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St. Louis, Missouri
Sept. 25 - 1943

Hon. Henry Morgenthau, Jr.,

Dear Sir:

The co-operation of my neighbors enabling me, as Zone Leader of War Block Service O. C. D., to make this the first block in the United States, to subscribe 100%, in the War Bond Drive was indeed a pleasant surprise, but the loveliest surprise was receiving the beautiful flowers from you.

Your visit to our block was a great inspiration to War Block Service workers here in St. Louis, and we are doing our utmost to put our great city over the top.

I wish to thank you most sincerely for the very gorgeous bouquet.

Respectfully yours,

(Signed) Mrs. Walter C. Vogel
6932a Perthold Ave.

St. Louis, Missouri²
Sept. 25-1943

Hon. Henry Morgenthau Jr.
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I wish to thank you
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gorgeous banquet.

Respectfully yours

Mrs. Walter C. Fogel
6932nd Berthold Ave

Mr. Coffey 9 AM Sunday

9/25/43 - 3 ✓

A message to the people of the Delta Yards -- New Orleans, Louisiana.

12/12/43
I deeply regret that I am not able to be in New Orleans today to pay tribute to you people who are charged with the responsibility of actually building a bridge of ships between this country and the other United Nations.

Long after this horrible war is done, when history is written, it is my belief that the builders of America's Victory Fleet will be given a top place on the long list of those whose work saved civilization.

The ships that you built, probably more than any other factor, tripped up Adolph Hitler's vicious, scientifically planned timetable. I am sure you will all recall how he had his war planned. You will recall that the keystone was his simple plot to surround Great Britain with submarines, and aircraft, and completely blockade it. "We will starve them out", he screamed, time and time again, from the Sports Palast -- and the Democracies were supposed to quake in their boots.

He was not bluffing, either, we know that. He sent his subs and his aircraft into the shipping lanes and sunk ship after ship. He sent his subs even to America -- sent one of them to the very mouth of the harbor from which supplies for England sailed.

His plan would have worked but for one thing -- the unbelievable ship-building schedule which we determined to maintain -- we of this Democracy, we who Hitler thought would simply "sit out" this war, and let him have his stubborn, bloody way at all costs.

We knew, back in the earliest days of the war, that success or failure rested upon getting material of war to the battle fronts

and getting material of civilization to the home fronts, wherever Hitler struck. And because we knew this, American ingenuity set to work to design ships that you people could build and build fast. We knew that we could not stop Hitler from sinking ships. We knew our only chance lay in building ships faster than he could sink them.

That is why the Liberty Ship was born. The Hitler scheme was doomed the day the last worker turned away from the Patrick Henry.

I have seen Liberty ships being built in ship yards across the Nation. I have seen and talked to the people who are building them. I have seen highschool girls, college women and grandmothers enthusiastically doing their part. I have seen housewives riveting and arc-welding. Up in the northwest I have seen ships slide down the yards one after another. As fast as they came, they were fitted out, towed across the river and loaded, and in a matter of days they set out with a cargo of destruction for the enemy or a cargo of sustenance for our friends.

But the ships you have built have not been your whole contribution toward the Victory that is on the way.

Among all industries, the ship building industry ranks near the top for participation in payroll savings. People participating in the payroll savings plan in the ship building industry are putting 11.3% of their pay into War Bonds week after week, month after month. During the Third War Loan the people who build ships bought hundreds of thousands of extra Bonds. Ship yard quotas have been high -- very high -- and almost without exception the quotas ^{are being} ~~have been~~ met.

When we set these high quotas, we expected the people who build ships to make them. We knew they would because we know that people who have a good war spirit, and who have a high production

We know why we are fighting. This is no longer any mere war of defense, if indeed it ever was such a war. This is no mere war of resistance against aggressor nations. This is a war of people's governments against tyrant governments. It is a war between two ways of thought, both of them thousands of years old. One way of thought maintains that the people are contemptible slaves who must, like animals, be disciplined and guided by strong leadership. The other way of thought holds that the people can govern themselves because they know best their own need. What is at stake in this war is a great principle -- the principle established in the people's revolution^s/of the past century and a half.

Thus, when we say that we must and will beat Germany and Japan to their knees in unconditional surrender, we do not mean merely that we of the United States, or of Great Britain, or of Russia will teach our enemies a lesson. The lesson we have in mind for tyrants and those who admire tyranny is that our way of life, our Democratic principle will beat them -- has beat them in the past, will beat them this time, and will annihilate them if at any time in the future they ever dare to challenge us again. Our every word, our every deed must affirm and reaffirm that our armies are in fact the people's armies, that the world of the future is to be the people's world -- for all of the people, all of the time.

We are not fighting for a return to the past that past in which, as the Hot Spring Conference pointed out "there has never been enough food for the health of all people." We are fighting for passage to the future.

record, also maintain high Bond Records. We have never known it to fail. The production record of the ship building industry is brilliant. People who build ships know what the War is about, so they have the proper war spirit. That is why they have consistently maintained good War Bond records.

We are entering the last week of the Third War Loan drive. We must raise every possible cent before October 2nd. We must reach our quota and go over it, and to do so we will need to sell millions of Bonds to millions of people.

I think you could celebrate the birthday of the Liberty Ship, I think you could commemorate the Patrick Henry, in no better way than to check over your income and expenses tonight -- now -- check over the things which you want to buy but don't actually need, and see if you can't squeeze out enough money for at least one more Bond.

