELSON
Coordinator of Housing	CHARLES F. PALMER
Director, Division of State and Local Cooperation	FRANK BANE

The duties of the Advisory Commission, whose members serve without compensation, are:

To supervise and direct investigations and make recommendations to the President and the heads of executive departments as to—

- (1) The mobilization of military and naval resources and defense;
- (2) The increase of domestic production of articles and materials essential to the support of armies and of the people during the interruption of foreign commerce;
- (3) Data as to the amounts, location, method and means of production, and availability of military supplies;
- (4) The giving of information to producers and manufacturers as to the class of supplies needed by the military and other services of the Government, the requirements relating thereto; and
- (5) The creation of relations which will render possible in time of need the immediate concentration and utilization of the resources of the Nation.

6/4/1940

Members of President's National Defense Commission



EDWARD R. STETTINIUS, JR.
INDUSTRIAL MATERIALS.—Will supervise problem of procurement of raw materials up to point where they are ready for machining into finished products.

Mr. Stettinius, 48, is chairman of the board of the United States Steel Corp. One of the Nation's young top industrialists, he was a vice president of General Motors before joining United States Steel in 1934.



WILLIAM H. McREYNOLDS.
SECRETARY.—Will be co-ordinator and office man for the commission, probably filling role of chairman.

Mr. McReynolds, a native of Kansas, is now administrative assistant to the President. He is a career man in the Federal service and formerly was assistant director of the budget and administrative assistant to the Secretary of the Treasury.



LEON HENDERSON.
PRICES.—Will establish statistical clearing house for checking and stabilizing price trends of raw materials.

At present a member of the Securities and Exchange Commission, Mr. Henderson has been an economic adviser of the administration since coming here with H. R. A. He is a native of New Jersey and is 48.



WILLIAM S. KNUDSEN.
FINANCIAL.—Will take over supervision of actual quality production of all types of defense equipment.

Mr. Knudsen was born in Denmark and has worked his way through American industry to become president of General Motors. His first job was in a New York shipyard; later he was production manager for Ford.



RALPH BUDD.
TRANSPORTATION.—Will maintain contact with all types of Nation's transport system, guard against any potential jam.

Mr. Budd has been a railroad man throughout his life and is now president of the Chicago, Burlington and Quincy Railroad. He has been ready since last September, President Roosevelt said, to step into any transport responsibility.



CHESTER C. DAVIS.
FARM PRODUCTS.—Will cover jurisdiction over problem of maintaining agricultural production at proper levels.

Mr. Davis, a member of the Federal Reserve Board, was once administrator of the Agricultural Adjustment Administration. He is a native of Iowa, and was once a newspaper-carter in the war.



SIDNEY HILLMAN.
EMPLOYMENT.—Will be concerned with problem of bringing men and jobs together; directing apprentice work where needed.

President of the Amalgamated Clothing Workers and a vice president of the C. I. O., Mr. Hillman is a native of Louisiana. He is 55 and frequently has been an adviser to Mr. Roosevelt on labor matters.



MISS HARRIET ELLIOTT.
CONSUMER PROTECTION.—Will maintain continuing check on trends of prices of consumer goods with view to preventing their inflation.

Miss Elliott has been teaching political science at the University of North Carolina for 21 years. She is now dean of women there. She was a member of the Women's Advisory Platform Committee at the 1936 Democratic convention.

Office for Emergency Management

(U. S. Government Manual, Summer 1943, page 62)

Liaison Officer.....	Wayne Coy
Division of Central Administrative Services:	
Director.....	Dallas Dort
Assistant Director.....	Shane MacCarthy
Budget Officer.....	J. Carney Howell
Fiscal Officer.....	Waldemar Thorson
Personnel Officer.....	L. E. Clark
Service Operations Officer.....	William D. Wright
Chief, Investigations Office.....	George Gould
Chief, Field Operations Office.....	John W. Jago
Chief, Printing, Duplicating, and Distribution Office.....	James W. Hertsch
Counsel.....	Oscar Cox

Creation and Purpose.--Established in the Executive Office of the President by administrative order of May 25, 1940, in accordance with section I (6) of Executive Order 8248, which provides that there shall be, "in the event of a national emergency, or threat of a national emergency, such office for emergency management as the President shall determine."

The functions of the Office are to (a) assist the President in the clearance of information with respect to measures necessitated by the emergency; (b) maintain liaison between the President and the emergency war agencies for the purpose of securing maximum utilization and coordination of agencies and facilities in meeting the emergency; and (c) perform such additional duties as the President may direct.

OFFICE OF PRODUCTION MANAGEMENT (Abolished)
(U. S. Government Manual, Summer 1943, page 623)

Established in Office for Emergency Management by Executive Order No. 8629 of January 7, 1941, to formulate and execute in the public interest measures to increase and regulate production of defense materials and the provision of emergency plant facilities, and to insure effective coordination of Government activities toward those ends.

The Office of Production Management was abolished by Executive Order No. 9040 of January 24, 1942, and its personnel, records, property, and funds were transferred to the War Production Board.

War Production Board

(U. S. Government Manual, Summer 1943, page 112)

Members

Chairman.....	Donald M. Nelson
Secretary of War.....	Henry L. Stimson
Secretary of the Navy.....	Frank Knox
Secretary of Commerce.....	Jesse H. Jones
Secretary of Agriculture.....	Claude R. Wickard
Lieutenant General in Charge of War Department Production.....	William S. Knudsen
Administrator, Office of Price Administration.....	Prentiss M. Brown
Chairman, Board of Economic Warfare.....	Henry A. Wallace
Special Assistant to the President.....	Harry L. Hopkins
Chairman, War Manpower Commission.....	Paul V. McNutt
Director, Office of Defense Transportation.....	Joseph B. Eastman
Petroleum Administrator for War.....	Harold L. Ickes

Creation and Purpose.--Established within the Office for Emergency Management by Executive Order 9024, dated January 16, 1942, amplified by Executive Order 9040 of January 24, 1942, and Executive Order 9125, of April 7, 1942.

Executive Order 9024 states that the "the Chairman of the War Production Board, with the advice and assistance of the members of the Board, shall:

"a. Exercise general direction over the war procurement and production program.

"b. Determine the policies, plans, procedures, and methods of the several Federal departments, establishments, and agencies in respect to war procurement and production, including purchasing, contracting, specifications, and construction; and including conversion, requisitioning, plant expansion, and the financing thereof; and issue such directives in respect thereto as he may deem necessary or appropriate.

"c. Perform the functions and exercise the powers vested in the Supply Priorities and Allocations Board by Executive Order 8875 of August 28, 1941.

"d. Supervise the Office of Production Management in the performance of its responsibilities and duties, and direct such changes in its organization as he may deem necessary.

-2-

War Production Board--Continued

"e. Report from time to time to the President on the progress of war procurement and production; and perform such other duties as the President may direct."

The order stipulates that the Joint Army and Navy Munitions Board shall report to the President through the Chairman of the War Production Board.

The Supply Priorities and Allocations Board, within the Office for Emergency Management, was abolished by the order creating the War Production Board, and its personnel, records, and property were transferred to the War Production Board.

Executive Order 9040 states that in addition to the responsibilities and duties described in Executive Order 9024, the Chairman of the War Production Board, with the advice and assistance of the members of the Board, shall:

"a. Perform the functions and exercise the powers heretofore vested in the Office of Production Management.

"b. Perform the functions and exercise the powers vested in the Supply Priorities and Allocations Board by Executive Order 8942, of November 19, 1941.

"c. Perform the functions and exercise the authority vested in the President by section 120 of the National Defense Act of 1916 (39 Stat. 213)."

The Office of Production Management was abolished by Executive Order 9040 and its personnel, records, property, and funds were transferred to the War Production Board.

The powers of the Board were further extended by Executive Order 9125 on April 7, 1942, as follows: "The Chairman of the War Production Board, with the advice and assistance of the members of the Board, shall perform the additional functions and duties, and exercise the additional powers, authority, and discretion conferred upon the President of the United States by title III of the Second War Powers Act, 1942."

Office of War Mobilization

Officials

Director of War Mobilization.....	James F. Byrnes
Public Relations Assistant.....	Walter Brown
General Counsel.....	Ben Cohen
Adviser on Production.....	Fred Searls
Secretary to War Mobilization Committee.....	Donald Russell

War Mobilization Committee

Chairman.....	James F. Byrnes
Secretary of War.....	Henry L. Stimson
Secretary of the Navy.....	Frank Knox
Chairman, Munitions Assignments Board.....	Harry L. Hopkins
Chairman, War Production Board.....	Donald M. Nelson
Director of Economic Stabilization.....	Fred M. Vinson

Creation and Purpose.--Established within the Office for Emergency Management by Executive Order 9347, of May 27, 1943, to provide for the more effective coordination of the mobilization of the Nation for war. A War Mobilization Committee was established by the same order to advise and consult with the Director of War Mobilization; who was designated Chairman.

Office of Economic Stabilization

Officials

Director.....Fred M. Vinson
 Assistant to the Director.....Thomas R. Underwood
 Assistant to the Director.....Paul A. Porter

Economic Stabilization Board

Chairman.....Fred M. Vinson
 Henry Morgenthau, Jr. (Secretary of the Treasury)
 Claude R. Wickard (Secretary of Agriculture)
 Jesse H. Jones (Secretary of Commerce)
 Frances Perkins (Secretary of Labor)
 Merriner S. Eccles (Chairman, Board of Governors,
 Federal Reserve System)
 Harold D. Smith (Director, Bureau of the Budget)
 Prentiss M. Brown (Administrator, Office of
 Price Administration)
 William H. Davis (Chairman, National War Labor Board)
 Paul V. McNutt (Administrator, Federal Security Agency)
 Ganson Purcell (Commissioner, Securities and Exchange
 Commission)

Representing Labor:

William Green (President, American Federation of Labor)
 Philip Murray (President, Congress of Industrial
 Organizations)

Representing Agriculture:

James G. Patton (President, Farmers Cooperative Union)
 Edward A. O'Neal (President, American Farm Bureau
 Federation)

Representing Management:

Eric A. Johnston (President, United States Chamber of
 Commerce)
 Ralph E. Flanders (President, Jones and Lamson Machine
 Co., Springfield, Vt.)

Creation and authority.--Established within the Office for Emergency Management on October 3, 1942, by Executive Order 9250, to control so far as possible the inflationary tendencies and the vast dislocations attendant thereon which threaten the military effort and domestic economic structure. To advise the Director of Economic Stabilization, the Economic Stabilization Board was established by the same order, with the Director designated as Chairman.

SUPPLY PRIORITIES AND ALLOCATIONS BOARD (Abolished)

(U. S. Government Manual, Fall 1942, Page 624)

Established within Office for Emergency Management by Executive Order 8875 of August 28, 1941 (which order abolished the Priorities Board of the Office of Production Management), to assure unity of policy and coordinated consideration of all relevant factors involved in the supply and allocation of materials and commodities among various phases of the defense program and competing civilian demands.

The Supply Priorities and Allocations Board was abolished by Executive Order 9024 of January 16, 1942, and its functions and powers were transferred to War Production Board.

Board of Economic Warfare

(U. S. Government Manual, Summer 1943, page 132.
 Functions transferred to Office of Economic Warfare under Executive Order 9361, July 15, 1943)

Members

Chairman (Vice President of the United States).....	Henry A. Wallace
Secretary of State.....	Cordell Hull
Secretary of the Treasury.....	Henry Morgenthau, Jr.
Secretary of War.....	Henry L. Stimson
Attorney General.....	Francis Biddle
Secretary of the Navy.....	Frank Knox
Secretary of Agriculture.....	Claude R. Wickard
Secretary of Commerce.....	Jesse H. Jones
Chairman of War Production Board.....	Donald M. Nelson
Coordinator of Inter-American Affairs.....	Nelson A. Rockefeller
Lend-Lease Administrator.....	Edward R. Stettinius, Jr.

Creation and Purpose.--Executive Order 8982 of December 17, 1941, changed the name of the Economic Defense Board to the Board of Economic Warfare. The Economic Defense Board was established by Executive Order 8839 on July 30, 1941, "for the purpose of developing and coordinating policies, plans, and programs designed to protect and strengthen the international economic relations of the United States in the interest of national defense."

The functions and duties given the Board by Executive Order 8839 are to:

"a. Advise the President as to economic defense measures to be taken or functions to be performed which are essential to the effective defense of the Nation.

"b. Coordinate the policies and actions of the several departments and agencies carrying on activities relating to economic defense in order to assure unity and balance in the application of such measures.

"c. Develop integrated economic defense plans and programs for coordinated action by the departments and agencies concerned and use all appropriate means to assure that such plans and programs are carried into effect by such departments and agencies.

-2-

Board of Economic Warfare--Continued

"d. Make investigations and advise the President on the relationship of economic defense [as defined in paragraph 17] measures to post-war economic reconstruction and on the steps to be taken to protect the trade position of the United States and to expedite the establishment of sound, peace-time international economic relationships.

"e. Review proposed or existing legislation relating to or effecting economic defense and, with the approval of the President, recommend such additional legislation as may be necessary or desirable."

Executive Order 8839 directed that "the administration of the various activities relating to economic defense shall remain with the several departments and agencies now charged with such duties but such administration shall conform to the policies formulated or approved by the Board."

The Board of Economic Warfare is vested with the responsibility, jointly with the Secretary of State, the Secretary of the Treasury, the Secretary of Commerce, the Attorney General, and the Coordinator of Inter-American Affairs, for the preparation of lists of persons deemed to be acting in collaboration with Axis powers against the interest of the United States.

By Executive Order 8900, dated September 15, 1941, the Board of Economic Warfare is vested with authority over export control under section 6 of the act of July 2, 1940 (54 Stat. 714; 50 U. S. C. 701), including the authority to issue or deny licenses for the export of goods and commodities.

Under Executive Order 8942, dated November 19, 1941, the Board of Economic Warfare is authorized to "requisition and dispose of property", pursuant to the acts of October 10, 1940, and October 16, 1941, when requested to do so by the War Production Board.

Under Executive Order 8926, dated October 28, 1941, establishing the Lend-Lease Administration, master lend-lease agreements are required to be negotiated by the State Department with the advice of the Lend-Lease Administration and the Board of Economic Warfare. Also, under this order, the Lend-Lease Administrator is required to make appropriated arrangements with the Board of Economic Warfare for the review and clearance of lend-lease transactions which affect the economic defense of the United States as defined in Executive Order 8839.

-3-

Board of Economic Warfare--Continued

Under Executive Order 9128, dated April 13, 1942, the Board of Economic Warfare is vested with final responsibility for the procurement of materials and commodities required to be imported for the war production effort and the civilian economy, including the development, production, and, in some cases, the disposition of such materials and commodities.

The Board of Economic Warfare was terminated by Executive Order 9361, July 15, 1943, and its functions transferred to the Office of Economic Warfare.

Office of Economic Warfare

Director.....Leo T. Crowley

Creation and Purpose.--The Office of Economic Warfare was established in the Office for Emergency Management by Executive Order 9361, July 15, 1943, to exercise the functions, powers and duties of the Board of Economic Warfare. (For duties, see Board of Economic Warfare attached)

Office of Lend-Lease Administration

(U. S. Government Manual, Summer 1943, page 85)

Officials

Administrator.....E. R. Stettinius, Jr.
 Senior Consultant.....John L. Pratt
 Special Assistant.....John Cowles
 Special Assistant.....Hayden Raynor
 Executive Assistant.....R. J. Lynch
 Research Assistant.....John D. East
 Assistant.....Ira C. Hopkins

Deputy Administrators:
 Senior.....Bernhard Knollenberg
 Operations.....Arthur B. Van Buskirk
 Assistant.....H. C. L. Miller
 Special Assignments.....Philip Young
 Assistant.....James C. Buckley

Senior Assistant Administrators:
 Foreign Liaison.....J. E. Orchard
 Operations.....L. J. Martin
 U. S. S. R. Supply.....Maj. Gen. C. M.
 Wesson
 British Empire.....W. V. Griffin

Assistant Administrators:
 U. S. S. R. Supply.....J. N. Hazard
 Other United Nations.....W. M. Simmons
 China.....J. Franklin Ray
 Storage and Transportation.....Lt. Comdr. Donald
 Watson
 Requirements and Control.....G. Ruhland Rebmann, Jr.
 Finance and Statistics.....H. M. Kurth, Acting
 Budget Section.....L. C. Wands
 Fiscal and Accounting Section.....Robert Cameron
 Requisitions and Records Section.....Charles A. Wade
 Statistics Section.....John Miles
 Reciprocal Aid.....Charles Denby

Director of Missions.....Charles McGehee

Administrative Officer.....Roger P. Jenkins
 Assistant Administrative Officer.....John B. Brown

General Counsel.....Oscar S. Cox
 Associate.....George W. Ball

Office of Lend-Lease Administration--Continued

Creation and Purpose.--Established by Executive Order 8926, dated October 28, 1941, to administer the act of March 11, 1941, known generally as the Lend-Lease Act. The Office of Lend-Lease Administration replaces the Division of Defense Aid Reports which was established by Executive 8751 on May 2, 1941.

The Lend-Lease Act empowers the President in the interest of national defense:

1. To manufacture or procure, to the extent that funds and contract authorizations are made available by Congress, any defense article for the government of any country whose defense the President deems vital to the defense of the United States.
2. To lend, lease, transfer, sell, or otherwise dispose of such defense articles, and after consultation with the Army Chief of Staff or the Chief of Naval Operations, to lend, lease, transfer, sell, or otherwise dispose of defense articles procured from funds appropriated prior to March 11, 1941, of a value not exceeding \$1,300,000,000.
3. To repair, outfit, or recondition to the extent to which funds are made available by the Congress any defense article to any such government.
4. To communicate to any such government any defense information pertaining to any defense article furnished to such government.
5. To release for export any defense article to any such government.

The Executive Order establishing the Office of Lend-Lease Administration authorizes the Lend-Lease Administrator, subject to such policies as the President may prescribe, to exercise all powers conferred upon the President by the Lend-Lease Act and by the Defense Aid Supplemental Appropriation Act of 1941 and any acts supplemental thereto, with respect to any nation whose defense the President shall have found to be vital to the defense of the United States: "Provided, That the master agreement with each nation receiving lend-lease aid, setting forth the general terms and conditions under which such nation is receiving aid shall continue to be negotiated by the State Department with the advice of the Economic Defense Board 1/ and the Office of Lend-Lease Administration."

1/ Now Board of Economic Warfare.

Office of Price Administration

(U. S. Government Manual, Summer 1943, page 152)

Officials

Administrator.....	Prentiss M. Brown
Executive Assistant.....	A. Manning Shaw
Legal Adviser.....	George J. Burke
Economic Adviser.....	Richard V. Gilbert
Director, Credit Policy Office.....	Rolf Nugent
Industry Council Chairman.....	Louis H. Harris
Labor Office Director.....	R. R. R. Brooks
OPA Secretary.....	Charles A. Bishop
Senior Assistant to the Administrator.....	Clyde Herring
Special Assistant to the Administrator.....	Ronald C. Seeley
Senior Deputy Administrator.....	John E. Hamm

Creation and Purpose.--The Office of Price Administration and Civilian Supply was created by Executive Order 8734, issued by the President on April 11, 1941. In the new agency were combined the Price and the Consumer Divisions of the National Defense Advisory Commission. The name of the agency was changed to the Office of Price Administration by Executive Order 8875, of August 28, 1941. By the same order the functions of the Civilian Allocation Division were transferred to the Office of Production Management, which later was absorbed by the War Production Board.

The purposes of the Office of Price Administration are to stabilize prices and to prevent speculative, unwarranted, and abnormal increases in prices and rents; to eliminate and prevent profiteering, hoarding, manipulation, speculation, and other disruptive practices resulting from abnormal market conditions or scarcities caused by or contributing to the national emergency; to assure that defense appropriations are not dissipated by excessive prices; to protect persons with relatively fixed and limited incomes, consumers, wage earners, investors, and persons dependent on life insurance, annuities, and pensions from undue impairment of their standard of living; to prevent hardships to persons engaged in business, to schools, universities, and other institutions, and to the Federal, State, and local governments which would result from abnormal increases in prices; to assist in securing adequate production of commodities and facilities; to prevent a post-emergency collapse of values; to stabilize agricultural prices in the manner provided in section 3 of the Price Control Act; and to permit voluntary co-operation between the Government and producers, processors, and others to accomplish the aforesaid purposes.

An act of October 2, 1942 also authorized and directed the

Office of Price Administration--Continued

President to stabilize prices, wages, and salaries affecting the cost of living. By Executive Order 9250 of October 3, 1942, the President delegated his powers under this statute to the Director of Economic Stabilization, who was instructed to formulate a comprehensive national economic policy, and to effectuate this policy by directives to the Federal agencies concerned, including the Office of Price Administration.

By Executive Order 9125 of April 7, 1942, the President delegated to the Price Administrator certain enforcement authority with respect to rationing, including the authority to institute civil suits in his own name or to intervene in impending civil actions.

In addition to the War Agencies set forth in detail, there are the following agencies:

Committee for Congested Production Areas,
Chairman: Harold D. Smith.

Board of War Communications,
Chairman: James L. Fly.

National War Labor Board,
Chairman: William H. Davis.

Office of Alien Property Custodian,
Custodian: Leo T. Crowley.

Office of Civilian Defense,
Director: James M. Landis.

Office of the Coordinator of Inter-American Affairs,
Coordinator: Nelson A. Rockefeller.

Office of Defense Transportation,
Director: Joseph B. Eastman.

~~X Office of Lend-Lease Administration,~~
Administrator: Edward R. Stettinius, Jr.

Office of Scientific Research and Development,
Director: Dr. Vannevar Bush.

Office of War Information,
Director: Elmer Davis.

War Manpower Commission,
Chairman: Paul V. McNutt.

Smaller War Plants Corporation,
Chairman: Brig. General Robert W. Johnson.

War Relocation Authority,
Director: Dillon S. Myer.

Liaison Committee on War Relocation,
Secretaries of Treasury, War, Interior, Agriculture
and Labor, Attorney General, Federal Security
Administrator, Director, Office of Civilian Defense,
and Alien Property Custodian.

- 2 -

War Shipping Administration,
Administrator: Rear Admiral Emory S. Land.

National Housing Agency,
Administrator: John B. Blandford, Jr.

Federal Housing Administration,
Commissioner: Abner H. Ferguson.

Federal Public Housing Authority,
Commissioner: Herbert Emmerich.

Office of Censorship,
Director: Byron Price.

* ~~Office of Price Administration,~~
Administrator: Prentiss M. Brown.

Petroleum Administration for War,
Administrator: Harold L. Ickes.

President's War Relief Control Board,
Chairman: Joseph E. Davies.

Office of Strategic Services,
Director: Brig. General William J. Donovan.

Joint Economic Committees -- United States and Canada,
Chairman: United States - Alvin H. Hansen
Canada - W. A. Mackintosh.

Joint War Production Committee--United States and Canada,
Chairman: United States - Charles E. Wilson
Canada - H. J. Carmichael.

Material Coordinating Committee--United States and Canada,
Member: United States - William L. Batt
Canada - G. C. Bateman.

Permanent Joint Board on Defense--United States and Canada,
Chairman: United States - Fiorello H. LaGuardia
Canada - O. M. Biggar.

Combined Food Board -- United States and United Kingdom,
United States Representative: Claude R. Wickard
United Kingdom Representative: R. H. Brand.

Combined Production and Resources Board--United States,
Great Britain, and Canada,
United States Member: Donald M. Nelson
Great Britain Member: Capt. Oliver Lyttelton
Canada Member: C. D. Howe.

- 3 -

Combined Raw Materials Board--United States and
Great Britain,
United States Member: William L. Batt
Great Britain Member: Sir Clive Baillieu..

Munitions Assignments Board--United States and
Great Britain,
United States Member: Harry L. Hopkins
Great Britain Member: Admiral Sir Percy Noble.

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRET
U.S. SECRETOPTEL NO. 277

Information received up to 10 a.m., 23rd August, 1943.

1. NAVAL

Two U.S. Destroyers bombarded GIOIAQUAURO on 19th/20th. Two French destroyers bombarded SCALEA on 20th/21st.

2. AIR OPERATIONS

WESTERN FRONT. 22nd. 35 escorted Marauders dropped 46 tons with "fair" results at BEAUMONT LE ROGER airfield near ROUEN. Considerable fighter opposition was met. Casualties for the day: Enemy 10. 2. 6, Allied 9 missing.

22nd/23rd. 575 aircraft sent out: LEVERKUSEN, suburb COLOGNE, - 462 (5 missing), BRAUWEILER - 12, HALBURG - 6, Sea-mining - 47, Anti-shipping - 5, Leaflets - 7, Intruders - 36. Preliminary report objective at LEVERKUSEN which was T.G. Farben Chemical Factory was hidden by clouds and bombing was scattered. 10 Enemy aircraft operated over EAST ANGLIA and the Home Counties. 2 were destroyed by Mosquitoes.

ITALY. 20th/21st. Wellingtons and on 21st, escorted Liberators, Marauders and Fortresses dropped a total of 365 tons on railway communications in the NAPLES area, namely at CANCELLO, VILLA LITERNO and VURSA. Permanent Wax Rolling Stock and Stores Depots were damaged. Enemy fighter reaction at both CANCELLO and VILLA LITERNO was about 50 aircraft. 6 allied bombers missing.

August 24, 1943
9:21 a.m.

54

HMJr: Fine. I've got a very important letter for Secretary Knox - I'm asking him to help us out on the Third War Loan.

Maj. John Dillon: What?

HMJr: I'm going to send it over and have it put in your hands.

D: All right.

HMJr: Then what will happen to it?

D: He'll be back here, I think, this afternoon....

HMJr: Oh, wonderful.

D:and if he is not back here this afternoon, he'll be here the first thing in the morning and I want him to handle that because I just - I talked to Ted Gamble and Mr. Sullivan....

HMJr: Yeah.

D:and also Jack Hartley....

HMJr: Yeah.

D:and we'd like to do all we can for you.

HMJr: So you know about it?

D: Yes, sir, I do.

HMJr: Good. Well, it will be over there within the hour.

D: Very well, sir.

HMJr: Thank you.

D: Thank you.

August 24, 1943
9:30 a.m.

Re: EXECUTIVE ORDER CLARIFYING FISCAL AUTHORITY

Present: Mr. Bell
Mr. Gaston
Mr. Sullivan
Mr. Smith
Mr. Blough
Mr. White
Mr. DuBois
Mrs. Klotz

H.M.JR: What have you got, Roy?

MR. BLOUGH: One reason I didn't show you this stuff was because I didn't know how much duplication there was. Mrs. Klotz made that book up and I sealed it up. I know it does not contain a letter which Harry White gave me - and White can explain better than I - which you asked for, and some clippings. I don't know whether it contains the memorandum by Mr. Gaston, or a group of them, on it.

H.M.JR: State your assignment so everybody knows what you are talking about.

MRS. KLOTZ: I don't know what you mean.

MR. BLOUGH: My assignment which came via Mr. Paul. My assignment was to first consult White about a letter which Secretary Hull had written to Byrnes claiming broad powers, and on which he was victorious. Mr. White says he can't find one on which he was victorious. This is the one in which he was defeated. Second-- (Laughter)

H.M.JR: Then that is out.

MR. WHITE: Unless you are going back to the Wallace one.

- 2 -

H.M.JR: Listen, you know the story I told you about when I came to Paul McNutt's defense in the Cabinet - when Biddle was jumping all over him and Harold Ickes jumped up and down. He said, "We don't want to hear from anybody that has got anything good to say about Paul McNutt." So I don't want to hear about anything except what is victorious. (Laughter)

MR. BLOUGH: The second part of the assignment was--

H.M.JR: Wait a minute. Let me - what I am trying to get at, Harry, I am trying to build up - let me tell you the thing. Hull has insisted that he was in charge of foreign affairs and I want to get some examples.

Now, there were some letters between him and I don't know who else - an exchange of letters - with Hull and the President, affecting--

MR. WHITE: That relates to the controversy between Hull and BEW, not the later controversy in which he did claim those powers and did specify them, but which was brought to your attention - the Treasury was represented by Paul at the conference under Byrnes, and Byrnes decided against the formulation of those orders on the grounds that relationships between departments on such matters should not be formalized, and that things were running along as they were, so that--

H.M.JR: It is of no use?

MR. WHITE: No use in the latter one unless you refer to the one in which he claimed and got the sovereignty over foreign affairs from Wallace and the BEW, which goes back many months.

H.M.JR: I want anything where Hull was victorious on setting him up.

MR. WHITE: Then let me re-examine the BEW part.

- 3 -

H.M.JR: I said when we were working on this thing that there was what I call the "Hull formula" which was written into the BEW Executive order.

MR. BLOUGH: It is here.

H.M.JR: Let's see that. (Executive Order Supplementing the Executive Order Establishing the Office of War Mobilization and Providing for the Unifying of Foreign Economic Affairs, handed to the Secretary. Copy attached.)

MR. BLOUGH: That was the second thing, the clippings relating to the BEW Executive order.

H.M.JR: (Reading) "The functions of the Office of War Mobilization shall include the authority to arrange for the unification and coordination of the activities of the Federal Government relating to foreign supply, foreign procurement and other foreign economic affairs in conformity with the foreign policy of the United States as defined by the Secretary of State. In providing for such unification the Office of War Mobilization may utilize the facilities of other departments and agencies, including the machinery for the coordination of foreign economic affairs established in the Department of State."

Now, this isn't what I want, but I will come to this in a minute. This is all right, but there is another one. Come on, boys, let's snap into it. When we were working with - Paul remembered this perfectly.

MR. GASTON: I remember it perfectly. You are talking about the one at the time they set up the Board of Economic Warfare. They originally put out one order which seemed to give them complete power in the foreign field. Then they put out an amendatory order as a result of Hull's complaints in which they said that nothing in that should deprive the Secretary of State of his powers.

H.M.JR: That is right. I told that all to Paul. We used that and stuck it in when we were trying to get the thing from Crowley, and we put it in - we quoted it. I call it the "Hull formula." Where is that?

- 4 -

MR. WHITE: I remember that very definitely.

MR. BLOUGH: We can send for that file.

H.M.JR: That is the thing, and Paul said he would get it.

MR. BLOUGH: The notes I have, apparently I misunderstood. He said something that was said by the President or Byrnes when Crowley was set up which made Hull tops in foreign policy. I assumed that meant when Hull--

H.M.JR: It takes so much to get these things. If Paul would only be here - would stick around.

MR. WHITE: Shall I step out and get it?

H.M.JR: Do you know what I am talking about?

MR. WHITE: Yes, that goes back further than I thought you wanted.

H.M.JR: We stuck it in when we were working with Sam Rosenman.

MR. WHITE: I remember, and they modified your exception so much so that it wasn't identical, but was close enough to satisfy.

MR. GASTON: Bernstein looked all that stuff up and had that stuff out at the time.

H.M.JR: You start somebody and Mrs. Klotz will start somebody.

(Mrs. Klotz and Mr. White left the conference temporarily.)

H.M.JR: On reading this thing - it says, "The functions of the Office of War Mobilization shall include the authority to arrange for the unification" and so forth. I don't want them to do that. I don't think

- 5 -

this is good. If I use this Byrnes will say, "O.K., under the" - I mean, is this a good example? Can we turn that back on them?

That is one; there is another one. It says, "Under the direction of the Secretary, Cordell Hull." I don't know whether I want to use that or not.

MR. BELL: You mean do you want to use this formula with respect to fiscal affairs?

H.M.JR: Yes. This is the one - this goes right to Byrnes; the other one goes back to Wallace. It isn't so good, but at least it is a precedent.

MR. BELL: But this still leaves the coordination under Byrnes, as I get it, that he has to do it in conformance with the policy laid down by the Secretary of State. He can still issue directives under fiscal affairs, but in accordance with the policy you would lay down in fiscal affairs, which might be bad, although better than what you have now.

H.M.JR: Let's just talk on this point a minute.

MR. BELL: This isn't bad.

H.M.JR: I am thinking about these things. I would like to get you people to thinking about these things.

MR. GASTON: Of course there is no similar qualifying provision in the order setting up the Office of War Mobilization itself.

H.M.JR: Of course not, but I am trying to do a little original thinking here. I mean, the way it is now I have just got to go and say, no. Then Byrnes says no. Now, if there is some way that I can make a constructive suggestion - that is what I am groping for.

MR. SULLIVAN: This is an acceptable - your question is whether or not this is an acceptable formula.

(Mr. White re-entered the conference.)

- 6 -

H.M.JR: This other one he did in connection with Wallace when he had to get the other one straightened out, which must be fully a year ago.

MR. WHITE: Both the lawyers and my men are looking for that now.

MR. BELL: I think you will find the other one more acceptable to you, but I should think you might have to take this one. It would be all right, but the other one certainly is more direct, as I remember.

MR. GASTON: It is pretty hard to adapt this formula to our situation. Of course, the history of the thing is that we fought this whole question out when the Office of Economic Stabilization was set up, and the thing was submitted to us, and the President gave us an express exemption, verbally, and he left out any language which would seem directly to include the functions of the Secretary of the Treasury. Then in setting up the Office of War Mobilization the matter was not submitted to us, from which you could assume it was a matter with which we were not concerned at all.

The purpose of the Office of War Mobilization, as stated by the President in the news release he gave out, did not include anything that will affect the functions of the Treasury Department at all, nor did the first paragraph of the Executive order, but the second paragraph of the Executive order gave many broad powers to accomplish stabilization of the internal economy. I don't think that that order, in connection with the President's statement, needs to be read as giving him any power over the Treasury Department at all, because of the purposes stated both in the Executive order and in the President's statement.

MR. BELL: Because they didn't submit it to us I don't think you can assume it wasn't intended to apply to the Treasury.

- 7 -

MR. GASTON: No, but take along with that the intent of the order as stated in the first paragraph of the order itself and in the President's own statement accompanying it.

H.M.JR: The minute the thing came I said, "Does this affect the Treasury in any way?"

The only thing I was told by Paul was it might affect Foreign Funds. But I asked his office to look into this thing.

MR. SULLIVAN: I think, Mr. Secretary, the fact that this was not submitted to you explains why you were not excited about it, and you assumed that since it had not been submitted to you, it was not intended to cover the activities of your Department.

H.M.JR: No, you are too nice, John. As soon as the thing came out I immediately questioned - I asked Paul to look into this, and I think there is a memorandum on this thing. When this thing came out there was a memorandum from Paul's office covering how this does or does not affect the Department.

(Mrs. Klotz re-entered the conference.)

MRS. KLOTZ: I told her to get everything.

H.M.JR: Covering the last Byrnes' order?

MR. BLOUGH: Shall I see if I can locate that?

H.M.JR: Yes.

MR. WHITE: I would also get the meeting, if it was a staff meeting - the discussion of that morning.

MRS. KLOTZ: I looked and we couldn't find anything between May 28 and June 10.

MR. BELL: There wasn't a thing in the diary.

(Mr. Blough left the conference temporarily.)

- 8 -

MR. WHITE: I think the position has to be based, not on the fact they didn't submit it, but I think the position has to be taken that after having read it you assume, because of the reasons which Herbert gave, that it did not apply, and that is why you did not raise any objection, and that also is an explanation of why you wrote to Byrnes in this last letter, if that is the way it was finally left, that you were not aware of any such change in authority; that even after having read that, though it is true that a strictly legal, technical analysis of that paragraph would put him in charge of everything, actually when taken in its context and taken together with the President's earlier statements, together with the purposes, lead you justly to believe that this did not apply to the Treasury, and therefore you did not register your objection at that time.

MR. BELL: It seems to me the best thing we got is the President's little short note to you saying that there has been no change.

H.M.JR: That applied to Vinson.

MR. BELL: Well, it said there had been no change.

H.M.JR: That was on the Vinson Executive order; that doesn't apply - that was before.

MR. GASTON: There is this, though, to be said--

H.M.JR: Wait a minute.

MR. BELL: May 28 was the Byrnes' order, wasn't it? June 10 was the first letter.

H.M.JR: May 28.

MR. BELL: Was the Byrnes' order?

H.M.JR: Yes.

- 9 -

MR. BELL: And June 10 was your letter. I agree it was the article written about Vinson, but you raised the question and the President said there had been no change, in response to that letter.

H.M.JR: Wait a minute. That wouldn't be--

MR. GASTON: You have twice put the question squarely up to the President and he has not told you that you are subject to Byrnes' orders at any time.

MR. WHITE: Is that the strong position for the Secretary, whether or not he was under or was not under? It seems to me that that would get the discussion off on the wrong foot and in the wrong channel, but the important question is the issue right now.

MR. GASTON: It is what the President now wants that is the point.

MR. WHITE: Yes, rather than what he said or what you thought he said, because he is liable to say, "Well, you misunderstood me."

MR. GASTON: I think you need to make this point, Harry, that up to the present time the Secretary of the Treasury has had no clear directive from the President placing him under the jurisdiction of Byrnes. Now Byrnes is, for the first time, asserting that he has such a directive.

H.M.JR: Well, this thing - let's be fair on this letter. I was writing to the President in regard to Byrnes--

MRS. KLOTZ: Vinson.

H.M.JR: No, that is the funny thing. This was Byrnes; I wrote him June 10. The newspapers said, "Mr. Byrnes announces interest in future tax policies."

- 10 -

MR. BELL: That is War Mobilization; it is just the same question you have got now.

H.M.JR: That is right.

MR. BELL: Didn't he say, "There has been no change"?

H.M.JR: No, that came by word of mouth, over the telephone.

(Mr. Blough re-entered the conference.)

MR. BELL: I got it from you that you got it over the telephone - I remember that.

H.M.JR: Mrs. Klotz, what I want is my conversation with Grace Tully when she said to me, "Go on, there is no change."

MRS. KLOTZ: It must have come on June 11 or June 12.

MR. BLOUGH: The first run through Mr. Paul's file between May 28 and June 10 hasn't revealed anything, but they are beginning a real search now. That was with respect to Mr. Paul's comments on the Office of War Mobilization.

MR. WHITE: I think the two letters which were written to the President and your conversations are sufficiently fresh in his mind so that there is no need to base your case on the fact that you reminded him before. This issue is the same issue, and he knows it, so that you are quite within your own reasonable rights in raising it now, even though the letter giving Byrnes his most recent authority - the Executive order - is as of a couple of months ago. This is a continuing thing.

H.M.JR: I think this - this is what I really think. If I start to go in and say, "You said such and such a thing two months ago," and all that - maybe it is in the President's head and maybe it isn't. I think the text I should use is my letter to Byrnes and his answer to me, which is fresh.

- 11 -

Now, if Byrnes goes back and says, "Well, why didn't you do this" - and so forth - "when the order came out?" - then I have my evidence. But I think I will stick to this thing, and I think the thing is very simple, to simply say to the President that Byrnes has raised this issue. "I wrote to Byrnes as an equal; he wrote back to me as a subordinate. Now, am I working for you or am I not working for you? Am I in charge of fiscal policies or am I not?" He has to say yes or no.

Mr. GASTON: That is the whole question.

H.M.JR: Isn't that the whole thing?

Mr. SULLIVAN: Yes.

H.M.JR: If I get in with the President and Byrnes and Vinson - very competent people, legally trained, and all the rest - and start to get into a great big discussion, I am sunk before I start, and I am sure that is what Byrnes would try to do. When Byrnes began to pull in that speech of Paul's he was just bringing in a red herring.

(Mrs. Klotz handed paper to the Secretary.)

H.M.JR: This is June 11 in my own beautiful handwriting. "Grace Tully said, in reply to my question, 'The President said to go ahead with the meeting Tuesday,' nothing was changed."

Mr. SULLIVAN: That was the tax meeting with Doughton?

H.M.JR: Yes.

MR. BELL: I was trying to get the chronology of the correspondence between you and the President. I didn't know this note was in there.

MR. GASTON: The first intimation I had that Byrnes was claiming jurisdiction over Treasury policies - that is, over tax policies - was a newspaper story by John Crider, and then you wrote to find out what the situation

- 12 -

was, and you got the reply that Byrnes was interested in a matter that had nothing to do with the control of your policies; it was something that was to be a joint product of different departments and he wanted - and that was the reason they were all called in on it. He didn't tell you that - he told you that if a tax bill - tax policies were approved, he would expect you to present them to Congress. He did not say that you were under Byrnes' orders, and that was the question you put up to him.

MR. BELL: He didn't ask the question directly.

MR. GASTON: No, but he certainly had an opportunity to say it there and did not say it. This letter of Byrnes' is the first direct statement from anybody that Byrnes considers himself to be in charge of supervision over Treasury fiscal policies.

MR. WHITE: Again I think maybe that is a good starting point. The issue has to go very quickly on the very simple question of whether the Secretary of the Treasury is responsible to the President for fiscal policy, or not. If you get involved in what he said and what he meant - that is not the strength of the Secretary's position.

MR. GASTON: No, it is exactly as he stated, which goes to the principal question at the beginning as to what the President now wants. But if they say you were told long ago, that this Executive order shows this, then you can reply that we had no notice to that effect. We tried to find out without any result.

H.M.JR: This is the thing that I was groping for. I don't know whether this is the one where we tried to put into the order - that Sam wouldn't have - you people worked on it. (Indicating State-BEW order, copy attached.)

MR. WHITE: Yes, we tried to pattern it after that, but if you will remember he didn't quite want it that way. He said it would create trouble.

- 13 -

H.M.JR: But this is the one I am groping for -
(Reading) "In the making" -- Who brought this?

MR. WHITE: One of my boys.

H.M.JR: "In the making of decisions, the Board and its officers will continue to recognize the primary responsibility and position, under the President, of the Secretary of State in the formulation and conduct of our foreign policy and our relations with foreign nations."

MR. GASTON: Is that the Executive order?

MR. WHITE: Yes, that is of a year ago on the BEW.

H.M.JR: "In the making of decisions, the Board and its officers will continue to recognize the primary responsibility and position, under the President, of the Secretary of State in the formulation and conduct of our foreign policy and our relations with foreign nations."

But what I was thinking, supposing you had written into the order for Byrnes that Byrnes' Board, whatever it is called - War Mobilization Board - "In making decisions, the War Mobilization Board will continue to recognize the primary responsibility and position, under the President, of the Secretary of the Treasury in the formulation and conduct of our fiscal policies"?

MR. BELL: That would be very clear.

MR. SULLIVAN: That would do the job.

H.M.JR: Why won't that do the job?

MR. WHITE: We will have something ready.

H.M.JR: What I am thinking of, Harry - of course, this is awfully confidential - I go in and say to the President, "I will only work for you; I won't work for this fellow." See? Well, he doesn't want to - he has Byrnes and he has me. It puts him in a tough spot. But

- 14 -

if I say, "Look, Mr. President, here is something you did last year. If you do this for me, I can work."

MR. WHITE: That is right. You give him an out. You get what you want and you give him something that has been done before. I think that is the way to approach it.

H.M.JR: Now, let's go back. When I went to him and said, "I want a proclamation" - I mean, let's just analyze the man's mind - "for the War Bonds," he said, "No, I won't give any proclamation." In fact, he wrote me a note turning me down flat.

I remembered what Woodrow Wilson did, and when he saw that Woodrow Wilson did it, he did it. Now, if he sees that Franklin Roosevelt did it on May 23, 1942, which, incidentally, is just a year before on the other thing - "I did it then; I was a smart guy then, I can be smart again."

What do you boys think?

MR. SULLIVAN: I like it.

H.M.JR: With all my headaches, I can still think, say I immodestly. (Laughter)

MR. BELL: Is that the only thing you want? Suppose he said, "We don't want that. You should accept this other formula."

H.M.JR: Which formula?

MR. BELL: The formula in that other order.

MR. WHITE: That is perfect.

MR. BELL: That is perfect from the Secretary's standpoint.

MR. WHITE: If you translate that in terms of the Treasury, how would it be?

- 15 -

MR. BLOUGH: The last paragraph there--

H.M.JR: Well, there is no unification to do as far as the Treasury is concerned. If Byrnes slaps this back at me, I say, "You yourself say we are so efficient we don't need it."

And this was the amended order, too, wasn't it?

MR. WHITE: That was not the first. I think that was to correct some controversy.

H.M.JR: Well, this is important. Take a look at it.

I can say, "This is the amended order. You amended it to make Cordell Hull happy. Why won't you do as much for me?"

I think that is perfect.

MR. GASTON: Apparently the same thing happened twice. In setting up the original Board of Economic--

MR. WHITE: May I cite the first sentence?

"The following will clarify certain relations and functions of the Department of State and the Board of Economic Warfare in the administration of the Executive order of 9128, regarding the Board."

H.M.JR: Perfect.

MR. WHITE: In other words, this was a supplementary order to clarify.

H.M.JR: I am very pleased with myself. My brain trust is good. (Laughter)

MR. SULLIVAN: That is right on the nose.

- 16 -

H.M.JR: I think that is an out. I feel better now. I don't know if it will do any good, but it is being reasonable.

MR. WHITE: Would that read "in the formulation and conduct"? It would have to be somewhat different. It would have to be reworded.

MR. BELL: Administration of fiscal affairs.

MR. GASTON: Make it an order clarifying the order of last year. It would be an order clarifying that order of May 28, wouldn't it?

MR. WHITE: That would be perfect. You mean an Executive order clarifying the order of--

MR. GASTON: Isn't that what the Secretary is suggesting?

MR. WHITE: I thought he was merely going to have it done orally.

MR. BELL: No, have it written.

MR. WHITE: I think the lawyers ought to start to write the kind of order you want.

MR. GASTON: Your idea is to have an order prepared clarifying the order of May 28?

H.M.JR: Yes, a statement. Look, I will go over it, and then we will come back to this other thing. I am repeating myself. I have been kidding now.

I go in there and say, "Mr. President, you have to decide between Byrnes and me", and he is on the spot. And it is the one thing in the world he hates to do. He would rather be shot. Bell knows that. There is evidence all over town.

But if I go in and say, "Look, Mr. President" - I know I am repeating myself - "the same situation existed

- 17 -

a year ago, and you revised the order. You straightened it out. Now, why won't you do as much for me as you did for Hull?" Byrnes is going to have to argue awful hard against this.

MR. WHITE: Yes, you are much stronger because in this he didn't let anybody take away the conduct of foreign affairs from Hull or stand between Hull and the President, whereas otherwise he is, as you say, treating you with less confidence than he treats Hull. In other words, he is giving you worse treatment than he is giving one of his other departments on an identical matter and in an identically important area.

H.M.JR: And also he will then be breaking the precedent on his Cabinet...

MR. GASTON: I don't think--

H.M.JR: ... on his Cabinet relations with himself. Excuse me a minute. Hull went to him and said, "Look, Mr. President, does this mean that you are setting up somebody between yourself and the Cabinet officer?" And the President said, "No."

Now, if he gives in to Byrnes on this thing he is breaking away from precedent in regard to the relationship between the Cabinet and himself.

MR. GASTON: How about the Secretary of Commerce, the Secretary of the Interior, the Secretary of Agriculture? Byrnes is in unquestioned direct control, with authority to give directives to the Secretary of Agriculture, to the Secretary of Commerce, to the Secretary of Labor - practically everybody in the Cabinet, with the exception of Hull and the possible exception of you.

H.M.JR: Well, Herbert, with all due respect - this is in my intimate family here - I don't give a damn about the others. I am interested in the Secretary of the Treasury.

- 18 -

MR. WHITE: Gaston's point is well taken.

MR. GASTON: I think you are right, but--

H.M.JR: All right, I won't use the argument. I will stick to my guns, that this is the way I want to be treated.

MR. WHITE: Another point, "This is the way you treated Hull on foreign affairs, and therefore this is a case which is - you couldn't get a more similar case. Foreign affairs constitutes a very important area of administrative government, and fiscal affairs likewise." I think I would confine myself to that.

I think Herbert is right in pointing out not to make the general point that it is the first time he has ever done it.

MR. SULLIVAN: It seems to me he is making a far more important precedent if he places somebody over the Treasury in fiscal matters because traditionally the Treasury has been in complete charge of all the fiscal problems of the Government. That is not only true in this country, but it is true all over the world.

If those powers are taken away and given to somebody else, I don't know what the effect would be upon the negotiation between the Treasury Department and other ministers of finance; but I think they could very properly wonder just who was running the show and whether the Treasury had the authority to conduct negotiations on an authoritative scale.

H.M.JR: Well, a case in point is that White is very much worried about Jesse Jones, and when this meeting is over I want to talk with him about it. If I knew what my position was I would just continue along the lines that I would - I would write Mr. Hull and say, "This is what I am going to do about a loan to the Netherlands. You can approve it or disapprove it."

- 19 -

But Jones will undoubtedly - he has gone far with the Netherlands, and he wouldn't bother with me. He would go and see Jimmy Byrnes, with whom he is very intimate, and Jimmy would say, "I think you should make this loan, and I will tell Henry. I will give Henry a directive that you should make a loan to the Netherlands." There you are.

MRS. KLOTZ: That is a perfect example.

MR. SULLIVAN: Then you become an administrative officer.

H.M.JR: Sure, which I am not going to do.

MR. WHITE: I will say you led us right up to the water here and we wouldn't drink, because the message, as I got it, we acted upon literally and gave you what you asked for, which we should have known was not what you were fishing for--

H.M.JR: Was not what?

MR. WHITE: We should have known that is not what you were fishing for. I will speak for myself. I didn't use my head on this because I knew what you asked for and I gave you what you asked for instead of interpreting the spirit of your request. We should have gotten this out.

H.M.JR: I told him--

MRS. KLOTZ: The record shows that that is not what you asked for.

What you asked for is what you are going to get now.

H.M.JR: No, I asked Paul for - I have got to stand up for Morgenthau, peculiarly. (Laughter)

MRS. KLOTZ: I am on your side. (Laughter)

- 20 -

H.M.JR: Good. (Laughter) What I asked Paul for was very clear. I said to Paul - I was fishing then - I said, "We used in an order that we were recommending to Rosenman in connection with Crowley a formula."

He said, "I know what you mean. It was the one used in connection with Wallace's organization. I am entirely familiar with it. I sat in on it."

I said, "That is the one I want."

MR. WHITE: That is what you got, and that is not what you want. This is what you wanted, which is an earlier thing and which we should have known you wanted. (Indicating State-BEW order)

H.M.JR: Which was the one we used? You went over it.

MR. GASTON: We presented a revised Executive order. We presented two different versions of it, and that is in Paul's files, too.

H.M.JR: Did you use that?

MR. GASTON: Yes.

H.M.JR: You are wrong, Harry.

MR. GASTON: But that--

H.M.JR: Which one did you use, because you went over it?

MR. GASTON: That was before any Crowley stuff, of course, that we used the pattern of the language used in the so-called clarifying Executive order with respect to the Board of Economic Warfare.

H.M.JR: And that is the one Harry has in his hands now. I think you are wrong, Harry. Are you wrong, Harry?

- 21 -

MR. WHITE: Well, I don't - I didn't admit it, but it doesn't matter. In other words, as we got it, it was that you wanted the letter in which Hull staked out his claim for authority in the controversy between him and Wallace.

MR. GASTON: That is what you asked for of Harry.

MR. WHITE: It doesn't matter. I misunderstood.

H.M.JR: What I said was - I said the thing that we put into the Executive order as a suggestion, which staked out Hull's claims, and Paul said, "I know what you want." He said it was in connection with Wallace's organization, and that is what you have got in your hands.

MR. WHITE: Yes, but they said they would take care of that. I was asked for something else.

MR. GASTON: That is right.

H.M.JR: You are clear; I am clear. (Laughter)

MR. WHITE: O.K.

MR. BLOUGH: I am the one that is in the soup. (Laughter)

H.M.JR: We will let Blough worry about that. (Laughter)

MR. BLOUGH: It was a failure of communication, apparently, between Paul and myself because the word "Wallace" didn't appear in the comment. I got the second one and not the first one. I am very sorry, but the record wasn't ready until quite late in the day and I didn't see that.

MR. GASTON: There are in the files copies of two different drafts of an Executive order by Bernstein carrying that thing out. Those should be looked up. Those were not used.

- 22 -

MR. WHITE: Luxford used to work on this thing.

MR. GASTON: Yes, Luxford worked with him on it.

H.M.JR: All right. Well, Blough is carrying the thing for Paul.

You see how this thing - how this pattern runs. It is a constant thing - here I ought to be working on War Bonds or my speech or doing something creative. This is 8/14/42. This is interesting. It is--

MR. WHITE: This is the real domestic front - the home front. This is the fighting that is going on in the home front. (laughter)

H.M.JR: This is the "Battle of Washington." (Laughter) I mean I was going great guns last week on War Bonds. I was turning out ideas, just rolling them out. Then this thing comes along.

Listen to this, 8/14/42, evidently a letter I sat down to write the President. I don't know what happened to it. But this is me, anyway.

"My dear Mr. President: Wednesday evening Sam Rosenman sent over to the Treasury a draft of a proposed Executive order which would have torpedoed and sunk the Treasury. Thursday afternoon, through the courtesy of Mrs. Brady, I received the following verbal message from you: 'Tell Henry this order has nothing to do with the Treasury and he should go ahead and make this inspection trip.' To say I was relieved would be an under-statement."

But I mean it is this constant thing of the people around here. Here it is 8/14/42, and what month is this?

MR. BELL: About 8/14/43.

H.M.JR: It is just this thing, this constant trying to torpedo the Treasury. I have to ask if I can meet with the Hill and another time if I can make an inspection

- 23 -

trip, and the President always says, "Go ahead."

What I am groping for now is what Herbert Gaston dictated after he went to that meeting at the White House.

MR. BLOUGH: I have it. (Memorandum dated October 3, 1942, handed to the Secretary.)

MR. GASTON: It is in the latter part of it. There is a lot of preliminary discussion about how I came to go to the meeting.

"Something was said about the policies which the different agencies were to follow, and the President said flatly that the agencies would not determine the policies but they would get their orders from 'Mr. X.' Turning to me, he said that that would not apply to the Treasury Department and explained in much the same terms as Mr. Rosenman had explained to Randolph Paul that he had thought it best to eliminate the specific exemption as to the Treasury and instead to eliminate from the powers of the Authority all reference to Treasury functions."

He said, "The Treasury will not be affected."

H.M.JR: Who does this copy belong to?

MR. GASTON: It came out of my files.

H.M.JR: We will give it back.

MR. BELL: That is the Crowley Executive order?

MR. GASTON: No, that is the Executive order creating the Office of Economic Stabilization, to which Byrnes was appointed.

MR. BLOUGH: Of course Byrnes doesn't rely on that in his letter.

- 24 -

MR. GASTON: No. He definitely says, "I am no longer Director of Economic Stabilization." He says that the powers of his office are expressed in the Executive order of May 28, 1943, and goes on.

MR. SMITH: That is what he might do on this other order here. If I were Mr. Byrnes and you gave me that thing which has to do with Wallace's operation, I would immediately bring out this other order you have here which has to do with what happened to Mr. Hull, as far as I am concerned - if I were Mr. Byrnes.

That order doesn't have anything to do with Mr. Byrnes. It has to do with Mr. Wallace. So if I were he I would bring out this other order setting up Mr. Hull in an entirely different way which, translated into terms of the Treasury, would mean that Mr. Byrnes would get from you the policy that you want, twelve billion dollars. Then he would call up Mr. Paul and call up Mr. Blough, and he would bring them over there.

MR. GASTON: No.

MR. SMITH: That is what this order says, Herbert. It says that he is--

MR. WHITE: Fred is partly right, but that is because - I think the difference, Fred, is that this is an entirely different setup. It is an economic committee which considered matters bordering closely on foreign policy. Therefore, a comparable thing would be a group under Byrnes which considers economic matters which touch fiscal matters. But it does state that in the fiscal policy of the Administration the Treasury determines the policy - if you made it comparable.

MR. SMITH: What constitutes policy? What Byrnes is working on is that the policy - if you go back and look at what he has done, I think it pretty clearly shows he considers the policy is the twelve billion dollars that we want to raise.

- 25 -

Now, he says that Paul agrees with him on the way to raise the money, so he would call Paul and under the terms of this order be permitted to do it.

MR. GASTON: No, not the way we propose to set it up at all.

MR. SMITH: I am talking about Byrnes pulling this other order out, and instead of translating the first order--

MR. WHITE: He couldn't parallel the thing that closely without raising a host of other problems.

MR. BELL: Fred's point is that you could write an amendment to that War Mobilization order which says that any policy or action that Byrnes takes has to be in conformity with the policy stated by the Secretary of the Treasury on fiscal matters, just as it says on foreign matters.

MR. SMITH: Then it would probably go on and say that Mr. Byrnes would be at liberty to call on various departments within the Treasury, just as that order says he can call on the departments within the State Department.

H.M.JR: I don't get it. Can call on divisions in the State Department?

MR. BELL: That is what it says, "In providing for such unification the Office of War Mobilization may utilize the facilities of other departments and agencies."

MR. WHITE: But you are reading from the order setting up Byrnes' outfit, not from this. You can distort this to fit that.

MR. SMITH: I know, but Byrnes is the guy we are talking about. My contention is that you are bringing out here a relationship between Hull and Wallace.

- 26 -

MR. BLOUGH: That is not the order setting up Byrnes. That is the order setting up Crowley. It relates to the operations in Crowley's office and relates to the relation of the State Department to that office through Byrnes, it seems to me.

MR. WHITE: They are both administrative. They are two administrative organizations having to do closely allied functions.

If you are able to get a statement, a public statement, clarifying the order that the primary responsibility for the formulation and administration of fiscal policy rests with the Secretary of the Treasury under the President, I think that is all the Secretary wants.

Now, it is true that there are a lot of other little things in which you have to cooperate and in which there is a merging, but those are all secondary and I take it you are already doing that and are likely to continue doing that.

H.M.JR: Where are we at now?

MR. WHITE: I was wondering whether--

H.M.JR: I think Smith has a point.

MR. WHITE: I don't think so.

MR. SMITH: If you can go in and see Mr. Roosevelt and come out with that order, all right, but if you go in with Mr. Roosevelt and Byrnes gets in I have two bits in my pocket that says he is going to bring out this other order to pattern it after.

H.M.JR: You mean the last one?

MR. SMITH: The last one. He wants to call on the divisions in the Treasury to help him decide how to get the twelve billion dollars that is the Treasury policy.

- 27 -

If you will re-read your letter from Mr. Byrnes, I think he is setting up a precedent to do just that, pointing out that he can work with these people over here and pointing out that Mr. Paul agrees with him.

MR. WHITE: Well, there has never been any question of the desire of the Secretary of the Treasury to cooperate fully and discuss matters with them. The question at issue remains the very simple one, whether the responsibility for the formulation and the carrying out of the program with the Congress - representation of the Administration to Congress on fiscal matters, which includes the sale of bonds and the tax policy - whether that responsibility rests primarily with the Secretary of the Treasury responsible to the President or whether it does not rest with him but rather rests with Byrnes to the President, and possibly the Secretary of the Treasury to Byrnes. That is a very simple issue.

The issue as to the degree of cooperation, the degree of discussion, the degree of exchange of opinions, and all that, has never been at stake because the Secretary of the Treasury has always taken the position and stated that we will collaborate fully, that there are constant conversations and discussions.

That is a separate matter, and there has never been any point at which Byrnes could point and say that the Treasury was not cooperating. On the contrary, in his own letter he says they are cooperating.

MR. SMITH: I think we are agreed on that. My whole point is that there is a precedent established by long years back that the Secretary of the Treasury is responsible for all those things, and Byrnes contends that there is a precedent set that he is now responsible for that and that he can use the departments of any agency for that.

It is going to get down in the final analysis to whether this order is going to be issued by the President or that order is going to be issued by the President.

- 28 -

H.M.JR: Well, let me butt in here. I think, in view of what you said, that this is the thing to do. I think the thing to do is simply to draw up a memorandum and say, "Look, Mr. President, in view of the question raised by Mr. Byrnes and his interpretation, I can't give you the kind of service that I have been giving you in the past under that kind of a setup. Therefore, I am suggesting to you a clarifying order. This isn't the first time you have given a clarifying order. You gave a clarifying order on such and such a date a year ago when Mr. Hull evidently felt in a similar position to what I do now."

I will just refer to the fact he did it once before.

"Now, I am giving you the kind of a clarifying order under which I can give you the best kind of service." Then let's draw our own. See? Let's draw our own order, the kind of order that we here in the room feel we can function under.

MR. SMITH: Not go back to Hull at all?

H.M.JR: Only go back to Hull to establish the fact that he has issued - that he has done it once for Hull and once for me in connection with Crowley.

MR. BELL: That was verbal.

H.M.JR: No, no. In connection with Crowley?

MR. BELL: Yes.

H.M.JR: No, he got out a revised order.

MR. BELL: On Foreign Funds?

H.M.JR: Yes. He has done it twice.

MR. GASTON: Yes, he did it twice.

- 29 -

H.M.JR: Once in connection with Wallace-Hull, and he did it once in connection with the Morgenthau-Crowley business. Now I am asking him to do it a third time in connection with Morgenthau-Byrnes.

MR. SMITH: I go along with that.

H.M.JR: You fellows are all beginning to click now. I will simply say, "You did it once in connection with Hull-Wallace; you did it once in connection with Morgenthau-Crowley. Now I am asking you to do it a third time, Morgenthau-Byrnes, and this is the kind of order I need."

MR. GASTON: And this is worth remembering, that at no time was it proposed that Byrnes take over any direct functions of the State Department, that he be put in charge of foreign emissaries, or that he create policies. That wasn't the issue at all. The issue was the question of the creation of certain war agencies whose functions might affect international relations, and Hull was alert to get clarifying orders saying that, "Even though these agencies are in charge of the man who is the general mobilizer of war activities, economic activities, they must not do anything that interferes in any way with my general policies."

But here we have a proposition not of his having certain agencies, such as Crowley's, do something which might in some way conflict with policies of the Treasury Department, but we have a direct proposition here that he is going to take over the more important policies of the Treasury Department.

There is just all the difference in the world and all the more reason why we should insist that there should be a clarifying order to deny that he has any such right.

MR. WHITE: That would be a much stronger case than BEW.

MR. GASTON: Yes. In the case Fred talks about, this order isn't talking about his giving instructions

- 30 -

to the State Department. It is talking about his control of Crowley's organization and making it certain that Crowley's organization shall not do anything which will conflict with policies set by the State Department.

MR. WHITE: I wouldn't go into that, either, because that becomes pretty involved and kind of diverts the issue.

I wonder whether you ought not to have, either for your own reading or possibly to present in the memorandum, justification as to why you want a public order rather than another reassurance, which he might prefer to give you. The basis for that might be to say, "This thing cropped up in '42, and you told me this. It cropped up again in '43."

In other words, you have got four instances in which the same thing has cropped up, and the reason why it has cropped up each time is the absence of a public statement to this effect and a public statement would settle it once and for all.

H.M.JR: Harry, I don't think it is a good argument because he has told me when I asked him here the most recent time - I asked him in connection with Vinson to give me a public statement saying we were in charge of presenting a tax program, and he said, "In our family we don't do things that way."

On the other hand, if I give him the example of the two clarifying orders and simply say, "Now, look, Mr. President, this calls for a clarifying order", then I get away from the fact that he will remember that he said in his family he doesn't do such things. You see, Harry?

MR. WHITE: I think you are right.

H.M.JR: I think it is much stronger to give him the two clarifying orders and say, "This calls for a third clarifying order."

- 31 -

MR. WHITE: Have you got that order before you on Foreign Funds and Crowley, the exception he made in that case?

H.M.JR: I may or may not, I don't know, but that certainly ought to be very easy to get.

MR. BELL: I think if you submit these clarifying orders to the President and Byrnes is present, he is going to say, "Well, Mr. President, if you do that it is the one exception in the whole Government service that you made to the War Mobilization order."

H.M.JR: But that isn't true.

MR. BELL: I think it is.

H.M.JR: He excepted Hull.

MR. BELL: No, he wasn't excepted. He was excepted from the BEW order, and there has been no exception except in the Crowley order, which says, "The functions of the Office of War Mobilization shall include the authority to arrange for the unification and coordination of the activities of the Federal Government relating to foreign supply, foreign procurement, and other foreign economic affairs in conformity with the foreign policy of the United States, as defined by the Secretary of State."

Now, it is his function to coordinate all those activities in connection with the foreign policy. I think he would say - if you want that clarifying order, I think he has to put in something like this. He would insist on that, I think.

H.M.JR: On what?

MR. BELL: He will argue that this is the formula. (Indicating OWM-State order.)

I think he will say that that is the one exception in the Cabinet from the War Mobilization order.

- 32 -

MR. WHITE: The worst that could happen - I mean in the sense of a defeat - if the discussion gets on that basis is for the President to say, "You two work it out, see whether you can work out the right kind of an order."

Once that is done, that gives you an opportunity for your representatives to fight for the kind of order you want. That is the worst that can happen.

H.M.JR: But that is no good because we won't get anywhere with Byrnes. He won't give an inch.

MR. SULLIVAN: That wouldn't be settled before your Third War Loan campaign started.

H.M.JR: It wouldn't be settled before the war is over. (Laughter) That wouldn't be settled before the war is over, and then that puts me in the position of being unreasonable, and I won't cooperate, and so forth and so on.

MR. WHITE: Of course I don't quite see how he can take that position if all that the Secretary is asking is the one sentence and one phrase, namely, that the primary responsibility is his under the President for the formulation and administration - not administration but something like that - of fiscal policy. That is all he wants. Nothing else matters because with that you can cooperate and what not. You can always refer to that. That is the primary responsibility, and you are responsible to the President.

It seems to me if it is made very simple it makes the issue simple and doesn't permit that other kind of thing.

MR. SMITH: That is all there is, Harry.

MR. GASTON: It is a good idea to present that order. Of course the President is not going to sign any order at all.

- 33 -

MR. WHITE: He may say so orally.

MR. GASTON: The only point is to get an oral understanding. He sticks by his oral understandings.

H.M.JR: What was that?

MR. GASTON: I was saying it is a good idea to present this, but the President will never sign it, will never sign anything, but you will gain what you want if he says, "Henry, that is the way I want it to be, and there isn't any order to the contrary. You go ahead just as you always have." If he says that orally before Byrnes, that is all you want.

H.M.JR: Herbert, let's just think a minute. I don't want to get into an argument that Bell and Gaston and Paul and some of the rest of us are tied up with for the rest of the winter, arguing with Byrnes as to an Executive order, and I will get licked on that, anyway, because he is smarter than I am on that kind of thing and he can always keep running to the President and say, "Morgenthau won't cooperate."

MR. SULLIVAN: He lives over there.

H.M.JR: Yes. So I don't want to get into that position, and I don't think - let's follow Herbert's thing a minute and say that the President will say verbally that I am in charge of this. Is that enough?

MR. SULLIVAN: Of course you have one issue here. Jimmy says that he is, generally speaking, responsible for the success of the War Bond campaign. He also says he has the authority to issue directives. Has he or hasn't he?

H.M.JR: What?

MR. SULLIVAN: Has he or hasn't he?

H.M.JR: But what I was thinking--

- 34 -

MR. SULLIVAN: You have to take your hat in your hand and go across the street and see Jimmy whenever you want to float a new issue.

H.M.JR: Well, look, let's put ourselves in the President's place. I go to the President and say, "Now, look, Mr. President, Byrnes says as long as I am a good boy he won't issue a directive, he won't spank me. That position from my standpoint is untenable. I will not accept it." See?

Now, I am trying to think - if I say that is my position I am putting him - the President - on the spot. Now, what can he do to satisfy me? What can the President do to satisfy me, and not have Jimmy Byrnes resign?

I take this position: "I won't accept this, Mr. President." Now, what can the President do to satisfy me, that he can get away with, so to speak, with Jimmy Byrnes? That is the point that we are arguing about.

MR. SULLIVAN: Has Jimmy Byrnes' letter been answered?

H.M.JR: No, but that is very easy. We will come to that last. I know what I want, but what can the President give me that he can get away with as far as Jimmy is concerned?

MR. GASTON: Of course Jimmy has declared himself - put himself on record.

MR. BELL: Here is a memorandum which was given to me. (Memorandum addressed to the Secretary handed to the Secretary.) *Aug 10*

H.M.JR: DuBois did this?

MR. WHITE: He is a very able fellow.

MR. BELL: They handed it to me last night.

- 35 -

H.M.JR: Paul told me he wasn't talking to anybody except you (Blough) and Surrey.

MR. BLOUGH: What is this?

H.M.JR: What is the date on this?

MRS. KLOTZ: No date, no signature - nothing. He gave it to Mr. Bell.

MR. BELL: I didn't read it. They gave it to me last night to give to you, and I didn't read it. This is something you called Paul for, I think, Sunday - either Saturday night or Sunday - and Sunday he got DuBois to work on it, as I understand it.

H.M.JR: Read it.

(Memorandum read by Mr. Bell, copy attached.)

H.M.JR: This is as a result of my telephone conversation. Where has it been all the time?

MR. BELL: It has been on my desk since last night. I didn't know what it was, to tell you frankly. I didn't read it.

MRS. KLOTZ: Mr. Morgenthau, it is not dated, and you wouldn't know who it was from or what subject it is on.

MR. BELL: Paul left town and wouldn't be back until Wednesday, and DuBois brought it to me yesterday and asked if I would give it to you. Probably DuBois didn't know whom it should be from.

MRS. KLOTZ: It is a crazy way to do it.

MR. BELL: It is my fault.

H.M.JR: Yes, it is Bell's fault. Mr. Paul said that Mr. Blough and Mr. Stanley Surrey would represent him. He said he would discuss it with nobody else.

(Mrs. Klotz left the conference.)

- 36 -

MR. BLOUGH: I left town Saturday night.

MR. BELL: DuBois worked on this Sunday.

H.M.JR: And Paul tells me my office isn't run properly. (Laughter)

This (indicating DuBois memorandum) is what I have been groping for.

MR. BELL: I am sorry.

H.M.JR: I mean, all this stuff we have been arguing about.

(Mr. DuBois entered the conference.)

H.M.JR: Look, DuBois, I wouldn't know - you ought to put your name on this because I wouldn't know where it comes from.

MR. DU BOIS: I initialed the carbons. I gave it to Mr. Bell, and I thought he was going to initial it. see p. 102

(Memorandum initialed by Mr. DuBois.)

H.M.JR: When were you told to do this?

MR. DU BOIS: I got a call Sunday afternoon around four from Mr. Paul so I came down Sunday afternoon and got it ready and gave it to Mr. Bell Monday morning.

MR. BELL: Yes. I thought it was yesterday afternoon. If he says so, it is right.

H.M.JR: It is a good memorandum, anyway.

Have you seen the correspondence between me and Mr. Byrnes?

MR. DU BOIS: No, I haven't been in on this at all, Mr. Secretary. In fact, I got very vague instructions on that. I was just told to get up a formula - get up a

- 37 -

memorandum on the BEW formula exempting Hull. I pretty much guessed at what was wanted.

H.M.JR: You did this just on a guess?

MR. DU BOIS: Pretty much a guess on what was wanted. Nobody gave me the background or anything else.

MR. BELL: He did a pretty good job.

MR. DU BOIS: Nobody gave me the background.

H.M.JR: You haven't seen the correspondence between--

MR. DU BOIS: I haven't seen anything. I haven't been in on it at all.

H.M.JR: Well, I tell you what I think, to save my time. You ought to be given a copy of the letter from me to Mr. Byrnes and the answer. Now, how can he get that?

MR. BELL: I will have to get it out of your office because no one has any carbons of it.

(Mrs. Klotz re-entered the conference.)

H.M.JR: Just repeat what you said - what has happened.

MR. DU BOIS: I got a call from Mr. Paul's office about four at my home to prepare a memorandum on the BEW formula excepting Hull. I called Mr. Paul to find out what it was all about. I said, "I presume you want something about the fight between BEW and the State Department at the time the BEW order was issued."

He said, "Yes, that is probably what is wanted," so I got that memorandum up and gave it to Mr. Bell Monday morning.

- 38 -

H.M.JR: You used your own imagination?

MR. DU BOIS: Used my own imagination.

H.M.JR: I will lend you this (indicating file). It is terribly confidential, and you give it back to me. This is very confidential, but I think the best thing you can do is to take it; and as soon as you are through reading it you can give it back to Mrs. Klotz directly.

What I want is this - it is awful hard to explain it to you. Roy, you have sat in on this whole thing. Can't you explain it to him?

MR. BLOUGH: Surely.

H.M.JR: Then if he doesn't understand it he can come and see me direct. Don't hesitate.

What I want is an order, in the light of these two letters, which you are going to read, under which I can function directly with the President of the United States as Secretary of the Treasury, on fiscal matters. I need a clarifying order. I think that boils it down. Don't you think so, Harry?

MR. WHITE: I think that is all you need. If he talks it over with Roy, he will get the background; and when he has his draft we can talk some more before he comes to bring it before you for consideration, or before the group for consideration.

H.M.JR: I would consult with Harry, too.

I need that by one o'clock - that book. But if you talk with Harry and Blough, they will be available here in a few minutes - and then I think we can wait until DuBois has read this thing, I mean on the letter that I am going to answer. It isn't satisfactory, anyway.

- 39 -

When can we meet again? I ought to answer Byrnes today, that is the only thing.

MR. WHITE: That letter that was drafted you didn't feel was satisfactory?

(Copy of first draft of letter to Mr. Byrnes attached.)

H.M.JR: It would be satisfactory with this amendment. Shouldn't I say I didn't get it until the afternoon of the 20th, because I didn't receive it until the 20th?

The second paragraph I want to leave out entirely. It says, "In your letter you state that you 'are responsible . . . for the War Bond drive.'" I don't want to get into that argument.

Then it goes on, "I'm sure that you, as well as I, will welcome the President's decision on the general question as to who is responsible to him for the fiscal affairs of this Government. Since the Treasury is about to initiate the Third War Loan Campaign and plans to present within a few weeks a tax program to the Congress, the earliest possible decision on these questions is imperative."

MR. WHITE: Say "Now that the Treasury" and so on.

H.M.JR: Well, here is the letter, and, Joe, you might work on this thing, too.

Would you be ready to make some recommendations at two-fifteen?

MR. DU BOIS: Sure.

H.M.JR: Then supposing this group comes back at two-fifteen.

EXECUTIVE ORDER

Supplementing the Executive Order Establishing
the Office of War Mobilization and Providing
for the Unifying of Foreign Economic Affairs.

By virtue of the authority vested in me by the Constitution and the statutes of the United States, particularly by the first War Powers Act, 1941, as President of the United States and as commander in chief of the Army and Navy, and in order to provide for the more effective unification of the agencies concerned with foreign economic affairs, it is hereby ordered as follows:

1. The Board of Economic Warfare, existing pursuant to paragraph 2 of Executive Order No. 8839, July 30, 1941, as amended by Executive Order No. 8982, December 17, 1941, is terminated. There is established in the Office for Emergency Management an Office of Economic Warfare, at the head of which shall be a director, appointed by the President, who shall exercise the functions, powers and duties of the Board of Economic Warfare. The director shall receive such salary, travel, subsistence or other allowances as the President may determine.

There are transferred to the Office of Economic Warfare for use in connection with the exercise and performance of its functions, powers and duties so much of the unexpended

- 2 -

balances, appropriations, allocations and other funds now available for, as well as all the personnel, property and records heretofore used in the administration of the functions, powers and duties of, the Board of Economic Warfare.

No part of any funds appropriated or made available under Public 139, approved July 12, 1943, shall be used, directly or indirectly, after August 15, 1943, by the Office of Economic Warfare for the procurement of services, supplies, or equipment outside the United States except for the purpose of executing general economic programs or policies formally approved in writing by a majority of the War Mobilization Committee and such writing has been filed with the Secretary of State prior to any such expenditure.

2. The United States Commercial Co., the Rubber Development Corp., the Petroleum Reserve Corp. and the Export-Import Bank of Washington and their functions, powers and duties, together with the functions, powers and duties of the Reconstruction Finance Corp. and of the Secretary of Commerce with respect to them are transferred to the Office of Economic Warfare. All personnel, property, records, funds (including all unexpended balances of appropriations, allocations or other funds now available) contracts, assets, liabilities and capital stock of these corporations, together with so much of the personnel, records, and property of the Reconstruction Finance Corp. used in the administration of these

- 3 -

corporations as the director of the Bureau of the Budget shall determine, and transferred with these corporations to the Office of Economic Warfare for use in connection with the exercise and performance of its functions, powers and duties. The director of the Office of Economic Warfare may reconstitute the boards of directors of these corporations and take such other action as he deems necessary in respect of them to carry out the purposes of this order.

3. (a) Until such time as the Congress shall provide other means of financing, the Secretary of Commerce and the Reconstruction Finance Corporation are authorized and directed to supply necessary funds to the corporations transferred to the Office of Economic Warfare by this order through loans, using for this purpose all the borrowing powers and unobligated funds of the Reconstruction Finance Corporation. Such funds shall be supplied at such times and in such amounts and in such manner and upon such terms and conditions as the director of War Mobilization, on the request of the director of the Office of Economic Warfare, may from time to time determine. The disbursement of the funds so supplied shall be under the exclusive direction of the director of the Office of Economic Warfare, except as otherwise provided in this order.

- 4 -

(b) The function, powers and duties and outstanding contracts and obligations relating to activities and transactions in or pertaining to foreign countries, now vested in, or in the name of, any corporation created and organized under Section 5(d) of the Reconstruction Finance Corporation Act, or of any other corporation organized by the Reconstruction Finance Corporation, shall, unless the director of War Mobilization otherwise determines, by transfer to the corporation or corporations designated by the director of the Office of Economic Warfare, and the charter and by-laws of the corporations affected by such transfers, so far as necessary, shall be amended accordingly. Following such transfers, no corporations created and organized by the Reconstruction Finance Corporation, other than those transferred to the Office of Economic Warfare by this order, shall exercise any of its powers and functions in regard to any activity or transaction in or pertaining to any foreign country except as ordered by the director of War Mobilization. The Secretary of Commerce, the Reconstruction Finance Corporation, and any corporation organized by it, shall execute and deliver all instruments which may be deemed necessary by the director of War Mobilization to carry out the provisions of this order.

- 5 -

4. The functions of the Office of War Mobilization shall include the authority to arrange for the unification and coordination of the activities of the Federal Government relating to foreign supply, foreign procurement and other foreign economic affairs in conformity with the foreign policy of the United States as defined by the Secretary of State.

In providing for such unification the Office of War Mobilization may utilize the facilities of other departments and agencies, including the machinery for the coordination of foreign economic affairs established in the Department of State.

5. All prior executive orders and directives in so far as they are in conflict herewith are amended accordingly.

FRANKLIN D. ROOSEVELT.

The White House,

July 15, 1943.

CLARIFICATION AND INTERPRETATION OF EXECUTIVE
ORDER NO. 9128 OF APRIL 13, 1942, IN RESPECT
OF CERTAIN FUNCTIONS OF THE DEPARTMENT OF STATE
AND THE BOARD OF ECONOMIC WARFARE.

The following will clarify certain relations and functions of the Department of State and the Board of Economic Warfare in the administration of the President's Executive Order No. 9128¹ regarding the Board and provide for cooperative action between them.

It is contemplated that meetings of the Board will be held at least every two weeks. An agenda for each meeting will be circulated in advance, and each member of the Board is free to raise questions upon his own initiative.

In the making of decisions, the Board and its officers will continue to recognize the primary responsibility and position, under the President, of the Secretary of State in the formulation and conduct of our foreign policy and our relations with foreign nations. In matters of business judgment concerned with providing for the production and procurement of materials to be imported into this country for the war effort, including civilian supply, the Department will recognize the primary responsibility and position of the Board. In many cases a decision may involve both matters of foreign policy and business judgment in varying degrees. No clear-cut separation is here possible. Accordingly, if occasions arise in which proposed action of the Board or its officers is thought by officials of the State Department to be at variance with essential considerations of foreign policy, the Secretary of State and the Chairman of the Board will discuss such matters and reach a joint decision, in matters of sufficient importance obtaining direction from the President.

The Board will continue to recognize that it is the function of the Department of State to conduct or authorize the conduct of all negotiations with foreign governments in Washington and abroad. In negotiations relating to the production and procurement of commodities intended for import

- 2 -

in accordance with the President's Executive Order, the State Department will recognize the necessity for the participation of representatives of the Board in order that the latter may adequately discharge its responsibilities. In short, for the effective exercise of the functions both of the Board and the Department, it is essential that from the inception of any project there be complete exchange of information, mutual consultation and mutual confidence.

In negotiations regarding lend-lease master agreements, subsidiary agreements, and arrangements for their implementation, including reciprocal aid to the United States, the Department will obtain the advice, and with respect to the importation of materials and commodities (other than arms and munitions) will obtain the participation of the Board and keep it fully informed.

Missions and individuals desired by the Board to be sent to the field shall be agreed upon by the State Department and the Board in the light of their common desire to increase to the maximum the war effort. The Board will recognize that all functions which are being or can be performed through the regular or auxiliary Foreign Services of the Department should be so performed. The persons and missions which the Board contemplates being sent to the field, other than through the services mentioned, are those needed for the specialized technical and operational functions connected with production and procurement. The Department of State will recognize the need for sending such persons. In exceptional circumstances the Board and the State Department will collaborate in sending joint missions on problems arising from export control or the general economic warfare activities of this Government.

The Board will recognize that persons sent abroad, as provided above, shall be authorized by the Secretary of State, shall assume the status directed by the Secretary of State, and in this respect be subject to the jurisdiction of the Secretary of State. The Chief of the United States Diplomatic Mission in a foreign country is the officer of the United States in charge in that country under whose supervision are coordinated the activities

- 3 -

there of all the official representatives of the United States. All negotiations abroad with foreign governments or officials should be conducted by or under the direction of the Chief of the Diplomatic Mission in the manner described above applicable to negotiations in which the Department and the Board participate. All activities should be fully reported to the Chief of the Diplomatic Mission and be conducted under his advice and instructions. He will respect the position of the Board's representatives in matters of technical and business judgment and, should questions arise that cannot be settled by agreement in the field, which should rarely be the case, they will be reported through the State Department and settled by the Secretary of State and the Chairman of the Board.

All communications to and from persons or missions sent abroad shall be through the facilities of the Department of State and diplomatic missions unless other means are agreed upon between the Board and the Department of State. The Department will do its utmost to provide expeditious means for such communications.

Both the Department of State and the Board of Economic Warfare and their officers recognize in the present emergency the need for speed in action and the importance of avoiding all delay in the decision of important matters.

Franklin D. Roosevelt,
President of the United States.

May 20, 1942.

[F. R. Doc. 42-4700; Filed May 21, 1942, 3:18 p.m.]

MEMORANDUM FOR THE SECRETARY

1. When the President issued an executive order in April, 1942, giving the Board of Economic Warfare broad powers to handle the Government's stockpile program of essential and critical materials acquired abroad, including the power to represent the United States Government in dealing with the economic warfare agencies of the United Nations, a bitter dispute arose as to the effect of this order upon the functions of the Secretary of State in the formulation of foreign policy. The President settled this dispute in favor of the State Department and issued a public statement clarifying and interpreting the above mentioned executive order. This statement provided in part that:

"In the making of decisions, the Board and its officers will continue to recognize the primary responsibility and position, under the President, of the Secretary of State in the formulation and conduct of our foreign policy and our relations with foreign nations."

and further provided that:

"The Board will continue to recognize that it is the function of the Department of State to conduct or authorize the conduct of all negotiations with foreign governments in Washington and abroad."

2. At the time that the proposed Executive Order for Establishing an Office of Economic Stabilization was under discussion, Treasury took the position that such Order should not interfere with the primary responsibility and position of the Treasury in the formulation and conduct of executive policy with respect to taxation and public finance. A draft of an executive order was submitted to Judge Rosenman which contained a provision protecting the Treasury's responsibility with respect to taxation and public finance, comparable

- 2 -

to the provision contained in the above mentioned statement by the President protecting the responsibility of the State Department in the field of foreign relations. The provision which we suggested read as follows:

"With respect to taxation and public finance the Board shall make such recommendations as it deems desirable to the Secretary of the Treasury, recognizing at all times in the discharge of the functions of the Board, the primary responsibility and position, under the President, of the Secretary of the Treasury in the formulation and conduct of executive policy with respect to taxation and public finance."

This paragraph was eliminated from the executive order finally issued. You will recall that at the time Judge Rosenman explained that although the executive order had been redrafted so as to leave out this paragraph, at the same time reference to Treasury powers had been eliminated from the paragraph outlining the functions of the new Stabilization Director. Judge Rosenman explained that the reason for this was that there had been objection by the other departments and agencies to this specific exemption of the Treasury Department and that it stuck out like a sore thumb, but that the new language would accomplish the same effect.

You also will recall that at the conference in the President's office on the day the stabilization order was issued, the President explained in much the same terms as Judge Rosenman had that he had thought it best to eliminate the specific exemption as to the Treasury and instead to eliminate from the powers of the Stabilization Director all reference to Treasury functions. He stated that the Treasury would not be affected.

3. The executive order providing for the establishment of the Office of War Mobilization issued on May 27, 1943 gave the Office broad powers, acting in consultation with the War Mobilization Committee, and subject to the direction

- 3 -

and control of the President, to develop unified programs and to establish policies for the maximum use of the national resources for military and civilian needs, the effective use of the national manpower not in the armed forces, for the maintenance and stabilization of civilian economy, and for the adjustment of such economy to war needs and conditions. In so acting, the Office is given power to issue such directives on policy and operations to the Federal agencies as may be necessary to carry out the program developed, the policies established, and the decisions made under the order.

Although there was no provision in this original order specifically exempting the functions of any particular agency of the Government, it should be noted that when this order was supplemented on July 15, 1943 so as to give the Office of War Mobilization power to coordinate foreign economic affairs, a specific provision was placed in this supplementary order fully protecting the interests of the State Department in the field of foreign relations. Thus, Section 4 of this supplementary order specifically provided that:

"4. The functions of the Office of War Mobilization shall include the authority to arrange for the unification and coordination of the activities of the Federal Government relating to foreign supply, foreign procurement and other foreign economic affairs in conformity with the foreign policy of the United States as defined by the Secretary of State. In providing for such unification, the Office of War Mobilization may utilize the facilities of other departments and agencies, including the machinery for the coordination of foreign economic affairs established in the Department of State."

JEDuBois:ecr
8/23/43

Dear Jimmy:

I wish to acknowledge your letter of August 18th in reply to my letter of August 17th. You suggest that you, Judge Vinson and I meet with the President to settle certain issues raised by our letters. I share your desire for such a meeting.

In your letter you state that you are "are responsible in a general way for the success of the War Bond drive." You also indicate you consider yourself vested with authority to direct other fiscal activities of the Treasury. I have not been aware that you possessed such responsibility or authority.

I'm sure that you, as well as I, will welcome the President's decision on the general question as to who is responsible to him for the fiscal affairs of this Government. Since the Treasury is about to initiate the Third War Loan Campaign and plans to present within a few weeks a tax program to the Congress, the earliest possible decision on these questions is imperative.

August 24, 1943
2:30 p.m.

Re: EXECUTIVE ORDER CLARIFYING FISCAL AUTHORITY

Present: Mr. Bell
Mr. Gaston
Mr. Sullivan
Mr. Smith
Mr. Blough
Mr. White
Mr. DuBois
Mrs. Klotz

H.M.JR: I talked this thing over with Governor Lehman, and he felt that to just object on grounds that Jimmy Byrnes talked on enforced savings was a weak position for me; that the public wouldn't be very much interested in that; but that if the President took the position that I was to take orders from Jimmy, that would be something else.

MR. GASTON: That is the position that Jimmy took in response to your letter and that is what raises the serious question.

H.M.JR: But he was confident that the President wouldn't say that. He also thought there would be very little chance of getting the President to revise his Executive order, but he might write me something, although all he most likely would do would be to give me something verbally. He thought I would have to take that.

MR. SULLIVAN: I think that is right.

MR. GASTON: I think that is a good guess. It is the same guess I would make.

H.M.JR: His guess is that that is what the President would do, tell me just to carry on as before.

- 2 -

MR. BELL: Fred Smith just suggested that you might have a little draft of a note addressed to Jimmy Byrnes for the President to sign.

MR. SMITH: Start with the fact that he did verbally exempt the Treasury in these earlier orders, and it was his intention that the Treasury should stay exempt from War Mobilization and everything else. Then you are expanding something that the President already has done, not making the President say, "I did something wrong," nor are you making the President issue an order, which bothers me about these things.

What these orders do is reverse his basic order for setting up Jimmy Byrnes in the first place. He was set up there to coordinate; now you want an order to go out from the President publicly saying that he is not to coordinate the Treasury, and that is the beginning of a backsliding as far as the public is concerned. Jimmy Byrnes would say, "What the hell kind of a situation is this? You set me up, then you knock me over."

If it were a letter from the President to Jimmy Byrnes, that would take care of the basic problem with Byrnes. It would be giving him his orders and it wouldn't put the President in a bad light.

MR. GASTON: It could be a letter to Byrnes and the Secretary of the Treasury.

MR. SMITH: It could be a joint letter, yes.

MR. GASTON: This that Mr. DuBois has prepared is rather artfully done, I think. It is not in the form of a direct amendment to the order, but a clarification of the order.

H.M.JR: Could I see it?

(Draft I of "Clarification of Executive Order No. 9347" by Mr. DuBois, handed to the Secretary.)

- 3 -

H.M.JR: DuBois, how did you happen to give that memorandum to Mr. Bell and not to me on Monday morning?

MRS. KLOTZ: There is a memorandum which Mr. DuBois just now dictated which I haven't had a chance to give you.

MR. DuBOIS: Mr. Paul asked me to check it with Mr. Gaston and Mr. Gaston wasn't in, so I felt I should check it with someone else before giving it to you.

MR. GASTON: Mr. DuBois was instructed to prepare a memorandum for someone else, not on his own account.

MR. BELL: He gave it to me because Paul wasn't here and Mr. Gaston wasn't here.

H.M.JR: He was right. How should he know that you don't look at your memoranda. (Laughter)

I will read this out loud. (Draft I read by the Secretary.)

At first blush I would say that looks very good.

MR. DuBOIS: That could be issued and published in the Federal Register as was done in the case of the order giving State Department supremacy in the field of foreign relations, or it could be as already suggested, in the form of a letter from the President to you and Mr. Byrnes.

MR. WHITE: In which case it would not be published.

H.M.JR: I don't quite get this - "...recognizing at all times in the discharge of the functions of the Office of War Mobilization, the primary responsibility and position, under the President, of the Secretary of the Treasury in the formulation and conduct of executive policy with respect to taxation and public finance."

Oh, yes, that is all right.

- 4 -

MR. GASTON: That says that your position is primary with respect to the public finance.

MR. SULLIVAN: Jimmy won't take that.

MR. WHITE: The chances of it being acceptable in the form of a letter, as Dan suggests, I think are very, very much greater than in the form of a published statement.

MR. GASTON: An order to be published - I think that is true.

MR. WHITE: In which case the understanding is that neither would publish it so that it wouldn't--

MR. GASTON: This is the order: Least likely to be published is a formal amendment of the order; second in that order of least likely to be published is a clarification such as this; third comes a letter; and fourth comes what I think you are probably most likely to get, a verbal statement to the Secretary and to Mr. Byrnes of what he wishes done. That is about the order of probability.

MR. WHITE: I am wondering whether the last two aren't sufficiently improbable so it might be best presented to the President in the form of a letter and then he could take his choice. But if you put it in the form of a published order, he will get a negative reaction against it; whereas if you get him a letter, which he doesn't see publicity to--

MR. GASTON: I would be inclined to take along both; start in with this (indicating draft of order) because it conforms to the precedent in the case of Wallace and Crowley - especially as to Crowley - and then say, "Well, here is a letter which need not be published, which states the same thing."

H.M. JR: Mr. DuBois, have you got those two orders for me - the so-called Crowley order and then the revised order?

MR. DuBOIS: Yes.

- 5 -

H.M.JR: I want those. Could you get Mrs. Klotz copies of the revised orders - Hull versus Wallace and revised order of Crowley versus Morgenthau - and just mark the important part? Get that to her today. If she isn't available, give it to Mrs. McHugh.

MR. WHITE: Here is another draft for a modified version which might be a little more acceptable to Byrnes which you might want to use. The first paragraph is the same.

MR. GASTON: Mr. DuBois drew both of them. They come to the same result.

MR. WHITE: Yes, they do. It may be a little more palatable.

MR. DuBOIS: This is what you might call a compromise.

H.M.JR: A modified version.

MR. GASTON: On the face of it, it appears weaker, but it might not be so offensive.

MR. DuBOIS: I think it would sound better to Byrnes.

(Draft II of "Clarification of Executive Order No.9347" by Mr. DuBois, copy attached, read by the Secretary.)

MR. DuBOIS: That is not as direct. I think it might sound a little more palatable to byrnes, I don't know.

MR. GASTON: It doesn't say "primary responsibility."

MR. SULLIVAN: "Primary" is the one he is going to gag at.

MR. GASTON: What it does say is that the Office of War Mobilization shall make recommendations, and it doesn't give him authority to issue directives.

H.M.JR: Where is the word "primary"?

- 6 -

MR. GASTON: The word "primary" is in the first draft - the last line of the first page - "...primary responsibility and position."

MR. DuBOIS: And "recognizing" it says, too. This (indicating Draft II) takes out that connotation.

MR. BELL: Also this other one says that the two officers shall work in close cooperation.

MR. BLOUGH: It says, "...both have an interest and responsibility."

MR. WHITE: I think it would be hard to deny in the light of the history.

MR. GASTON: It distinctly makes the communications of the Director of War Mobilization to the Secretary of the Treasury recommendations in place of directives.

MR. WHITE: That is the essence of it. With respect to taxation and finance it makes Byrnes subordinate to the Secretary rather than an advisor.

MR. GASTON: It gives him power to recommend, which by plain inference removes from him the power to issue directives in that field.

H.M.JR: Would you people think that the second version - that we could live under that?

MR. SULLIVAN: I think you are going to, anyway.

MR. GASTON: If you are going to get anything written, I think that is about--

H.M.JR: What do you mean?

MR. SULLIVAN: I mean regardless of what has happened, Mr. Secretary, the fiscal program has got to become more or less integrated with the things he is doing, regardless of any unfortunate exchange of letters. You two fellows and your outfits have got to work together or the job isn't going to be done.

- 7 -

H.M.JR: How much do they help us?

MR. SULLIVAN: I think they have been extremely helpful to us on the salary stabilization.

H.M.JR: They held it up for about two months.

MR. SULLIVAN: I beg your pardon. There were other Government departments that were holding it up and we got exactly what we wanted.

H.M.JR: With the twenty-five thousand dollar salary business, were they helpful?

MR. SULLIVAN: Yes.

H.M.JR: They were? I understood that they drew it badly, incorrectly, and everything else. They didn't take Paul's version of the thing at all.

MR. SULLIVAN: You mean the original regulations?

H.M.JR: Yes.

MR. SULLIVAN: I thought that they worked out pretty well. It was an entirely new field. There were innumerable complicated situations there.

H.M.JR: Well, anyway, I would be glad to work with them. I told him that when I went over to see him. He said, "Do you mean to say that you are over me?" - Byrnes did - and I said, "No, I consider that we are on an equal footing."

MR. BELL: He didn't answer that, did he?

H.M.JR: No. He was Stabilization Director, then.

MR. GASTON: I think that this second order will give you what you want. It says, instead of placing you under the directives of the Director of War Mobilization, it

- 8 -

says that the two officers will work in close cooperation, which is an injunction you would address to equals, and then it says that the Director shall make recommendations to you in the field of taxation and public finance. It distinctly withdraws from him the power to give you directives.

H.M.JR: Did you draw these or did you have assistance?

MR. DuBOIS: I drew them. I had one assistant who worked with me.

H.M.JR: Who was that?

MR. DuBOIS: A Mr. Minskoff.

H.M.JR: How do you spell that?

MR. DuBOIS: M-i-n-s-k-o-f-f.

H.M.JR: Lawyer?

MR. DuBOIS: Yes, he is a lawyer.

H.M.JR: Who is your superior?

MR. DuBOIS: I am under Mr. Luxford. Of course, he is away on vacation.

H.M.JR: It is a good piece of work. Why not let's keep this thing and kind of let it soak for twenty-four hours and let's see how we feel?

MR. SULLIVAN: I think you have another problem of tactics if you decide you want the second one, whether it is better to start with that or start with the first and then retreat to the second.

H.M.JR: Let's get this letter off to Byrnes. Has anybody done anything on the letter? Has anybody got anything on that letter for me?

(Copy of first draft of letter to Mr. Byrnes attached.)

- 9 -

MR. BELL: I haven't seen it.

H.M.JR: You are doing very well, DuBois, supposing you take this letter, will you, and fix me up a letter. Can you have one back here in an hour?

MR. DuBOIS: Sure.

H.M.JR: Then I could show it to everybody. I want it very short. I simply want to say to him, "I acknowledge receipt of your letter, and I will be very glad to see the President with you and Mr. Vinson - the sooner the better."

MR. BELL: You didn't want that second paragraph in?

H.M.JR: No. I don't see why you have got to say much more.

MR. SULLIVAN: The only purpose of that second paragraph being in, as I recall the discussion, was that you wanted to make a record that he had raised these points.

H.M.JR: Pardon?

MR. SULLIVAN: That you wanted to make a record.

MR. BELL: I believe you did telephone Paul that you definitely wanted to put in about the War Bonds.

MR. SULLIVAN: You told me over the phone that you wanted that.

H.M.JR: What I wanted to put in was an objection. The objection isn't just the War Bonds, it is the question of directives. I think you begin--

MR. GASTON: If you begin to answer his letter in detail, there are a half a dozen different points.

- 10 -

MR. SULLIVAN: The only reason we put them in was because of what you said.

H.M.JR: Put this in: "I want to see the President with you because there are a number of assumptions that you make in your letter which I am in disagreement with." How would that be?

MR. SMITH: I wouldn't say anything except just what you said in the first place. He knows you are in disagreement with it. You aren't telling him anything.

H.M.JR: What do you think?

MR. WHITE: I don't think this letter to him has much significance beyond saying you will be glad to see the President.

H.M.JR: I think so.

Supposing you all come back at quarter of four. That gives me a little time to do my mail, and so forth and so on.

CLARIFICATION OF EXECUTIVE ORDER NO. 9347 PROVIDING
FOR THE ESTABLISHMENT OF AN OFFICE OF WAR MOBILIZATION.

This statement is issued in order to clarify certain functions of the Office of War Mobilization in the administration of those provisions of Executive Order No. 9347 which provide for the development of unified programs and the establishment of policies for the maintenance and stabilization of the civilian economy, and for the adjustment of such economy to war needs and conditions, and give the Office of War Mobilization the power to issue such directives on policy or operations to the federal agencies and departments as may be necessary to carry out the programs developed, the policies established, and the decisions made under the Order.

The functions of the Office of War Mobilization shall include the authority to arrange for the coordination of the activities of the Federal Government relating to matters affecting the maintenance and stabilization of the civilian economy and the adjustment of such economy to war needs and conditions.

With respect to taxation and public finance, the Office of War Mobilization shall make such recommendations as it deems desirable to the Secretary of the Treasury, recognizing at all times in the discharge of the functions of the Office of War Mobilization, the primary responsibility and position, under

- 2 -

the President, of the Secretary of the Treasury in the formulation and conduct of executive policy with respect to taxation and public finance.

JEDuBois:ecr
8/24/43

CLARIFICATION OF EXECUTIVE ORDER NO. 9347 PROVIDING
FOR THE ESTABLISHMENT OF AN OFFICE OF WAR MOBILIZATION.

This statement is issued in order to clarify certain functions of the Office of War Mobilization in the administration of those provisions of Executive Order No. 9347 which provide for the development of unified programs and the establishment of policies for the maintenance and stabilization of the civilian economy, and for the adjustment of such economy to war needs and conditions, and give the Office of War Mobilization the power to issue such directives on policy or operations to the federal agencies and departments as may be necessary to carry out the programs developed, the policies established, and the decisions made under the Order.

Inasmuch as it is recognized that any programs for the maintenance and stabilization of the civilian economy and for the adjustment of such economy to war needs and conditions must be closely coordinated with any programs relating to taxation and public finance, the Secretary of the Treasury and the Office of War Mobilization shall work in close cooperation in effectuating policies and programs in fields in which both have an interest and responsibility. The Office of War Mobilization shall make such recommendations to the Secretary of the Treasury as it deems desirable relating to the exercise of the functions and responsi-

- 2 -

bilities of the Secretary of the Treasury, under the President, in the formulation and conduct of executive policy with respect to taxation and public finance.

JEDuBois:ecr
8/24/43

Dear Jimmy:

I wish to acknowledge your letter of August 18th in reply to my letter of August 17th. You suggest that you, Judge Vinson and I meet with the President to settle certain issues raised by our letters. I share your desire for such a meeting.

In your letter you state that you are "are responsible in a general way for the success of the War Bond drive." You also indicate you consider yourself vested with authority to direct other fiscal activities of the Treasury. I have not been aware that you possessed such responsibility or authority.

I'm sure that you, as well as I, will welcome the President's decision on the general question as to who is responsible to him for the fiscal affairs of this Government. Since the Treasury is about to initiate the Third War Loan Campaign and plans to present within a few weeks a tax program to the Congress, the earliest possible decision on these questions is imperative.

August 24, 1943 121
3:30 p.m.

HMJr:letter from Frederick M. Vinson, Director of the Office of Economic Stabilization, Washington, D. C., August 23rd. "I am enclosing the most recent draft of proposed Executive Order regulating credit under the National Stabilization Program. I hope that you can be at my office August 26th at 11:00." Who the hell is following that for me?

Dan Bell: On credit?

HMJr: Yeah.

B: Well, that is the thing I suppose that George Haas and I went over and talked about....

HMJr: Yeah.

B:in which we had him make a change and then later, you remember, I discussed with you as to whether we wanted to be on the committee.

HMJr: Yeah.

B: And we came to the conclusion that we didn't care as long as we had cooperation.

HMJr: Well, may I....

B: That is the thing that comes under Eccles, I suppose.

HMJr: May I send this in to you with my blessing and forget about it and will you go there August 11th?

B: Yep, I will - August 26th.

HMJr: Yeah at 11:00 (Laughs)

B: Okay. I will.

HMJr: Go over there and sleep.

B: Yeah. That's what I'll do.

HMJr: All right.

B: All right.

August 24, 1943
3:45 p.m.

Re: CLARIFICATION OF FISCAL AUTHORITY

Present: Mr. Bell
Mr. Gaston
Mr. Sullivan
Mr. Blough
Mr. White
Mr. DuBois

H.M.JR: Have you got a suggested letter?

(Draft of letter to Honorable James F. Byrnes, dated August 24, handed to the Secretary by Mr. DuBois. Copy attached.)

H.M.JR: (Reading) "I wish to acknowledge receipt of your letter dated August 18 and received in the afternoon of August 20, in reply to my letter of August 17."

Can I say, "...letter dated August 18 and received in the afternoon of August 20"? Isn't that rubbing it in a little bit?

MR. GASTON: I would say, "I wish to acknowledge receipt of your letter dated August 18, in reply to mine of August 17." That carries a slight inference.

H.M.JR: (Continuing) "Your suggestion that you, Judge Vinson, and I meet with the President to discuss certain issues raised in our letters is entirely agreeable to me."

"Is entirely agreeable to me"?

MR. GASTON: I think so.

H.M.JR: "I am sure that we are both anxious to have the scope of our respective responsibilities clarified as soon as possible.

- 2 -

"Since the Treasury is about to initiate the Third War Loan Campaign and plans to present within a few weeks a tax program to the Congress, the sooner that a decision can be reached on these questions, the better the national interest will be served."

I think that is a good letter.

MR. BLOUGH: You had previously taken - I had the thought that it was his letter that raised the issue and not yours. Do you care to follow that through, or follow this?

H.M.JR: I think that is a good point, you know.

MR. BELL: You mean, "Raised in our letters"?

MR. BLOUGH: Yes, as against "...raised in your letter."

MR. BELL: I think "our letters" is better.

H.M.JR: Where is it?

MR. BELL: The second paragraph.

H.M.JR: "...to discuss certain issues raised in your letter"?

MR. BELL: No, I wouldn't do that. We had quite a discussion of that, you remember, Saturday morning on the other letter.

MR. SULLIVAN: I was for saying "your letter" but none of the boys agreed with me.

H.M.JR: I said he should show the thing to me.

MR. WHITE: I think it is only unnecessarily irritating to say "in your letter."

- 3 -

MR. BELL: I think you both raised it. I think it is a little - it might be a little irritating to say "...your letter received the afternoon of--"

H.M.JR: I have cut that out. "I wish to acknowledge receipt of your letter of August 18 in reply to my letter of August 17."

MR. BELL: I think that is better.

MR. SULLIVAN: I think that second paragraph is a little weak where you say that this suggestion is entirely agreeable to you. I think a little more of showing your real sincere desire for such a meeting - "I welcome your suggestion that we meet."

MR. BLOUGH: Then move the next sentence up as part of that.

MR. SULLIVAN: That is right - "I am sure we are both anxious--"

MR. BELL: You could say, "It is essential, in view of the fact we are about to initiate the Third War Loan Campaign."

H.M.JR: Wait a minute.

MR. WHITE: It is all right if the only discussions that are going to take place on this matter are going to be at that meeting. If not, I think something mild like this is better.

H.M.JR: Which way?

MR. WHITE: Your suggestion - "...is quite satisfactory" or "...is entirely agreeable to me."

H.M.JR: What did John say?

MR. SULLIVAN: I would make it active rather than passive - "I welcome your suggestion."

- 4 -

H.M.JR: I like that.

MR. GASTON: Yes, I think that is better.

H.M.JR: "I welcome your suggestion that you, Judge Vinson, and I meet with the President to discuss certain issues raised in our letters."

MR. SULLIVAN: Then no paragraph - "I am sure we are both anxious" and so on.

H.M.JR: Would you say, "...on these important questions"?

MR. SULLIVAN: I would leave it the way it is. I think that sentence is adequate.

MR. WHITE: Say, "I am sure we are both anxious to have these matters cleared up." I am a little disinclined to say in here that you are discussing the scope of your respective responsibilities.

MR. DuBOIS: That is what you are really doing.

MR. BLOUGH: Certainly not going to the whole scope of Byrnes' responsibility.

MR. WHITE: This makes it appear as though the Secretary is in doubt about the scope of his responsibility.

MR. BELL: He is in doubt about certain phases of it.

MR. WHITE: He thinks Byrnes is in doubt and wants Byrnes' mind cleared up.

H.M.JR: No, I think that is all right.

MR. BELL: You could say, "...have these matters clarified as soon as possible."

H.M.JR: I think this is all right - "the scope of our responsibility" - the scope of his and the scope of mine.

- 5 -

MR. SULLIVAN: As a matter of fact, you are saying exactly what the meeting is about.

MR. GASTON: In the last sentence, last paragraph, I would strike out the word "that" in the third line from the bottom, and also strike out the last comma there - "...the sooner a decision can be reached on these questions the better the national interest will be served."

I would strike out "that" and strike out the comma.

H.M.JR: "The sooner"--

MR. GASTON: "The sooner a decision can be reached"--

H.M.JR: You don't like that?

MR. SULLIVAN: Yes, but just take out "that."

H.M.JR: Why?

MR. GASTON: It is unnecessary. It doesn't correspond to the idiom. And then the comma after "questions" ought to come out.

H.M.JR: How far is your office from mine?

MR. DuBOIS: It is just downstairs. I could have that typed.

H.M.JR: Then with the carbons, give it to my man outside and tell him to give it to me.

Dear Jimmy:

I wish to acknowledge receipt of your letter dated August 18 and received in the afternoon of August 20, in reply to my letter of August 17.

Your suggestion that you, Judge Vinson, and I meet with the President to discuss certain issues raised in our letters is entirely agreeable to me.

I'm sure that we are both anxious to have the scope of our respective responsibilities clarified as soon as possible.

Since the Treasury is about to initiate the Third War Loan Campaign and plans to present within a few weeks a tax program to the Congress, the sooner that a decision can be reached on these questions, the better the national interest will be served.

Sincerely yours,

Honorable James F. Byrnes
Director
Office of War Mobilization
Washington, D. C.

JEDuBois:scr
8/24/43

AUG 24 1943

Dear Jimmy:

I wish to acknowledge receipt of your letter dated August 18, in reply to my letter of August 17.

I welcome your suggestion that you, Judge Vinson, and I meet with the President to discuss certain issues raised in our letters. I'm sure that we are both anxious to have the scope of our respective responsibilities clarified as soon as possible.

Since the Treasury is about to initiate the Third War Loan Campaign and plans to present within a few weeks a tax program to the Congress, the sooner a decision can be reached on these questions the better the national interest will be served.

Sincerely yours,

(Signed) Henry Morgenthau, Jr.

Honorable James F. Byrnes
Director
Office of War Mobilization
Washington, D. C.

JED JEDuBois:ecr
8/24/43

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 24, 1943

TO Secretary Morgenthau
FROM Fred Smith

MS

I talked to Miller McClintock of Mutual Broadcasting and he assured me that your speech would be announced innumerable times tomorrow over Mutual Broadcasting, and that he will do anything and everything possible to get listeners. He said he was very fond of you personally and would do anything for you. He said I should call him any time, which I am likely to do.

(FS)

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 24, 1943

TO Mr. Fred Smith
FROM David Frederick



Re Secretary's Baltimore Speech

All War Finance state chairmen received airmail copies of the August 22 newspaper release announcing the speech, with a memo from Mr. Coyne urging them to get their people to listen in; and

Chairmen in Boston, Los Angeles, San Francisco, Newark, New York, Philadelphia, Detroit, Cleveland, and Chicago were followed up by telegraph yesterday.

August 24, 1943

Dear Jerry:

I was very glad to get the cheering news in your letter of August 20th. Your organization can be, and I am sure will be, most helpful to us in putting across the Third War Loan.

Originally I was to have talked at Baltimore on August 26th. Now I find it is August 25th. Therefore, I am going to ask for a rain check on seeing the Bethlehem-Fairfield Yard.

With kindest regards,

Sincerely yours,

(Signed) Henry

Honorable Emory S. Land,
Chairman,
United States Maritime Commission,
Washington, D.C.

By ~~Memorandum~~ Brown
11/50

Copy to Hank 8/20/43

UNITED STATES MARITIME COMMISSION
WASHINGTON 25, D. C.

August 20, 1943

CHAIRMAN

The Honorable
Henry Morgenthau, Jr.
Secretary of the Treasury

Dear Henry:

Your plans for the 3rd War Loan sound complete and effective, as reported by Mark O'Dea. Naturally, we want to cooperate in every way possible for its success.

As to bringing over captured enemy material for exhibit from the Mediterranean theatre, this sounds feasible, provided the material is selected and deposited at indicated ports for us to pick up. It is not feasible to assign two separate ships for complete loads - it would be better to have a number of ships pick up material from time to time and bring it over.

Also, we would expect the Army to take the material off our hands immediately upon its arrival at American ports. Mr. O'Dea has this operation in hand and will see it through. The only thing we might expect in return is that the exhibits made around the country include cities where our leading shipyards are located.

As for including torpedoed seamen in rallies, Captain Macauley says that he will see this is worked out.

I am pleased to hear you are going to devote a morning, on the 25th or 26th, to inspect our Bethlehem-Fairfield yard. It is one of our largest and best yards on the Atlantic Coast. *Wish I could join you but just can't make it*
Personal regards,

Sincerely yours,

Jerry
E. S. Land
Chairman

AUG 24 1943

My dear Mr. Secretary:

As you know, the Government is now spending at the rate of \$7½ billions a month for war purposes; in order to reach the Budget estimate these monthly expenditures will have to average \$8½ billions. During the Third War Loan Drive, which commences September 9, the Treasury will undertake to raise the large sum of \$15 billions to take care of the major part of the financing of the war during the next few months. Of the \$15 billions, about \$5 billions must come from individuals and personal trust accounts. To get this money, we must reach every person with an income or with extra money from any source.

During the last six months of this calendar year, we must sell nearly twice as much in bonds to individuals as we did in the first half of the year. We will have to sell bonds to nearly every man, woman, and child in America. We must go from house to house, from bench to bench in factories, and from desk to desk in offices.

An undertaking of such magnitude requires the fixing of quotas for the various states and local communities. These quotas necessarily must take into account sales by the Government to its own employees.

The gross monthly pay roll of the Government for civilian employees is approximately \$522 millions. This amount will undoubtedly be augmented in many cases by income and extra cash, however small, which had accumulated from previous earnings and other sources. To reach our goal we must sell about \$156 millions of war bonds to Federal employees during September, of which roughly \$40 millions will come through pay-roll allotments and the balance of \$116 millions from extra cash sales during the drive.

In order to place all departments of the Government on a uniform basis, these \$116 millions have been allocated to the various departments, the quota of the Department of Commerce

- 2 -

being \$1,163,200. Proportionately, this quota is somewhat less than the per capita amount which we must get from individuals generally, allowance having been made for circumstances surrounding Government employment and the fact that Government employees have not benefited so greatly through salary increases during the war.

I realize that we are asking for a lot of money, but the demand is not out of proportion to the need, and certainly the inconvenience which an extra bond purchase may cause is by comparison small indeed to the sacrifices which are being made every day by our armed forces on the battlefronts.

I would appreciate it greatly if you would make an effort to sell an extra bond during the September Drive to each of your employees. The Treasury has had considerable favorable experience with the fine and efficient officers who have charge of the bond organization of the various departments, and I am convinced that they are capable of reaching their respective quotas without causing undue hardship to individuals. To do this, of course, would require the full support and interest of the heads of the agencies concerned. That's what I am calling upon you for now.

Most sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Jesse Jones
Secretary of Commerce
Washington, D. C.

FBartelt:mmd 8/19/43

This same letter was sent to the following:

	<u>Quota</u>
Hon. Archibald MacLeish, Librarian of Congress	\$ 53,900.
Rear Admiral Emory S. Land, Chairman, U. S. Maritime Commission	447,800.
Brigadier General Frank T. Hines, Administrator of Veterans' Affairs	1,517,100.
Hon. David E. Lillenthal, Chairman Tennessee Valley Authority	1,080,200.
Hon. Charles B. Henderson, Chairman Reconstruction Finance Corporation	501,300.
Hon. B. F. Burdick, Chief of Office and General Purchasing Officer, The Panama Canal	353,800.
Hon. John B. Blandford, Jr., Administrator, National Housing Agency	821,000.
Maj. Gen. P. B. Fleming, Administrator, Federal Works Agency	682,300.
Hon. Lindsay C. Warren, Comptroller General of the U.S.	45,000.
Hon. Harry B. Mitchell, President, Civil Service Commission	293,500.
Hon. Cordell Hull, Secretary of State	170,200.
Hon. Frances Perkins, Secretary of Labor	287,600.
Hon. Francis Biddle, Attorney General of the U.S.	1,067,200.
Hon. Harold L. Ickes, Secretary of the Interior	1,421,700.
Hon. Claude R. Wickard, Secretary of Agriculture	3,230,800.

- 2 -

	<u>Quota</u>
Hon. Donald M. Nelson, Chairman War Production Board	\$1,114,300.
Maj. Gen. Lewis B. Hershey, Director, Selective Service System	699,500.
Hon. Prentiss M. Brown, Administrator, Office of Price Administration	266,600.
Hon. Paul V. McNutt, Chairman, War Manpower Commission	448,300.
Hon. Byron Price, Director, Office of Censorship	441,500.

AUG 24 1943

Dear Frank:

The Treasury Department greatly appreciates the cooperation given by the Navy Department in connection with the First and Second War Loans, but on the occasion of the Third War Loan the need is so much greater that I feel that I must ask for all out cooperation and support during the coming campaign.

I should appreciate it, therefore, if you would be willing to issue a directive which would leave no doubt in the minds of the Chiefs of your Bureau, the Commandants of your Naval Districts, and the Commanding Officers of all Naval, Marine Corps, and Coast Guard Stations in the continental United States, that they should give the fullest cooperation to the War Finance Division of the Treasury Department in all matters pertaining to the use of naval personnel and material in connection with the Third War Loan Drive.

I am sure that you know that we find ourselves faced with an almost insurmountable task of raising fifteen billion dollars at a time when the people on the home front are not registering a serious understanding of the need for continued effort until victory is ours. We need badly all the help you can give us in the Third War Loan Drive. By way of suggestion I am attaching to this letter a list of cooperative activities that our people in the states and here in Washington feel would be of immeasurable help to them. Will you be good enough to let me know what you are able to do about this?

With kindest regards, I am

Sincerely yours,

(Signed) H. Morganthau, Jr.

P.S. I would greatly appreciate your giving this your personal attention. We are right up against the gun!!!

The Honorable Frank Knox,
Secretary of the Navy,
Washington, D. C.
TRG:fgt

By Messenger
Dec 9, 1945

1. All Naval, Marine and Coast Guard bands, orchestras, choirs, glee clubs and other entertainment groups be made available.
2. Sufficient personnel for ceremonial purposes be made available.
3. Our own and captured material be made available.
4. All stage, screen and radio stars and other celebrities now in the service be made available for special events.
5. Parades by naval personnel, Waves, Spars and Marine girls be made available.
6. Programs of war time interest be arranged to take place on visitors' day during September at all naval training stations and colleges.
7. Make available submarine, planes and personnel to participate in night and day attacks -- submarine as target, using water bombers, flares at night. These simulated attacks to take place in practicable spots such as the Hudson River, Detroit River, Chicago Waterfront, etc., where these warlike activities could be viewed by hundreds of thousands of war bond buyers.
8. Umbrella of planes over cities within an area that can be covered with one tank of gas.
9. Submarine crews back from active duty, now probably at Naval Training Stations such as New London, to be made available.
10. Weirton Steel Company Pageant (September 4-6) Weirton, Pennsylvania, arranged by Navy Public Relations, to be made available for appearance in Pittsburgh, September 8th, to inaugurate war bond drive.
11. Navy, Marine Corps and Coast Guard personnel returned from combat areas be made available -- especially six groups of these (one from each service) to go on the half-dozen War Veterans' tours planned to reach approximately 45 cities during the first 8 or 9 days of the drive. Each tour will be accompanied by a well-known personality to act as Master of Ceremonies.
12. Two or three transport planes to carry the above touring Veterans.

13. Navy's portable recruiting trucks with loud speakers to be used in twelve cities where Hollywood Cavalcade touches.
14. P. T. boat from the Dravo Corporation's fleet, Nevar Island, near Pittsburgh to go down the Ohio River to inspire War Bond Rallies at river ports.
15. The Marine Band to visit cities not far from Washington.

AUG 24 1943

My dear Mr. Postmaster General:

The success of the 3rd War Loan which opens on September 9 will be measured by the extent to which we enlist the income and savings of individuals through the purchase of U. S. Securities. To insure success we shall have to reach on a person to person basis nearly every man, woman and child in America with an urgent appeal to buy extra War Bonds.

During the past two and one-half years upwards of 50,000,000 people have bought these securities. Over half this number are buying bonds regularly through the Payroll Savings Plan. In the 2nd War Loan last April, more than 30,000,000 War Bonds (Series E) were issued to individuals. During the 3rd War Loan in September we confidently expect to double this number. Many of the bonds sold will be issued through the postoffices and we are counting on them to put forth an extraordinary effort in assuming this added burden.

I mention this record and this goal because from the beginning of the Defense Savings Program in May 1941 the Postoffice Department through local postmasters and employees in every part of the country have been, as they are today, partners in this great savings crusade. As we move forward toward the 3rd War Loan - faced with a non-banking quota of \$15 billion - we need the complete cooperation of every possible partner and of none more than the local postmasters and their associates.

More is involved in the 3rd War Loan than simply raising \$15 billion with which to finance the war. We must raise these funds from sources most conducive to the stability of our national economy.

Beyond these fiscal and economic aspects of our War Finance Program, there are collateral considerations affecting civilian morale and participation in the war effort that are of incalculable value. It is most important, therefore, that we get the largest possible

percentage of our total goal from the largest possible number of individual investors. Countless communities look to the local postmasters for leadership. With their whole-hearted cooperation we cannot fail.

I want you to know how much we at the Treasury Department appreciate the splendid cooperation of the Post Office Department in the past. I shall be more than ever grateful if you will encourage every postmaster in the country to enlist the facilities and enthusiasm of his organization in the 3rd War Loan Drive.

Sincerely yours,

(Signed) H. Morgenthau, Jr

Honorable Frank C. Walker
Postmaster General
Washington, D. C.

FHC:jrc

AUG 24 1943

Dear Governor Twohy:

Thank you for your letter of August 17th and enclosures.

This is indeed an impressive booklet and I am glad to have had an opportunity of seeing it. May I again express the appreciation of the Treasury Department for the fine work which the members of the Federal Home Loan Banks are doing.

Sincerely,

(Signed) H. Mergenthau, Jr.

Honorable James Twohy,
Governor,
Federal Home Loan Bank System,
Washington, D. C.

igt

Robert H. ...

FEDERAL HOME LOAN BANK ADMINISTRATION
WASHINGTON

August 17, 1943

OFFICE OF THE GOVERNOR
FEDERAL HOME LOAN BANK SYSTEM

Dear Mr. Secretary:

I thought you would be interested to glance over the attached report, covering the first year's operation of the Payroll Savings Plan in our agency, which is being sent to each of the 4500 employees of the Federal Home Loan Bank Administration. You will note that this report is addressed to you personally in a manner identical to that which we have adopted in the case of each one of our employees, through the use of our addressograph system. It is designed to give each one the personal recognition to which he is entitled.

As you know, this report covers only the Government employees of the Federal Home Loan Bank Administration. For the employees of our twelve Federal Home Loan Banks, and of the 3768 privately-owned member institutions which comprise the Federal Home Loan Bank System, with the seven million persons who are the borrowing and investing members of those institutions, we maintain no similar record but we know it to be substantial. These member institutions of the Federal Home Loan Bank System have already sold or purchased for their own accounts over \$710,000,000 of War Bonds. We are now developing an energetic plan of stepping up our participation very sharply in the impending September drive, through the medium of our Banks, with the help of the able Treasury staff.

Our people throughout the country are so fully in sympathy and so deeply appreciative of the basic principles on which you have predicated the mighty task of financing the War, that all are eager to do their utmost share in your program.

Sincerely,

James A. Twohy

James Twohy,
Governor.

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

THE COMMISSIONER REPORTS
TO THE EMPLOYEES:

The United States of America



HON. HENRY MORGENTHAU, JR.,
SECRETARY OF THE TREASURY
WASHINGTON, D. C.

UNITED STATES
SAVINGS BOND
SERIES E
ISSUED AS OF THE
FIRST DAY OF

MONTHS YEARS
DUE 10 YEARS
FROM SUCH DATE

0228277868 E

TWENTY-FIVE DOLLARS

**YOUR RECORD -
PAY ROLL SAVINGS PLAN
ONE MILLION DOLLARS
IN ONE YEAR**


UNITED STATES WAR SAVINGS BOND

\$18.75
Buys one of these.

UNITED STATES SAVINGS BOND

FEDERAL HOME LOAN BANK ADMINISTRATION
HOME OWNERS LOAN CORPORATION
FEDERAL HOME LOAN BANK SYSTEM
FEDERAL SAVINGS & LOAN INSURANCE CORPORATION

OUR GOAL -- 100% ***



The United States of America

\$50

UNITED STATES SAVINGS BOND
SERIES E
ISSUED 14 OF FEB 1942

DUE 10 YEARS
FROM SUCH DATE

L41744745E

FEDERAL RESERVE BOARD
FEDERAL HOME LOAN BANK ADMINISTRATION
WASHINGTON, D. C.

To the Collector of the Internal Revenue Service

I, **Henry Margenthan Jr.**, do hereby certify that I have purchased for my own use and the use of my family, the above described bond, and that I have deposited the same in the Treasury of the United States of America, and that I have paid the purchase price of the same in full.

Henry Margenthan Jr.
Secretary


\$37.50
Buy one of these

UNITED STATES WAR SAVINGS BOND

\$50



OUR GOAL -- 100% ***



The United States of America

\$100

UNITED STATES SAVINGS BOND
SERIES E
ISSUED 14 OF FEB 1942

DUE 10 YEARS
FROM SUCH DATE

C36080984E

FEDERAL RESERVE BOARD
FEDERAL HOME LOAN BANK ADMINISTRATION
WASHINGTON, D. C.

To the Collector of the Internal Revenue Service

I, **Henry Margenthan Jr.**, do hereby certify that I have purchased for my own use and the use of my family, the above described bond, and that I have deposited the same in the Treasury of the United States of America, and that I have paid the purchase price of the same in full.

Henry Margenthan Jr.
Secretary

\$78.00
Buy one of these

UNITED STATES WAR SAVINGS BOND

\$100



Regraded Unclassified

"Let's go over the Top"

The United States of America

UNITED STATES SAVINGS BOND
SERIES E
ISSUED AS OF THE FIRST DAY OF

MONTHS YEARS

DUE 10 YEARS
FROM SUCH DATE

M4020897 E

THE BONDS YOU BUY TODAY
ARE YOUR GUARANTEE OF A
Better Tomorrow!

UNITED STATES SAVINGS BOND



Program of Interdepartmental
War Savings Bond Committee
in Third War Loan Drive

Received for filing 146 ✓
8/29/43

C O N T E N T S

TAB

Chairman's letter to alternates of various Departments,

<i>Enclosures</i>	<i>I</i>
<i>Names and addresses of Regional Coordinators</i>	<i>1.</i>
<i>Field Bulletin No. 1. to Regional Coordinators</i> <i>(Department quotas attached)</i>	<i>2.</i>
<i>Specimen Letter from bureau heads to field offices</i>	<i>3.</i>
<i>Specimen Message to employees from head of department</i>	<i>4.</i>
<i>Specimen Instructions from head of department to</i> <i>bureaus and offices</i>	<i>5.</i>
<i>Pamphlet - "Your Part in a \$15,000,000,000 Sales Drive"</i> <i>(For use of Minute Men)</i>	<i>6.</i>
<i>Stuffer - "What You Can Do"</i> <i>(To be distributed to employees)</i>	<i>7.</i>
<i>Poster - "For The Future -</i> <i>Worth Fighting For -</i> <i>Worth Saving For"</i>	<i>8.</i>
 <i>Appendix,</i>	
<i>Purchases by Employees of Treasury Department</i>	<i>II</i>
<i>Secretary's Instructions to heads of bureaus and offices</i> ..	<i>9.</i>
<i>Secretary's Message to Employees of Treasury Department</i> ---	<i>10.</i>
<i>Treasury Department Quota by bureaus and offices</i> <i>(Extra Cash Sales)</i>	<i>11.</i>
<i>Treasury Department Quota by bureaus and offices</i> <i>(New Pay-Roll Allotments)</i>	<i>12.</i>

*Chairman's letter to alternates
of various Departments, enclosures*

14

INTERDEPARTMENTAL WAR SAVINGS BOND COMMITTEE

Washington

August 16, 1943

Circular No. 37TO ALL ALTERNATES:

A few days ago I addressed a letter to you regarding the Third War Loan Drive, the objective of which is to raise the largest amount of money from individuals that any drive has raised in the history of the world.

Since writing you it has been determined to place the emphasis during the September drive on extra cash sales, rather than on increases in pay-roll allotments. With this in mind a cash quota has been established for each department and establishment.

In fixing cash quotas for Federal agencies, consideration has been given to the circumstances surrounding Federal employment and the fact that generally salaries of Government employees have not been increased to the same extent as those in war industries. Generally, the quotas have been established on the basis of thirty per cent of the gross monthly pay roll for September, less the amount of bonds which employees would normally allot for the purchase of war bonds in September through the pay-roll savings plan. Obviously, other things being equal, an employee who is not buying bonds regularly through the pay-roll savings plan could afford to buy more bonds for cash during the Third War Loan Drive.

With a view to assisting the various Federal agencies in the stimulation of sales of war bonds to their employees, the Interdepartmental War Savings Bond Committee has established in about twenty principal cities where there are large concentrations of Federal employees, Regional Coordinating Committees composed of representatives of the various agencies. A list of the Regional Coordinators who head up these committees is enclosed (Enc. No. 1).

For the information of Alternates, there is also enclosed a copy of Field Bulletin No. 1, dated August 12, 1943, addressed to Regional Coordinators, regarding the Third War Loan Drive (Enc. No. 2). The information contained in this bulletin might be helpful in organizing your program in your Central Office as well as in the field. It would be appreciated if you would make arrangements with the head of each bureau and office of your department having a field service to address a letter to the heads of his field offices asking that they give their fullest cooperation to the Regional Coordinators of the Interdepartmental War Savings Bond Committee. A draft of letter which might be suitable for the purpose is enclosed (Enc. No. 3) for your convenience. It is suggested that appropriate letters also be addressed to division and section heads in your Central Office.

The success of your program in the Third War Loan Drive will depend largely on two things: (1) proper organization and training of group chairmen and minute men; and (2) enthusiasm from the top. Two of the most important things to consider, therefore, are (1) the type of message from the head of the department or establishment to all his employees, and (2) the nature of the instructions of the department head to bureau and division chiefs.

It is believed that the Message to Employees should not only reflect the enthusiasm of the head of the department but should bring to the attention of each employee the fact that it is his duty to assist his Government in its time of need. Specimen forms of Message to Employees, and Instructions to Heads of Bureaus and Offices are enclosed for your convenience (Enc. Nos. 4 and 5).

In view of the prominent part which the Minute Men play in this program, it is highly important that they be carefully selected and furnished with the proper materials and tools with which to do the work. With this in mind, there is enclosed a pamphlet prepared by the War Finance Committee entitled "YOUR PART IN A \$15,000,000,000 SALES DRIVE," (Enc. No. 6). It is requested that you immediately advise the Interdepartmental Committee as to the number of these pamphlets that will be needed.

There will be distributed through disbursing officers to employees with their first pay checks in September a small green folder (Enc. No. 7) entitled "WHAT YOU CAN DO." While the emphasis will be placed upon extra cash sales during September, this form is designed to take care of both cash sales and increases in pay-roll allotments, when tendered. In this connection, it would be appreciated if you would also give consideration to the use of the 3 x 5 card referred to in paragraph 10 of Field Bulletin No. 1, (Enc. No. 2).

There are two additional matters which should be mentioned. One relates to posters; the other to Departmental and Bureau Score Boards showing progress of the campaign.

We feel that we have an unusually appealing poster for the Third War Loan Drive. It is entitled "FOR THE FUTURE - WORTH FIGHTING FOR - WORTH SAVING FOR" (Enc. No. 8). It is desired that these posters be placed in all corridors of buildings where Federal employees work. Arrangements are being made for the construction of a limited number of easels for the display of these posters which we shall be glad to make available upon request.

The quota of your agency for extra cash purchases during the September Drive is shown in the attachment to Bulletin No. 1 (Enc. No. 2). Within this total amount, it would appear desirable to fix a quota for each bureau, office and division. These quotas and the progress should, wherever practicable, be posted on large attractive Score Boards, about 5 x 8 feet in size and located in prominent places. Employees should be encouraged to watch the progress of their respective offices on these Score Boards in relation to the progress of all other offices of their department.

It is hoped that you will arrange for frequent group meetings of your group chairmen and minute men, in order that every member of the bond organization will know exactly what is expected of him in order to reach the quota established for your organization.

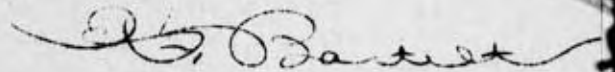
- 3 -

Our program is an ambitious undertaking. It will be assisted by the greatest publicity and promotional effort which has ever been released to the public. During September every citizen will be psychologically prepared through the press, radio, billboards, motion pictures, etc., for the idea of purchasing substantial amounts of war bonds.

Special credit will be given in our regular monthly bulletin for cash sales during the Third War Loan Drive.

In closing permit me to thank you for your splendid cooperation during the past year and to wish you success in reaching the goal in the Third War Loan Drive.

Sincerely yours,



E. F. Bartelt
Chairman.

Enclosures (8)

*Names and addresses of
Regional Coordinators*

Enclosure No. 1

REGIONAL COORDINATORS
INTERDEPARTMENTAL WAR SAVINGS BOND COMMITTEE

Mr. Wright L. Felt
Regional Coordinator
Interdepartmental War Savings Bond Com.
1206 Santee Street
Los Angeles, California

Hon. O. A. Tomlinson
Regional Coordinator
Interdepartmental War Savings Bond Com.
601 Sheldon Building
461 Market Street
San Francisco, California

Mr. William E. McElveen
Regional Coordinator
Interdepartmental War Savings Bond Com.
Custom House
Denver, Colorado

Mr. M. Moorman Parrish
Regional Coordinator
Interdepartmental War Savings Bond Com.
Greenleaf Building
Jacksonville, Florida

Mr. Clifton A. Wood
Regional Coordinator
Interdepartmental War Savings Bond Com.
10 Forsyth Street Building
Atlanta 3, Georgia

Mr. Grover G. Jones
Regional Coordinator
Interdepartmental War Savings Bond Com.
Room 1209, Federal Reserve Bank Bldg.,
230 South LaSalle Street
Chicago, Illinois

Hon. A. Miles Pratt
Regional Coordinator
Interdepartmental War Savings Bond Com.
423 Canal Street
New Orleans, Louisiana

Mr. H. L. Robinson
Regional Coordinator
Interdepartmental War Savings Bond Com.
U. S. Customs House, Room 125,
Baltimore 2, Maryland

Mr. Olen M. Warnock
Regional Coordinator
Interdepartmental War Savings Bond Com.
17 Court Street
Boston, Massachusetts

Mr. George E. Neal
Acting Regional Coordinator
Interdepartmental War Savings Bond Com.
Penobscot Building
Detroit, Michigan

Hon. A. D. Reynolds
Regional Coordinator
Interdepartmental War Savings Bond Com.
180 East Kellogg Boulevard
St. Paul 1, Minnesota

Mr. David H. Powell
Regional Coordinator
Interdepartmental War Savings Bond Com.
12th Floor, Land Bank Building
Kansas City, Missouri

Mr. F. S. Williams
Regional Coordinator
Interdepartmental War Savings Bond Com.
Room 520, Federal Reserve Bank Building
33 Liberty Street
New York City, New York

Mr. Franklin W. Wright
Deputy Regional Coordinator
Interdepartmental War Savings Bond Com.
P.O., Court House & Custom House Bldg.
Albany 1, New York

Miss Mary E. Woods
Regional Coordinator
Interdepartmental War Savings Bond Com.
521 Union Commerce Building
Cleveland, Ohio

Miss Rose M. Engle
Deputy Regional Coordinator
Interdepartmental War Savings Bond Com.
½ Office of Collector of Internal Rev.
Columbus, Ohio

Enclosure No. 1

- 2 -

REGIONAL COORDINATORS
INTERDEPARTMENTAL WAR SAVINGS BOND COMMITTEE

Mr. Maxwell Wood
Regional Coordinator
Interdepartmental War Savings Bond Com.
Falling Building
Portland, Oregon

Hon. W. F. Rothensies
Regional Coordinator
Interdepartmental War Savings Bond Com.
5th Floor, New Court House Building
Philadelphia, Pennsylvania

Mr. R. E. Shepherd
Regional Coordinator
Interdepartmental War Savings Bond Com.
Cotton Exchange Building
Dallas, Texas

Mr. Depue Falck
Regional Coordinator
Interdepartmental War Savings Bond Com.
412 Walker Bank Building
Salt Lake City, Utah

Mr. C. C. Barksdale
Regional Coordinator
Interdepartmental War Savings Bond Com.
1005 East Main Street
Richmond, Virginia

Mr. Charles H. Peterson
Regional Coordinator
Interdepartmental War Savings Bond Com.
1623 West Thurman
Seattle, Washington

*Field Bulletin No. 1. to
Regional Coordinators*
(Department quotas attached)

INTERDEPARTMENTAL WAR SAVINGS BOND COMMITTEE

Washington

August 12, 1943

FIELD BULLETIN NO. 1

TO ALL REGIONAL COORDINATORS:

Subject: Cash Sales of War Bonds to Federal Employees
During the Third War Loan Drive

1. The Third War Loan Drive, beginning September 9, 1943, will aim at raising the largest amount of money from individuals that any drive has raised in the history of the world. For your confidential information, the totals are:

I. Individuals and Personal Trust Accounts(a) Savings Bonds:

Series E	\$3,000,000,000
Series F and G	500,000,000

(b) Other securities 1,500,000,000

Total, individuals . . . \$5,000,000,000

II. Corporations and Associations . . . 10,000,000,000Grand total \$15,000,000,000

2. Between July 1 and the end of the calendar year, the Government will spend about \$35 billions more than it will take in. It is costing \$265 millions a day to equip our armed forces and take care of other necessary war expenditures. This is nearly \$100 millions a day more than we were spending last year at this time.

3. In the September Drive it has been determined to place the emphasis upon the sale of extra bonds for cash.

4. There has been established a quota for extra cash sales of bonds to civilian Federal employees of the Executive Branch of the Government throughout the country during September of \$93,675,000, exclusive of the field service of the Post Office Department. Using

the same basis as that applied to other Federal agencies, and assuming that the employees of the post offices would buy normally \$4,475,000 (purchase price) of bonds during September, the additional cash quota for the field service of the Post Office Department would be about \$13,525,000, making total purchases for the month of \$18,000,000. A copy of the details of this quota (exclusive of post offices) classified according to Federal agencies, is attached hereto (Attachment No. 1)

5. For the confidential information of members of the Executive and Coordinating Committees and other responsible officials, including bond workers, you are advised that this quota is based roughly upon thirty percent of the gross monthly pay roll less the amount which employees would normally invest in war bonds during September through the pay-roll savings plan.

6. It might be helpful if each Regional Executive Committee, upon the basis of the pay-roll information available in its region, would prepare, merely as a guide, a similar statement for its region. In this connection, it is believed advisable to prepare a separate statement covering only the metropolitan area, such as metropolitan Chicago, New York, Atlanta, etc. For this purpose, it probably would be more practicable to be guided by the location of the employee's office rather than his home address. In this connection, all employees working in your area should be included regardless of the place from which they may receive their pay checks. It would be appreciated if you would furnish us a copy of each such statement at your earliest convenience.

7. In order not to spread our shots in two directions, it has been determined that we would not, during the September Drive, make any special effort to increase pay-roll allotments. It is to be remembered, however, that our goal for pay-roll allotments will soon be increased to roughly 15% of gross pay rolls.

8. Alternates of the various agencies have been furnished with money quotas for increased pay-roll allotments (Attachment No. 2), but I wish to reiterate that the emphasis during the September Drive will be on the extra cash sales rather than on pay-roll allotments, the reason being, as has been indicated, that we will have more success if we should concentrate on a single goal.

9. It is suggested that you discuss this matter fully with your Executive Committee and then call together, as early as practicable, the responsible officials of the various agencies for the purpose of: (1) outlining to them the over-all program and the urgent need for their most serious and determined effort; and (2) laying plans for the setting up of an adequate organization in each agency so that every employee on the pay roll will be properly contacted during the campaign.

At this meeting the agency officials should be urged to make the most careful selection of Group Chairmen and Minute Men, being careful that the Minute Men so selected have the proper qualifications. Agency officials should see that too many employees are not assigned to a particular Minute Man. In this connection, you are referred to the Interdepartmental Committee's little blue booklet entitled "Uniform Plan of Organization for Pay Roll Savings in the U. S. Government", containing suggestions as to organization, as well as other ideas for promoting the sale of war bonds.

10. It is suggested that the Regional Executive Committees arrange to have reproduced for local use a 3 x 5 card for each employee on the pay roll, as follows:

(1) Name	_____
(2) Gross monthly pay (including overtime)	\$ _____
(3) 30% of gross monthly pay	\$ _____
(4) Pay-roll allotment for bonds (monthly)	\$ _____
(5) Difference (basis for Sept. cash purchase) ..	\$ _____
(6) Suggested cash purchase during September ..	\$ _____

CAUTION: These cards should not leave the possession of the Minute Men. They are merely for his convenience and guidance in approaching the employee. Agency officials should also be cautioned not to permit the release of any of the blank forms, since they are to be kept on a strictly confidential basis.

11. The Regional Coordinator and the Regional Executive Committee should arrange for a meeting with the State Chairman of the War Finance Committee with a view to coordinating the Federal activity with non-Federal. The Regional Coordinator should furnish the State Chairman with such information regarding Federal activity as the Chairman may need; and it must be understood, in order to avoid overlapping, duplication, and misunderstanding, that the State Chairman will procure all of his information concerning Federal activity directly from the Interdepartmental Committee's Regional Coordinator.

12. Consideration should be given by the Regional Executive and Coordinating Committees to the problem involved in connection with (a) collection and handling of money, and (b) issuance of the bonds.

- 4 -

Whenever practicable, agencies should encourage the use of checks drawn in favor of the Treasurer of the United States, rather than currency and coin. If currency or coin is accepted, proper receipts should be issued and the money promptly delivered to an authorized issuing agent.

13. Bonds will be dated as of the first of the month in which the cash is received, notwithstanding the fact that some of the bonds might not be delivered until after the close of the month. For psychological reasons, however, the Committee should lay plans to see that bonds are issued promptly; and with this in mind, they should make appropriate arrangements with persons who are now authorized issuing agents, such as Government disbursing officers, Federal Reserve Banks, post offices, commercial banks, etc. (Caution: In view of the fact that limited personnel in Treasury disbursing offices are burdened at the present time with the issuance of bonds under the Pay-roll Savings System it might be advisable to make arrangements for the issuance of the bonds by other local issuing agents.) In working out these plans, an effort should be made to avoid bottlenecks in the issuance of bonds. In large offices it may be desirable to make arrangements for the designation of an officer of the agency to act as issuing agent during the campaign. Also, it may be desirable to establish at entrances to Government offices attractive bond-selling booths where money could be received and receipts given. It is to be remembered, however, that the Minute Men will be responsible for a desk-to-desk canvassing of the employees in order that not a single employee is overlooked.

14. Application blanks should be obtained promptly through the local War Finance Committee. Arrangements should also be made with the local War Finance Committee to procure capable speakers and to obtain such other assistance as may be needed.

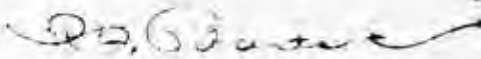
15. During the campaign each Regional Coordinator should maintain a current daily record of cash sales reported by the various agencies. In order to maintain this record with the least amount of difficulty, he should encourage agencies to have their Minute Men report total daily sales to a designated person in the agency, who in turn would telephone the total to the office of the Regional Coordinator. At the end of the day the Regional Coordinator would mail to the Interdepartmental Committee an over-all cumulative total of cash sales to date which have been reported to him; this total would not be broken down by agencies, but at the end of the campaign a complete agency classification would be furnished.

16. In view of the assistance which the Federal Reserve Banks have given the Interdepartmental Committee, it would seem desirable for the Regional Coordinator to confer with the Federal Reserve Bank officials to see whether they would be in a position to assist us in making the drive a complete success.

- 5 -

This program is an ambitious undertaking. It will be assisted by the greatest publicity and promotional effort which has ever been released to the public. During September every citizen will be psychologically prepared through the press, radio, billboards, motion pictures, etc., for the idea of purchasing substantial amounts of war bonds.

Special credit will be given in our regular monthly bulletin for all cash sales during the Third War Loan Drive. Further information will be furnished you as the details are worked out.


E. F. Bartelt
Chairman

Attachments - 2

THIRD WAR LOAN DRIVE

FEDERAL CIVILIAN EMPLOYEES

Quotas for September War Bond Drive
(Monthly basis)

Agency	Gross Pay Roll	30% of Gross Pay Roll	Present Pay Roll Allotments	Cash Quota for September
<u>Executive Office of the President:</u>				
The White House	\$20,525	\$6,158	\$1,706	\$4,452
Bureau of the Budget....	191,467	57,440	13,707	43,733
<u>War Establishments</u>				
<u>Office for Emergency Management:</u>				
Alien Property Custodian Central Administrative Services	288,714	86,614	24,234	62,380
Civilian Defense	898,171	269,451	75,644	195,807
Coordinator of Inter-American Affairs	259,715	77,914	17,230	60,684
Defense Transportation..	376,480	112,944	27,826	85,118
Lend-Lease Administration	907,315	272,195	81,396	190,799
National War Labor Board	219,498	65,849	13,697	52,152
Scientific Research and Development	301,155	90,346	23,638	66,708
Office of War Information	125,843	37,753	9,684	28,069
War Manpower Commission	282,085	84,625	20,696	63,929
National Youth Adm. ...	1,984,296	595,289	146,904	448,385
War Production Board ...	2,064,102	619,231	196,846	422,385
War Relocation Authority	4,865,190	1,459,557	345,216	1,114,341
Office of Censorship	401,670	120,501	34,331	86,170
Office of Price Administration	2,240,828	672,248	230,670	441,578
Office of Economic Warfare	1,199,778	359,933	93,246	266,687
Selective Service System	853,237	255,971	52,892	203,079
Office of Strategic Services	3,053,825	916,148	216,555	699,593
Library of Congress	346,843	104,053	24,363	79,690
	214,179	64,254	10,274	53,980
<u>Executive Departments</u>				
State	709,785	212,935	42,675	170,260
Treasury	16,518,894	4,955,668	1,809,744	3,145,924
War	199,792,948	59,937,884	15,592,837	44,345,047

- 2 -

Agency	Gross Pay Roll	30% of Gross Pay Roll	Present Pay Roll Allotments	Cash Quota for September
<u>Executive Departments (Continued)</u>				
Justice	\$4,643,101	\$1,392,930	\$325,690	\$1,067,240
Post Office	318,680	95,604	28,566	67,038 ^{1/}
Navy	134,025,649	40,207,695	14,417,506	25,790,189
Interior	6,777,150	2,033,145	611,403	1,421,742
Agriculture	15,632,152	4,689,645	1,458,784	3,230,861
Commerce	5,400,854	1,620,256	457,035	1,163,221
Labor	1,366,323	409,897	122,202	287,695
<u>Independent Establishments</u>				
<u>American Battle Monuments Commission</u>				
Commission	599	180	68	112
Civil Service Commission..	1,323,450	397,035	103,504	293,531
Employees' Compensation Commission	106,785	32,036	7,598	24,438
Federal Communications Commission	521,858	156,557	33,532	123,025
Federal Deposit Insurance Corporation	387,713	116,314	35,966	80,348
Federal Power Commission	193,803	58,141	17,424	40,717
Federal Reserve Board	131,358	39,407	14,699	24,708
Federal Security Agency:				
Office of Administrator & Community War Services	209,245	62,773	18,428	44,345
American Printing House for the Blind	19,776	5,933	1,014	4,919
Office of Education	188,553	56,566	15,378	41,188
Food & Drug Administration	206,865	62,060	22,075	39,985
Freedmen's Hospital	46,000	13,800	2,071	11,729
Howard University	61,281	18,384	2,983	15,401
Public Health Service ...	2,220,359	666,108	198,049	468,059
Social Security Board ...	1,753,638	526,091	159,563	366,528
St. Elizabeth's Hospital.	283,417	85,025	14,833	70,192
Federal Trade Commission..	158,510	47,553	10,623	36,930
Federal Works Agency:				
Office of Administrator..	402,804	120,841	37,294	83,547
Public Buildings Administration	1,955,474	586,642	123,120	463,522
Public Roads Administration	629,821	188,946	58,016	130,930
Public Works Administration	21,480	6,444	2,078	4,366
General Accounting Office.	1,815,617	544,685	94,546	45,014
Interstate Commerce Com. .	558,321	167,496	55,386	112,110
Maritime Commission and War Shipping Adm.	1,851,324	555,397	107,553	447,844
National Advisory Committee for Aeronautics ..	754,592	226,378	83,797	142,581

^{1/} The figure of \$67,038 covers only departmental employees of the Post Office Department in Washington, D. C., and does not include the field service of the Postal Service, a separate quota for which will be established at a later date.

Attachment No. 1

- 3 -

Agency	Gross Pay Roll	30% of Gross Pay Roll	Present Pay Roll Allotments	Cash Quota for September
<u>Independent Establishments</u> (Continued)				
National Archives	\$81,764	\$24,529	\$6,364	\$18,165
National Capital Housing Authority	50,238	15,071	4,298	10,773
National Capital Park and Planning Commission	4,982	1,495	526	969
National Housing Agency..	3,747,599	1,124,280	303,235	821,045
National Labor Relations Board	223,527	67,058	18,509	48,549
National Mediation Board	12,550	3,765	1,138	2,627
The Panama Canal	2,276,348	682,905	329,038	353,867
Panama Railroad Company..	233,391	70,017	34,033	35,984
Petroleum Administration for War	406,025	121,808	30,992	90,816
Railroad Retirement Board	335,412	100,624	26,886	73,738
Reconstruction Finance Corporation	2,275,874	682,762	181,390	501,372
Export-Import Bank	16,281	4,884	1,844	3,040
Securities & Exchange Commission	358,755	107,627	29,130	78,497
Smithsonian Institution..	109,501	32,850	10,419	22,431
National Gallery of Art	40,582	12,175	2,436	9,739
Tariff Commission	92,812	27,844	9,493	18,351
Tax Court of the U. S. ..	41,301	12,390	2,986	9,404
Tennessee Valley Authority	5,583,353	1,675,006	594,806	1,080,200
Veterans Administration..	7,452,552	2,235,765	718,614	1,517,151
Total	445,425,942	133,627,780	40,052,932	93,171,723
<u>Agencies which are in process of liquidation</u>				
National Resources Planning Board.....	66,688	20,006	3,319	
Work Projects Administration	1,759,216	527,765	51,688	
Board of Investigation and Research	44,493	13,348	3,206	
GRAND TOTAL	\$447,296,339	\$134,188,899	\$40,111,145	

Attachment No. 2
CONFIDENTIALNEW GOAL FOR PAY-ROLL SAVINGSFEDERAL CIVILIAN EMPLOYEES

(Monthly basis)

Agency	Gross Pay Roll	Present Pay Roll Allotments	New Pay Roll Allotment Quota
<u>Executive Office of the President:</u>			
The White House	\$20,525	\$1,706	\$2,264
Bureau of the Budget	191,467	13,707	19,533
<u>War Establishments</u>			
Office for Emergency Management:			
Alien Property Custodian	288,714	24,234	36,770
Central Administrative Services	898,171	75,644	125,563
Civilian Defense	259,715	17,230	28,186
Coordinator of Inter-American Affairs	376,480	27,826	39,671
Defense Transportation	907,315	81,396	115,907
Lend-Lease Administration	219,498	13,697	21,049
National War Labor Board	301,155	23,638	9,627
Scientific Research and Development	125,843	9,684	13,967
Office of War Information	282,085	20,696	30,129
War Manpower Commission	1,984,296	146,904	204,821
National Youth Adm. ...	2,064,102	196,846	280,503
War Production Board ...	4,865,190	345,216	541,059
War Relocation Authority	401,670	34,331	43,531
Office of Censorship	2,240,828	230,670	320,042
Office of Price Adm.	1,199,778	93,246	129,136
Office of Economic Warfare	853,237	52,892	79,539
Selective Service System	3,053,825	216,555	279,290
Office of Strategic Services	346,843	24,363	36,165
Library of Congress	214,179	10,274	21,986
<u>Executive Departments</u>			
State	709,785	42,675	69,705
Treasury	16,518,804	1,809,744	2,396,236
War	199,792,948	15,592,837	19,127,437
Justice	4,643,101	325,690	514,280
Post Office	318,680	28,566	47,542 1/2
Navy	134,025,649	14,417,506	19,059,887
Interior	6,777,150	611,403	839,603

Agency	Gross Pay Roll	Present pay-roll allotments	New pay-roll allotment quota
<u>Executive Departments (Cont.):</u>			
Agriculture	\$15,632,152	\$1,458,784	\$2,135,426
Commerce	5,400,854	457,035	656,682
Labor	1,366,323	122,202	178,102
<u>Independent Establishments:</u>			
American Battle Monuments Commission	599	68	118
Civil Service Commission	1,323,450	103,504	150,988
Employees' Compensation Commission	106,785	7,598	9,371
Federal Communications Com....	521,858	33,532	53,872
Federal Deposit Insurance Corporation	387,713	35,966	52,998
Federal Power Commission	193,803	17,424	24,564
Federal Reserve Board	131,358	14,699	19,515
Federal Security Agency:			
Office of Administrator & Community War Services	209,245	18,428	27,479
American Printing House for the Blind	19,776	1,014	1,439
Office of Education	188,553	15,378	26,382
Food & Drug Administration ..	206,865	22,075	30,606
Freedmen's Hospital	46,000	2,071	4,107
Howard University	61,281	2,983	7,596
Public Health Service	2,220,359	198,049	299,421
Social Security Board	1,753,638	159,563	237,607
St. Elizabeth's Hospital	283,417	14,833	27,667
Federal Trade Commission	158,510	10,623	16,002
Federal Works Agency:			
Office of Administrator	402,804	37,294	54,143
Public Buildings Adm.....	1,955,474	123,120	188,326
Public Roads Administration..	629,821	58,016	83,003
Public Works Administration..	21,480	2,078	3,263
General Accounting Office	1,815,617	94,546	173,461
Interstate Commerce Com.....	558,321	55,386	82,405
Maritime Commission and War Shipping Administration..	1,851,324	107,553	184,708
National Advisory Committee for Aeronautics	754,592	83,797	160,304
National Archives	81,764	6,364	9,630
National Capital Housing Authority	50,238	4,298	6,266
National Capital Park and Planning Commission	4,982	526	732
National Housing Agency	3,747,599	303,235	414,996
National Labor Relations Board	223,527	18,509	26,860
National Mediation Board	12,550	1,138	1,599

- 3 -

Attachment No. 2

Agency	Gross Pay Roll	Present Pay Roll Allotments	New Pay Roll Allotment Quota
<u>Independent Establishments:</u>			
(Continued)			
The Panama Canal	\$2,276,348	\$329,038	\$377,829
Panama Railroad Company ..	233,391	34,033	36,077
Petroleum Administration for War	406,025	30,992	39,390
Railroad Retirement Board Reconstruction Finance Corporation	335,412	26,886	37,999
Export-Import Bank	2,275,874	181,390	263,124
Securities & Exchange Commission	16,281	1,844	2,402
Smithsonian Institution...	356,755	29,130	39,733
National Gallery of Art..	109,501	10,419	15,524
Tariff Commission	40,582	2,436	3,733
Tax Court of the U. S....	92,812	9,493	13,894
Tennessee Valley Authority	41,301	2,986	4,614
Veterans Administration ..	5,583,353	594,806	823,262
	7,452,552	718,614	1,042,840
Total	445,425,942	40,052,932	52,533,487
<u>Agencies which are in process of liquidation:</u>			
National Resources Planning Board	66,688	3,319	
Work Projects Adm.....	1,759,216	51,688	
Board of Investigation and Research	44,493	3,206	
GRAND TOTAL.....	447,296,339	40,111,145	

^{1/} The figure of \$47,542 covers only departmental employees of the Post Office Department in Washington, D. C., and does not include the field service of the Postal Service, a separate quota for which will be established at a later date.

*Specimen Letter from
bureau heads to field offices*

(Specimen form of letter from bureau heads to field offices)

TO HEADS OF ALL FIELD OFFICES,

BUREAU OF

I am attaching for your information and guidance a message from Secretary to employees of the Department of regarding the Third War Loan Drive. Please see that this message receives appropriate distribution.

You will note from Mr.'s letter that the Government is now spending at the rate of \$7½ billions a month for war purposes, and that during the Third War Loan Drive we will have to sell an extra bond to nearly every man, woman, and child in America. We must go from house to house, from bench to bench in factories, and from desk to desk in offices.

An undertaking of such magnitude requires the fixing of quotas for the various states and local communities. These quotas necessarily must take into account sales by the Government to its own employees.

The gross monthly pay roll of the Government for civilian employees is approximately \$522 millions. This amount will undoubtedly be augmented in many cases by income and extra cash, however small, which had accumulated from previous earnings and other sources. To reach our goal we must sell about \$156 millions of war bonds to Federal employees during September, of which roughly \$40 millions will come through pay-roll allotments and the balance of \$116 millions from extra cash sales during the drive.

In order to place all departments of the Government on a uniform basis, these \$116 millions have been allocated to the various departments, the Department's share being \$.....

Proportionately, the Federal quota is somewhat less than the per capita amount which we must get from individuals generally, allowance having been made for circumstances surrounding Government employment and the fact that Government employees have not benefited so greatly through salary increases during the war.

Consideration should immediately be given to the setting up of an organization in your office to carry on the Third War Loan Drive. You are requested to designate the most capable official available to head up the organization in your office, and have him make arrangements for a meeting of all bond workers to discuss the campaign plans.

It is my desire that the head of every office of this bureau give personal attention to this matter to the end that every officer and employee under his jurisdiction will clearly understand his interest in the success of the Third War Loan Drive.

In this connection, you are requested to give your fullest cooperation to the Regional Coordinator of the Interdepartmental War Savings Bond Committee of your district,

Head of Bureau

Attachment

*Specimen Message to employees
from head of department*

Enclosure No. 4
(IWSBC Cir. 37)

(Specimen form of message to employees)

TO ALL EMPLOYEES OF THE DEPARTMENT OF

I address you today for two reasons - first, to express my appreciation for your help in the financing of the war, and second, to bring to your attention a matter which is of vital concern to each and every one of us.

Shortly after Pearl Harbor, when America was still on the defensive, you were asked to buy war bonds through the pay-roll savings plan. You were asked to put at least 10% of your gross pay into war bonds every pay day.

And many of you did! out of every 100 employees of the Department are investing more than% of their gross pay in war bonds every pay day. You and your fellow workers in the other departments of the Federal Government are buying enough bonds to purchase 90 Flying Fortresses every month. If you could actually see 90 Fortresses flying overhead every month on their way to Germany and Japan, you could more fully appreciate the significance of your united effort.

But, this is not a 10% war. It is total war. The Government needs more money. The only place to get it is from the American people. Now that you have done your bit, I am asking you to figure out how you can do your best -- how much more you can put into war bonds -- for your country -- for your own future financial security.

Our boys are on the march to Victory. We must BACK THEIR ATTACK WITH MORE WAR BONDS.

During the Third War Loan Drive, commencing September 9, the Government must raise the large sum of 15 billions of dollars for carrying on the war. Of this, at least \$5 billions must be obtained from individuals. To do this, we must reach every person with an income or with extra money from any source. During the September drive, we must sell an extra bond to nearly every man, woman, and child in America. We must go from house to house, from bench to bench in factories, and from desk to desk in offices.

- 2 -

The quota for employees of the Department of for extra bond purchases during the September drive has been fixed at \$..... Within this total amount, a separate cash quota has been fixed for the employees of each bureau and office. These quotas and your progress in their attainment will appear on an attractive "scoreboard" at the entrance to the building. I shall watch with interest the progress of your office in relation to that of other offices, and I hope you will do your utmost to put your office and your department on the HONOR ROLL.

Your Minute Man will call on you during the drive. I ask that you listen to him patiently. Remember, he will not be asking you to do something as a favor to himself. He has been called upon by his Government to do a job -- to enlist your aid in the support of your country and your comrades, relatives, and friends on the battle fronts. You may think that he is asking you for a lot of money, but remember, the demand is not out of proportion to the need. And certainly, the inconvenience which the purchase of an extra bond may cause us at home is by comparison small indeed to the sacrifices which are being made every day by our armed forces on the battle fronts.

So I appeal to you; buy an extra bond in September -- not the smallest bond, but the largest you can afford.

LET IT NEVER BE SAID THAT YOU DID NOT DO YOUR PART.

Sincerely yours,

(Signature of head of department)

*Specimen Instructions from
head of department to
bureaus and offices*

(Specimen instructions from head of department to
bureaus and offices)

TO HEADS OF BUREAUS AND OFFICES,

DEPARTMENT OF

I am attaching for your information and guidance a message to employees of the Department of regarding the Third War Loan Drive. Please see that this message receives appropriate distribution.

As you know, the Government is now spending at the rate of \$7½ billions a month for war purposes. During the Third War Loan Drive, which commences September 9, the Government will undertake to raise the large sum of \$15 billions to take care of the major part of the financing of the war during the next few months. Of the \$15 billions, about \$5 billions must come from individuals and personal trust accounts. To get this money, we must reach every person with an income or with extra money from any source.

During the last six months of this calendar year, we must sell nearly twice as much in bonds to individuals as we did in the first half of the year. We will have to sell bonds to nearly every man, woman, and child in America. We must go from house to house, from bench to bench in factories, and from desk to desk in offices.

An undertaking of such magnitude requires the fixing of quotas for the various states and local communities. These quotas necessarily must take into account sales by the Government to its own employees.

The gross monthly pay roll of the Government for civilian employees is approximately \$522 millions. This amount will undoubtedly be augmented in many cases by income and extra cash, however small, which had accumulated from previous earnings and other sources. To reach our goal we must sell about \$156 millions of war bonds to Federal employees during September, of which roughly \$40 millions will come through pay-roll allotments and the balance of \$116 millions from extra cash sales during the drive.

In order to place all departments of the Government on a uniform basis, these \$116 millions have been allocated to the various departments, the Department's share being \$..... A breakdown of this by bureaus and offices is enclosed. Proportionately, the Federal quota is somewhat less than the per capita amount

which we must get from individuals generally, allowance having been made for circumstances surrounding Government employment and the fact that Government employees have not benefited so greatly through salary increases during the war.

Consideration should immediately be given to the setting up of an organization in your bureau to carry on the Third War Loan Drive. You are requested to designate the most capable official available to head up the organization in your bureau or office, and have him attend a meeting of all representatives of the Department's bureaus and offices at o'clock afternoon, August, 1943, in room, Building, to discuss the campaign plans.

It is my desire that the head of every bureau and office of the Department give personal attention to this matter to the end that every officer and employee under his jurisdiction will clearly understand his interest in the success of the Third War Loan Drive.

(signature of department head)

Attachment

Phamphlet

"Your Part in a \$15,000,000,000 Sales Drive"

(For use of Minute Men)

6.

*Your
Part*



IN A

\$15,000,000,000

SALES DRIVE

(Non-Banking)

Stuffer

"What You Can Do"

(To be distributed to employees)

ENCLOSURE
7

WHAT YOU CAN DO...

Important



I had you! 16

Poster

*"For The Future -
Worth Fighting For -
Worth Saving For"*

14
FOR THE FUTURE



**WORTH FIGHTING FOR
WORTH SAVING FOR!**

BUY MORE WAR BONDS
through the Pay Roll Savings Plan during the
THIRD WAR LOAN CAMPAIGN

*Appendix, Purchases by Employees
of Treasury Department*

*Secretary's Instructions to
heads of bureaus and offices*



TREASURY DEPARTMENT

WASHINGTON

August 18, 1943

TO HEADS OF BUREAUS AND OFFICES,

TREASURY DEPARTMENT:

I am enclosing for your information and guidance a message to employees of the Treasury Department regarding the Third War Loan Drive. Please see that this message receives appropriate distribution.

As you know, the Government is now spending at the rate of \$7½ billions a month for war purposes. During the Third War Loan Drive, which commences September 9, the Treasury will undertake to raise the stupendous sum of \$15 billions to take care of the major part of the financing of the war during the next few months. Of the \$15 billions, about \$5 billions must come from individuals and personal trust accounts. To get this money, we must reach every person with an income or with extra money from any source.

During the last six months of this calendar year, we must sell nearly twice as much in bonds to individuals as we did in the first half of the year. We will have to sell bonds to nearly every man, woman, and child in America. We must go from house to house, from bench to bench in factories, and from desk to desk in offices.

An undertaking of such magnitude requires the fixing of quotas for the various states and local communities. These quotas necessarily must take into account sales by the Government to its own employees.

The gross monthly pay roll of the Government for civilian employees is approximately \$522 millions. This amount will undoubtedly be augmented in many cases by income and extra cash, however small, which had accumulated from previous earnings and other sources. To reach our goal we must sell about \$156 millions of war bonds to Federal



- 2 -

employees during September, of which roughly \$40 millions will come through pay-roll allotments and the balance of \$116 millions from extra cash sales during the drive.

In order to place all departments of the Government on a uniform basis, these \$116 millions have been allocated to the various departments, the Treasury Department's share being \$3,147,000. A breakdown of this by bureaus and offices is enclosed. Proportionately, the Federal quota is somewhat less than the per capita amount which we must get from individuals generally, allowance having been made for circumstances surrounding Government employment and the fact that Government employees have not benefited so greatly through salary increases during the war.

Consideration should immediately be given to the setting up of an organization in your bureau to carry on the Third War Loan Drive similar to that which was set up to handle the Pay-roll Savings Campaign in May of 1942 with which we had so much success. You are requested to designate the most capable official available to head up the organization in your bureau or office, and have him attend a meeting of all representatives of Treasury bureaus and offices at 3 o'clock Saturday afternoon, August 21, 1943, in room 394, Treasury Building to discuss the campaign plans.

It is my desire that the head of every bureau and office of the Treasury Department give personal attention to this matter to the end that every officer and employee under his jurisdiction will clearly understand his interest in the success of the Third War Loan Drive.

H. M. Southard Jr.
Secretary of the Treasury

Attachment

*Secretary's Message to Employees
of Treasury Department*



TREASURY DEPARTMENT

WASHINGTON

August 18, 1943

TO ALL EMPLOYEES OF THE TREASURY DEPARTMENT:

I address you today for two reasons - first, to express my appreciation for your help in the financing of the war, and second, to bring to your attention a matter which is of vital concern to each and every one of us.

Shortly after Pearl Harbor, when America was still on the defensive, you were asked to buy war bonds through the pay-roll savings plan. You were asked to put at least 10% of your gross pay into war bonds every pay day.

And you did it! Ninety-six out of every 100 employees of the Treasury Department are investing more than 11% of their gross pay in war bonds every pay day. You and your fellow workers in the other departments of the Federal Government are buying enough bonds to purchase 90 Flying Fortresses every month. If you could actually see 90 Fortresses flying overhead every month on their way to Germany and Japan, you could more fully appreciate the significance of your united effort.

But, this is not a 10% war. It is total war. The Government needs more money. The only place to get it is from the American people. Now that you have done your bit by reaching the 10% goal, I am asking you to figure out how you can do your best -- how much more you can put into war bonds -- for your country -- for your own future financial security.

Our boys are on the march to Victory. We must **BACK THEIR ATTACK WITH MORE WAR BONDS.**

During the Third War Loan Drive, commencing September 9, the Treasury must raise the large sum of 15 billions of dollars for carrying on the war. Of this, at least \$5 billions must be obtained from individuals. To do this, we must reach every person with an income or with extra money from any source. During the September drive, we must sell an extra bond to nearly every man, woman, and child in America. We must go from house to house, from bench to bench in factories, and from desk to desk in offices.



- 2 -

The quota for employees of the Treasury Department for extra bond purchases during the September drive has been fixed at \$3,147,000. Within this total amount, a separate cash quota has been fixed for the employees of each Treasury bureau and office. These quotas and your progress in their attainment will appear on an attractive "scoreboard" at the Fifteenth Street entrance to the Treasury building. I shall watch with interest the progress of your office in relation to that of other Treasury offices, and I hope you will do your utmost to put your office and your department on the HONOR ROLL.

Your Minute Man will call on you during the drive. I ask that you listen to him patiently. Remember, he will not be asking you to do something as a favor to himself. He has been called upon by his Government to do a job -- to enlist your aid in the support of your country and your comrades, relatives, and friends on the battle fronts. You may think that he is asking you for a lot of money, but remember, the demand is not out of proportion to the need. And certainly, the inconvenience which the purchase of an extra bond may cause us at home is by comparison small indeed to the sacrifices which are being made every day by our armed forces on the battle fronts.

So I appeal to you; buy an extra bond in September -- not the smallest bond, but the largest you can afford.

LET IT NEVER BE SAID THAT YOU DID NOT DO YOUR PART.

Sincerely yours,

H. M. Witham Jr.
Secretary of the Treasury

*Treasury Department Quota by
bureaus and offices
(Extra Cash Sales)*

THIRD WAR LOAN DRIVE

CONFIDENTIAL

FEDERAL CIVILIAN EMPLOYEESQUOTA OFTREASURY DEPARTMENT
(Monthly basis)

Bureau or office	Gross pay	30% of Gross pay	Present pay-roll allotments	Cash quota for September
Office of the Secretary ..	\$65,800	\$19,800	\$7,500	\$12,400
Division of Research and Statistics	31,000	9,300	3,700	5,700
Office of the General Counsel	49,700	14,900	5,600	9,400
Division of Personnel	16,800	5,100	2,000	3,100
Office of the Chief Clerk.	31,300	9,400	3,400	6,100
Office of Superintendent of Treasury Buildings ..	42,800	12,900	4,700	8,300
Bureau of Accounts	429,600	128,900	50,700	78,300
Bureau of Public Debt	1,203,400	361,100	131,700	229,400
Treasurer of the U. S. ...	473,600	142,100	47,400	94,800
Bureau of Customs	1,985,300	595,600	222,300	373,300
Comptroller of the Currency	298,100	89,500	34,900	54,600
Bureau of Internal Revenue	8,494,300	2,548,300	943,400	1,605,000
Bureau of Narcotics	89,200	26,800	9,700	17,100
Bureau of Engraving and Printing	1,571,500	471,500	150,900	320,600
Secret Service	184,900	55,500	18,400	37,200
Bureau of the Mint	392,000	117,600	46,300	71,400
Procurement Division	664,100	199,300	71,000	128,300
Division of Monetary Research	17,600	5,300	1,900	3,500
Division of Tax Research..	15,000	4,500	1,800	2,800
War Savings Staff	273,700	82,200	33,100	49,100
Foreign Funds Control	190,100	57,100	20,500	36,600
Total	\$16,519,800	\$4,956,700	\$1,810,900	\$3,147,000

*Treasury Department Quota by
bureaus and offices*

(New Pay-Roll Allotments)

12

CONFIDENTIALNEW GOAL FOR PAY-ROLL SAVINGSFEDERAL CIVILIAN EMPLOYEESTREASURY DEPARTMENT

(Monthly basis)

Bureau or office	Gross pay	Present pay-roll allotments	New pay-roll allotment quota
Office of the Secretary	\$65,800	\$7,500	\$9,600
Division of Research and Statistics	31,000	3,700	4,500
Office of the General Counsel..	49,700	5,600	7,200
Division of Personnel	16,800	2,000	2,500
Office of the Chief Clerk	31,300	3,400	4,600
Office of Superintendent of Treasury Buildings	42,800	4,700	6,300
Bureau of Accounts	429,600	50,700	62,300
Bureau of Public Debt	1,203,400	131,700	174,500
Treasurer of the U. S.	473,600	47,400	68,700
Bureau of Customs	1,985,300	222,300	287,900
Comptroller of the Currency ...	298,100	34,900	43,300
Bureau of Internal Revenue	8,494,300	943,400	1,231,700
Bureau of Narcotics	89,200	9,700	13,000
Bureau of Engraving and Printing	1,571,500	150,900	227,900
Secret Service	184,900	18,400	26,900
Bureau of the Mint	392,000	46,300	56,900
Procurement Division	664,100	71,000	96,300
Division of Monetary Research..	17,600	1,900	2,600
Division of Tax Research	15,000	1,800	2,200
War Savings Staff	273,700	33,100	39,700
Foreign Funds Control	190,100	20,500	27,600
Total	16,519,800	1,810,900	2,396,200

9/24/49

file -

Some suggested names for Chief Fiscal man in Occupied Areas
while under Army control

Benham Baldwin

Malcolm Bryan

Dave Morris

Milo Perkins

Lauch^{lin} Currie

Clarence Hopper

James Landis

Mr. Szymchek

AUG 24 1943

My dear Senator:

I have your letter of August 9, 1943, with reference to the issuance of currency for use by the Allied Forces in Sicily and North Africa.

In the initial invasion operations in French North Africa, and again in Sicily, the United States Army used the "Yellow Seal" dollar for the payment of troops. In North Africa local franc currency was employed for this purpose as soon as the French North African authorities were able to make sufficient amounts of such currency available. In the occupation stage in Sicily, as distinct from the initial invasion stage, the Allied Military Lire is being used by the Allied Forces in order to meet the requirements of their military operations.

I am enclosing copies of joint statements released by the Treasury and War Departments to the Press on August 2, 1943, and August 17, 1943, dealing with this subject. Your interest in this matter is appreciated and I hope that the enclosures satisfactorily answer your inquiry.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable C. Wayland Brooks,
United States Senate.

Enclosures.

AUG 24 1943

My dear Senator:

This is in reply to your letter of August 11, 1943, transmitting an inquiry received by you from Mr. E. A. Seidl of Baltimore, Maryland, relative to the printing of a "United Nations currency" by one of the Government Departments.

The Allied Military Lira currency employed by the Allied Forces in the Sicilian operations was printed by the Bureau of Engraving and Printing under arrangements determined jointly by British and American officials. This currency is not a "United Nations currency" but is an occupation currency designed to meet the needs of the Allied Forces in Sicily. It is not intended or desired to replace the local currency by this Allied Military Lira, unless absolutely necessary from a military viewpoint, but rather to use the Allied Military Lira currency to supplement the supplies of local lire currency when and if necessary in order to meet the requirements of military operations.

There are enclosed copies of Joint Statements released by the Treasury and War Departments to the Press on Monday, August 2, 1943, and on Tuesday, August 17, 1943. These statements will furnish additional information concerning the Allied Military Lira currency utilized by the Allied Forces in Sicily.

The inquiry from Mr. Seidl is returned to you herewith.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable Millard E. Tydings,

United States Senate.

By Messenger

Enclosures.

WLT:WHIT:gp 8/19/43

WILLIAM E. TYDINGS, MD., CHAIRMAN	ARTHUR H. VANDENBERG, MICH.
CLARK, MD.	HENRY CABOT LODGE, JR., MASS.
WALSH, N. C.	JOHN A. DANAHER, CONN.
WARREN R. AUSTIN, VT.	
ROBERT A. TAFT, OHIO	
RALPH G. BREWSTER, MASS.	
HASH A. BUTLER, NEBR.	

United States Senate

COMMITTEE ON TERRITORIES AND INSULAR AFFAIRS

August 11, 1943

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

Dear Mr. Secretary:

The enclosed letter from Mr. E. A. Seidl of Baltimore, Maryland, is self-explanatory.

I shall greatly appreciate it if you will return the same to me with the benefit of your comments.

Thanking you, and with best wishes,

I am

Sincerely yours,

W. E. Rogers

Enc.

FIVE-SIXTEEN OVERBROOK ROAD
(Anneslie)
BALTIMORE, MARYLAND

190
RECEIVED
AUG 5 1943
SEN TYDINGS

August 3, 1943

Senator Millard E. Tydings
Union Trust Building
Baltimore, Maryland

Dear Senator Tydings:

Is it a fact that the United Nations
currency is being printed by one of the departments
in Washington? If so, whose resources are pledged
for redemption?

With kindest regards, I remain

Very truly yours,

(s) E. A. Seidl

E. A. Seidl

EAS:S

25

AUG 24 1943

My dear Senator:

I have your letter of August 9, 1943, enclosing an inquiry from Mr. H. B. Allen of Kalamazoo, Michigan, regarding the nature of the "invasion money" utilized by the United States Army in Sicily.

I am enclosing copies of Joint Statements released by the Treasury and War Departments to the Press on Monday, August 2, 1943, and on Tuesday, August 17, 1943. These statements will furnish the information desired by Mr. Allen concerning the "yellow seal" dollar currency and the Allied Military Lira currency which were employed by the Allied Forces in the Sicilian operations.

Mr. Allen's letter is returned herewith.

Yours very truly,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Arthur H. Vandenberg,
United States Senate.

Enclosures

By Messenger

WMT:WHT:mww
8/19/43

C
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P
Y

August 5, 1943

Dear Senator Vandenberg:

At your convenience, I will appreciate information as to the source I may write to in order to secure information as to the type of the "invasion money" being issued by the United States in Sicily, whether the United States is liable for its redemption, and the authority by which the money is being issued. The information I have seen in the press has not been very enlightening.

Yours very truly,

(Signed) H. B. Allen
H. B. Allen
418 Stuart Avenue
Kalamazoo, Michigan

HBA:MDH

AUG 24 1943

My dear Senator:

I have your letter of August 10, 1943, enclosing a card from Mr. H. L. Hulbert of Seattle, Washington, expressing concern over the issuance of "invasion money" by the Treasury Department. I am enclosing copies of Joint Statements released by the Treasury and War Departments to the Press on August 2, 1943, and on August 17, 1943. These statements will furnish information concerning the "Yellow Seal" dollar and the Allied Military Air Currency employed by the Allied Forces in the Sicilian operations.

Because of the public demand for an understanding of the reasons for the issuance of this type of currency, the Treasury and War Departments went very thoroughly into the matter of the enclosed statements with a view to clarifying the situation.

Your interest in this matter is appreciated and I hope that the enclosures satisfactorily answer your inquiry.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable Hon C. Wallgren,

United States Senate.

Enclosures.

By Messenger

WMT:WHT:gp 8/19/43

103
COPY

Seattle, Aug. 5, 1943
5126 Dawson St.,

Dear Sir:

I think Congress should investigate the matters of the Treasury Dept. issuing "invasion money". I do not see what right the Treasury Dept. had to do such a thing. It seems as tho certain departments in our government (especially the executive) go right ahead and do things which they wish to do whether they have the right or not. That is a dangerous situation. If Congress does not exert its rights of decision we are liable to have a dictatorship, the very thing we are fighting against in this war.

M. L. Hulbert (signed)

AUG 24 1943

My dear Mr. White:

I have your letter of August 3, 1943, with reference to the Allied Military Lira currency utilized by the Allied forces in the Sicilian operations.

I am enclosing for your information copies of Joint Statements released by the Treasury and War Departments to the Press on Monday, August 2, 1943, and on Tuesday, August 17, 1943, which will inform you of the nature and character of the Allied Military Lira currency.

Your interest in this matter is appreciated and I hope the enclosed statements provide you with the information you desire.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable Compton I. White,
House of Representatives.

Enclosures

WHT:WMT:mww
8/19/43

SEVENTY-EIGHTH CONGRESS

CLARENCE BROWN, CHAIRMAN

UTAH

ARIZONA

NEW MEXICO

NEW YORK

TEXAS

MISSISSIPPI

FLORIDA

ALABAMA

LOUISIANA

MISSOURI

KENTUCKY

INDIANA

OHIO

PENNSYLVANIA

MARYLAND

DELAWARE

VIRGINIA

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HOUSE OF REPRESENTATIVES

COMMITTEE ON IRRIGATION AND RECLAMATION

WASHINGTON, D. C.

August 3, 1943

COMPTON I. WHITE

FIRST DISTRICT

HOME ADDRESS

CLARENCE FORD, IDAHO

COMMITTEE

IRRIGATION AND RECLAMATION

CHAIRMAN

PUBLIC LANDS

CHAIRMAN SUBCOMMITTEE

CORRIGAN, WRIGHT, AND MORGENTHAU

INDIAN AFFAIRS

MINES AND MINING

CATHERINE H. ANDERSON

SECRETARY

Dear Mr. Secretary:

Making reference to the recent issue of so-called "lira" money for the use of occupational forces in Italy, I would like to be advised if this paper currency is redeemable and if it is redeemable - what is it redeemable in?

Any information you can give me concerning the nature and character of this money and its future use will be appreciated.

Sincerely yours,

Compton I. White, M. C.

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

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, August 17, 1943.

Press Service
No. 38-10

The Treasury and War Departments today made public further details concerning the special currencies employed in the Sicilian operations:

Financial and military plans are so closely interrelated in modern warfare that it is necessary, for reasons of military security, to maintain secrecy regarding financial arrangements incident to military operations until the financial as well as strictly military aspects of the initial stages of the operation have unfolded. However, military secrecy ceases to exist regarding the financial measures effective for an operation when the relative decrees of the military commander are issued in the liberated area. Accordingly, the following information can now be released supplementing the story previously made public regarding the printing of Allied Military Currency by the Bureau of Engraving and Printing.

Measures to meet the currency problems incident to the Sicilian operation were taken jointly by the United States and British military authorities and insofar as American interests are concerned, under the guidance of and in consultation with the United States Treasury.

A distinction is to be drawn between the two kinds of currencies, namely, "spearhead" and "occupation," employed by the United States forces in these military operations. The "spearhead" currency was the "yellow seal" dollar which is a regular silver certificate of the United States Government, the yellow seal being used to distinguish it from ordinary United States currency. This distinctive

- 2 -

mark was adopted partly for security reasons to permit the isolation of the currency if it fell into enemy hands, partly to prevent the influx into the area of dollar currency already in the hands of the enemy, and partly to facilitate its entry into the United States by freeing it from present restrictions on ordinary U. S. currency. The yellow seal was first used by the United States military forces in North Africa and was again used as a spearhead currency in Sicily.

In connection with the use of yellow seal dollar by the United States forces, it is of interest to note that concurrently the British forces used the British Military Authority pound note. The B.M.A. note is a special currency and not the regular British pound note. The same exchange rate for conversion purposes was established in Sicily as in North Africa between the B.M.A. note and the yellow seal dollar - one B.M.A. pound equals four U. S. yellow seal dollars.

The occupation currency employed is the Allied Military Lira which was described in a previous joint press release by the Treasury and War Departments. This currency is being used jointly in the Sicilian operation by the Allied military forces to supplement supplies of local currency when and if necessary in order to meet the requirements of military operations. For obvious reasons it was desirable that the Allied forces should not continue to use pound and dollar currencies longer than was necessary and should move into currency denominated in terms of local units as quickly as the military situation would allow. It is not intended nor desired to replace the local currency with the Allied Military Lira Currency unless absolutely necessary from a military standpoint, but rather to use the Allied Military Lira to supplement the supply of local currency.

When the United States Army obtains Allied Military Lira for expenditures in Sicily for pay of troops, supplies and

other expenditures that would normally be charged to its appropriation, it will charge the relevant War Department appropriation for the dollar equivalent of such expenditure. The decreed rate of exchange is 100 lire to the dollar. This procedure, it was pointed out, marks no change in the customary control by the Congress over the size and nature of Army appropriations. Congress retains its jurisdiction over such army expenditures. The British military forces are following a parallel procedure with a decreed rate of 400 lire to the British pound. In all cases complete records are being kept and a detailed accounting procedure has been set up in connection with the issuance and use of this currency. These complete records will also facilitate the adjustment of financial matters growing out of the military operations of the Allied Forces in the occupied area.

The Allied Military Lira has been made legal tender in Sicily and is interchangeable at par with local lire currency. It will be in every respect as acceptable as a medium of exchange as the local lire currency, both to the men of our fighting forces and to the local population. Insofar as our troops are concerned, arrangements have already been made so that they may remit all or any portion of their pay which they receive in lire to the United States against instant payment here in dollars. United States soldiers leaving the area may exchange lire currency held by them for dollar currency at the decreed rate of exchange.

On the other hand, for obvious reasons, War Department appropriations will not be charged for expenditures in Sicily by the Allied Military Government for local governmental operations whether financed from local taxes or revenue or through the use of Allied Military currency. Thus, for example, the Allied Military Government will not charge Army appropriations in connection with the maintenance of public schools, water systems, salaries of local officials and the like.

Officials emphasized the essential distinction between the regular issuance of currency within the United States and the issuance of a special currency by the military authorities within an area under military occupation such as Sicily. While the former is governed by the Constitution and the statutes of the United States, the rules governing the latter are those of the law of nations as established by international agreement and the usage of the world. Under international law, the Hague Conventions and the decisions of the Supreme Court of the United States, the Military Commander in areas occupied by the Forces under his command has all the powers necessary for the carrying out of governmental functions.

These powers include the right to provide for the currency needs of the area occupied. In fact, it is a fundamental principle of international law that an occupying authority has in addition to its powers, certain obligations to the inhabitants of the territory under its control. It must take whatever steps are necessary to secure public order. The latter cannot be maintained unless the continued operation of local trade and commerce is protected. This protection includes the establishment and maintenance of an adequate and effective circulating medium.

The Allied forces must be in a position to meet a variety of conditions which they may find in areas occupied by them. The enemy might, for example, adopt a "scorched earth" policy which, on the monetary side, may evidence itself in the withdrawal or destruction of currency stocks and the resulting depletion of the circulating medium of exchange of the area. On the other hand, the enemy might in its efforts to cause maximum difficulties to the occupying forces, flood the area to be occupied with local currency to such a point that it becomes practically worthless as a satisfactory medium of exchange; and may even resort to the use of counterfeit local currency.

- 5 -

Financial problems will vary in different areas freed by the forces of the United Nations. Although the basic principles underlying the authority of the Military Commander remain unchanged, the details of procedure must be adapted to the circumstances found to exist in liberated areas.

It should be noted that in contrast with Axis procedure, which is governed by a policy of exploitation or of outright destruction of the existing economy of a conquered area, Allied Military policy and procedure is governed by a spirit of liberation and a policy of rehabilitation and fair dealing with the liberated peoples.

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Monday, August 2, 1943.

Press Service
No. 37-85

Joint Statement by the Treasury Department and the War Department:

Allied expeditionary forces, seeking to establish orderly relationships with the people of liberated Sicily, are introducing into its occupied areas an "Allied Military Currency," speaking a "Lira" language that will be understood by every Sicilian trader and consumer.

It may now be revealed that a distinctive currency, determined upon by British and American officials was made in the Treasury's Bureau of Engraving and Printing. It was rushed to the scene of action by huge transport planes and is being used as the medium of exchange in that part of Italy that we now hold.

A part of its legend reads "Issued in Italy."

At the same time, it was revealed, a comparable series of postage stamps will be introduced into the areas under military administration.

This is the first truly Allied venture into the field of military monetary expedients and an undertaking without precedent so far as the United States is concerned. The distinctive lira currency will be used in the payment of troops of all the Allied nations on Italian soil, and in payment by the procurement services for local supplies.

Government officials said the undertaking is designed to give the occupied areas a currency in denominations and terms which they know.

It provides an adequate circulating medium in sections where there may be a shortage of local currency because of confiscation or destruction by retreating enemy forces, or from other causes.

- 2 -

It avoids complication of the monetary system which use of foreign currencies might cause.

Previously, the United States Forces in North Africa had used a regular "back home" currency with a distinctive seal, while the British had used a "military pound." Now, authorities of the Allied Nations have worked out this cooperative use of a single medium of exchange.

The preparation of this military currency and postage in advance of the invasion of Italy is itself an amazing chapter in the story of the gigantic and minutely-detailed planning that preceded the expedition, a story that must, for the most part, remain untold until after the war. From the standpoint of the physical undertaking alone, there is no precedent for such a job. Presses of the Bureau of Engraving and Printing worked 24 hours a day, not even pausing for meal periods, for weeks, to have the stocks of notes and stamps ready for the final, revealing overprinting when the invasion actually began.

The planning of the job goes back some four months, when high officials of the Treasury, the War and Navy Departments, the Department of State, and officials of the British government laid the groundwork in a series of extraordinary conferences held in utmost secrecy.

No inkling of the project ever was put in writing, no word of it spoken over a telephone, and no discussions of it carried outside the conference rooms.

Designs for the notes and stamps had to be completed under similar conditions of secrecy, and stocks of distinctive paper and huge amounts of inks of various colors accumulated. In none of this preliminary work was the country for which the notes were intended ever identified.

On the basic designs under consideration, where now the words "Issued in Italy" appear, the words "United States" were placed fictitiously, and where the "lira" designation is printed were such unrevealing terms as "dollars" or "shillings."

Basic printing of the notes began early in June, with the name of the country and the currency designation still omitted. Huge stocks of the partially finished notes were accumulated against the day when the "go" signal should be given.

The invasion news was flashed to the world on the night of July 9. Key employees of the Bureau of Engraving and Printing stood by their telephones throughout Sunday, and continued

- 3 -

at their posts until the printing order was released by Army authorities actually on Tuesday, July 13. Huge presses immediately began to roll, overprinting the partially-completed notes with the identifying legends.

By Saturday, July 17, enough had been completed to load a huge transport plane, but transportation was not available until Monday, July 19, when two planes carrying seven tons of the distinctive money took off. Other shipments have followed, both of currency and stamps.

The currency introduced into Sicily is in eight denominations from one to 1,000 lira. The smaller denominations are half the size of United States currency, and the larger denominations the same size. It is made by a lithograph process, since the time element and the size of the undertaking did not permit steel engraving.

Except for the "lira" designation, all the legend on the bills is in English. The "Four Freedoms," Freedom of Speech, Freedom of Religion, Freedom from Want, and Freedom from Fear, appear prominently on the reverse sides of all the notes. Ornate designs in pantograph, of a neutral nature, are used in the series, so that it might be adapted to the needs of troops in further assaults upon Hitler's European Fortress merely by overprinting the proper currency designations and name of country on the basic stock.

Smaller notes, of one, two, five and ten lira bear a wheat field scene in brown on the face, with the denomination in the center. Blue, lavender, green and black borders also identify the respective denominations. The words "Allied Military Currency" appear on the upper margin of the face and in an ornate oval on the reverse side. The face also carries the legends, "Series 1943," "Issued in Italy," and a serial number. The Four Freedoms appear in the four corners of the note on the reverse side.

For notes of 50, 100, 500, and 1,000 lira, borders and ornate design of the front are in blue, lavender, green and black, respectively, with the background on all four notes a pale blue. The denomination appears in each of the four corners on the face, and in an ornate shield in the center. The words "Issued in Italy" appear in ovals at each end, and the words "Allied Military Currency" at the bottom of the note. The face also carries the designation "Series 1943," and serial numbers.

- 4 -

The reverse side of these larger notes is a subdued brown, with "Allied Military Currency" appearing in a center shield, and the Four Freedoms in ovals at either side.

The Allied Military Postage stamps are in denominations of 15, 25, 30, 50, and 60 centesimi, and in 1, 2, 5 and 10 lira. They are all of the same design, distinguished by colors of the usual United States postage series. They bear a pantograph background, with white lettering, and the denomination in the center of the stamp, are perforated, and on a gummed paper. Both the stamp design and the overprint are put on in one operation on a two-color press.

-oOo-

- 4 -

The reverse side of these larger notes is a subdued brown, with "Allied Military Currency" appearing in a center shield, and the Four Freedoms in ovals at either side.

The Allied Military Postage stamps are in denominations of 15, 25, 30, 50, and 60 centesimi, and in 1, 2, 5 and 10 lira. They are all of the same design, distinguished by colors of the usual United States postage series. They bear a pantograph background, with white lettering, and the denomination in the center of the stamp, are perforated, and on a gummed paper. Both the stamp design and the overprint are put on in one operation on a two-color press.

-oOo-

AUG 24 1943

My dear Senators:

This is in reply to your letter of August 13, 1943, enclosing an inquiry from Mr. Joseph T. Billard regarding the sale of gold to Brazil under the agreement of 1937.

The statement in the clipping enclosed by Mr. Billard is correct. The Treasury has recently amended an agreement with Brazil under which that country purchases gold from the United States Treasury at the price of gold established under the Gold Reserve Act of 1934 and the Provisional Regulations under that Act. The amount of gold to be sold under the amended agreement is limited to \$200 million. The gold sold under this agreement is paid for by Brazil in United States dollars at \$35 an ounce plus one-fourth of one percent. In recent years, Brazil has accumulated large dollar balances as a result of its exports to this country and the difficulty of acquiring an equivalent amount of imports. These dollar balances are being used in part to purchase gold earmarked in this country and held as reserves against Brazilian currency.

I enclose two copies of a press release on the original agreement with Brazil.

In accordance with your request, I am returning Mr. Billard's letter to you.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable L. H. Moore,
United States Senate,
Washington, D. C.

By Messenger

Enclosures.

EMB/jm
8/16/43

United States Senate

COMMITTEE ON INTERSTATE COMMERCE

August 13, 1947

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

Dear Mr. Secretary:

I have received the enclosed letter
and clipping from Mr. Jos. T. Dillard of Neureka, Oklahoma,
and will appreciate your comment and advice so that proper
reply may be made to Mr. Dillard. The return of the en-
closure will be appreciated with your reply. Thanking
you for your courtesy, I am

Very truly yours,



EHM:C
Enclosure

COPY

JOSEPH T. BILLARD
Lawyer
Maurice, Oklahoma

August 11th, 1943

Hon. E.H. Moore,
Senate Office Building,
Washington, D.C.

Dear Senator:

I enclose a clipping which shows Brazil's purchase of Gold from the U.S. is limited to \$260,000,000, and that they have been buying Gold from this country. If you can do so without much trouble will you please advise how Brazil is paying for this Gold; if it is a lend-lease proposition, or if actual money is being paid therefor. I will appreciate full information on this if not asking too much.

Thanking you, beg to remain,

Very truly yours,

(Signed) Jos. T. Billard

JOS. T. BILLARD

jm 8/16/43

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, July 16, 1937.
7/15/37

Press Service
No. 10-78

The following joint statement is made by the Secretary of the Treasury and the Minister of Finance of Brazil:

The Secretary of the Treasury of the United States of America and the Minister of Finance of the United States of Brazil are entering into an agreement under which:

1. The United States undertakes to sell gold to Brazil at such times and in such amounts as the Brazilian Government may request, up to a total of \$60,000,000;
2. The United States will make dollar exchange available to the Government of Brazil or its fiscal agent, under conditions which safeguard the interests of both countries, for the purpose of promoting exchange equilibrium.

The agreement is designed to promote the development of conditions favorable to the maintenance of monetary equilibrium between the two countries and to facilitate the establishment by the United States of Brazil of a central reserve bank as a part of the program of the Brazilian Government for improving the financial structure of the Nation to meet the needs of its expanding economy.

- 2 -

In recent years there has occurred a notable improvement of the trade and financial position of Brazil. It is a matter of gratification both to the Secretary of the Treasury and the Finance Minister that this favorable development of the Brazilian economy makes feasible at this time this important step.

Both the Secretary of the Treasury and the Minister of Finance are pleased to have had this opportunity to extend the field of cooperation between their countries and, in accordance with their conversations, the Secretary of the Treasury stands ready to supply such technical assistance as Brazil may care to avail itself of in connection with the organization of the new bank.

--oOo--

STATEMENTS OF ISLETON BRUBAKER

FROM: AMERICAN EMBASSY, Chungking
TO: Secretary of State, Washington
DATED: August 24, 1943, 11 a.m.
NUMBER: 1880

FOR SECRETARY OF TREASURY ONLY FROM ADLER

TF 183

I have received confidential information that some ten days ago the Chairman submitted his resignation, but Dr. Kung rejected it. The Chairman seems determined to quit and has submitted his resignation again, although he has agreed to carry on until a successor is appointed. Health is the stated grounds for resignation. Undercurrent of friction with Dr. Kung and dissatisfaction with Board's lack of power are the actual grounds.

ATCHESON

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRET
U.S. SECRETOPTEL NO. 279

Information received up to 10 a.m., 24th August, 1943.

1. AIR OPERATIONS

WESTERN FRONT. 22nd/23rd. LEVERKUSEN. About 1,700 tons of bombs were dropped in the area of the Chemical Factory including eight 8,000 lb. and two hundred and thirty 4,000 lb. H.E. Complete and thick cloud necessitated blind bombing technique and it is not yet possible to estimate degree of success but glow of fires was seen on the clouds and several explosions were reported. No concentration of bombing was achieved.

23rd. 24 escorted Mitchells bombed ST. OMER Railway Centre. Off the Dutch coast 8 Spitfires attacked 10 armed Trawlers. 2 Spitfires missing. Fighters destroyed 2 enemy aircraft.

23rd/24th. 831 aircraft sent out: BERLIN - 710 heavy bombers and 17 Mosquitoes (58 heavies missing), Sea Mining Force, Leaflets Northern France - 22, Intruders and Anti-shipping - 42. Preliminary report, BERLIN weather good, bombing well concentrated, many large fires, smoke to 15,000 ft. Exceptional fighter activity. About 16 enemy aircraft operated in 3 phases over and off EAST ANGLIA Area. 5 of them were destroyed.

ITALY. 21st/22nd. Heavy bombers dropped 38 tons on COTRONE Railway Centre. 63 Wellingtons dropped 102 tons on BATTIPAGLIA Railway Centre.

22nd. 64 escorted Marauders bombed the railway centre at SALERNO, 5 are missing. About 60 enemy aircraft were met of which 28 are claimed destroyed.

OFFICE
SECRETARY OF TREASURY
1943 AUG 25 PM 2 38
TREASURY DEPARTMENT