For remember this: every Bond you buy helps to shorten the war just a little bit more. And if all together you could shorten the war just one day you might save the life of a friend, a neighbor, a father or a son or a husband.

al fin

~~We cannot win simply by replacing lost equipment.~~

Our losses on land, on sea, ~~and~~ in the air are bound to increase from now on -- in ever ~~increasing~~ ^{totals} / 96 / mounting ~~numbers~~ the closer we get to Germany ⁱⁿ the long and costly drive up the Italian Peninsula which we are only just beginning.

There will be mounting losses in the Pacific / the nearer we approach the Island of Japan.

There will be losses of life, ~~and~~ there will be losses of materials.

This unfortunate fact gives ^{to} you ^{men and women in} ~~people in these~~ shipyards ^{have} a double responsibility. You must build the equipment, ~~that comes~~ ~~with~~ and you must do much to help pay for it. ¶ In both of these ^{things} you have an enviable record -- you people all over the nation who are building ships, ~~fighting ships and transport ships and landing assault craft~~

Let us remember — above all —
 that the strategy and tactics of our
 Navy and Army ~~depend~~ ~~on~~ ~~them~~
 are limited by ~~the~~ our rate of
 production. The ~~Army~~ Navy
 and ~~the~~ Army decide what kind
 of military units they need, and how
 many, for a given job — the
 invasion of Italy, or whatever
 it may be. ~~The~~ Industry tells
 them how much equipment is
 on hand. ~~And then~~ the two
 things — the plan and the material
~~that can be supplied~~ are
 balanced.)

Battle plans depend on outputs.
 The number of soldiers and sailors
 whose lives we sacrifice depends on
 output. ^{Morale depends on output.} Every victory, small and
 large, depends on output.
 And ~~that~~ there is a direct
 connection between the output of weapons
 and supplies and the War Bonds with
 which your Government pays for those
 weapons and supplies.

TO:

9

Mr. Cumble said: 9-25-43

We are not making a release on this,
and thought it would be better for it
to come from down there. |

*Maritima
Commission
Mr. O'Casey's office.*

Fred Smith
Room 290½

*(Read to Mr. Lammie
Copy sent to Mr. [unclear] for Mr. O'Day
Approved by [unclear] - 25-43*

A message to the people of the Delta Yards -- New Orleans, Louisiana. 10

Delivered by Mr. O'Day for [unclear]

I deeply regret that I am not able to be in New Orleans today to pay tribute to you people who are charged with the responsibility of actually building a bridge of ships between this country and the other United Nations.

Long after this horrible war is done, when history is written, it is my belief that the builders of America's Victory Fleet will be given a top place on the long list of those whose work saved civilization.

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and getting material of civilization to the home fronts, wherever Hitler struck. And because we knew this, American ingenuity set to work to design ships that you people could build and build fast. We knew that we could not ^{immediately (suggested by Ted Kambler)} stop Hitler from sinking ships. We knew our only chance lay in building ships faster than he could sink them.

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record, also maintain high Bond Records. We have never known it to fail. The production record of the ship building industry is brilliant. People who build ships know what the War is about, so they have the proper war spirit. That is why they have consistently maintained good War Bond records.

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For remember this: every Bond you buy helps to shorten the war just a little bit more. And if all together you could shorten the war just one day you might save the life of a friend, a neighbor, a father or a son or a husband.

al fin

MEMORANDUM

September 25, 1943

TO: Mr. Keeney

FROM: Mr. Surrey

I informed Mr. Bell that the letter to be sent to Mr. Sten by the Commissioner was a letter containing the changes discussed this morning. Will you please, for the record, attach a copy of that to this document before it is filed. I understand you are sending me three copies for our file.

SSSurrey:mle

MEMORANDUM

SEP 25 1943

TO: Commissioner Helvering
FROM: Acting Secretary ^{BELL} Sullivan

I have examined the attached material containing your comments on Mr. Starn's suggestions respecting the Victory tax, the earned income credit, and the normal tax. I understand that this material was submitted for examination on behalf of the President to ascertain whether disclosure thereof would be contrary to the public interest and that if not, you desire to submit the material to the Staff of the Joint Committee on Internal Revenue Taxation. As there is nothing therein disclosure of which would be contrary to the public interest, I am returning the material to you for such submission.

15/ D.W. Bell

Attachment

SSSurrey:hdr
9-25-43

25

September 25, 1943

IT:Cl:St:JRT

Mr. Colin F. Stam,
Chief of Staff,
Joint Committee on Internal Revenue Taxation,
Washington 25, D. C.

Dear Mr. Stam:

Reference is made to your communication of September 21, 1943, in which you request that the plan attached to your letter be studied with respect to its effect on the simplification of individual income tax returns.

The plan submitted involves:

1. Increase the normal tax rate from 6 percent to 10 percent.
2. Increase the surtax rate by 3 percentage points in each bracket.
3. Repeal the Victory tax.
4. Eliminate the earned income credit.
5. Provide a limitation in the law that in no case will the total normal and surtax be less than 3 percent of the net income in excess of \$624.

Each of the issues involved has been studied with respect to its effect on Form 1040A and Form 1040 and is discussed separately.

1. Increase in normal tax rate from 6 percent to 10 percent.
Form 1040A - No effect.
Form 1040 - No material effect. It is, of course, simpler to multiply by 10 than by 6. (See number 4 below.)
2. Increase the surtax rate by 3 percentage points in each bracket.
Form 1040A - No effect.
Form 1040 - No effect.
3. Repeal Victory tax. (See number 5 below.)
Form 1040A - Would permit the elimination of (1) items 7, 8, and 12 from face of return (draft of proposed form for 1943), and (2) the entire Victory tax schedule on back of return.
Form 1040 - Would permit the elimination of items and schedule corresponding to those for Form 1040A.

2 - Mr. Colin F. Stam.

4. Eliminate the earned income credit.

Form 1040A - No effect, except to decrease the credit for dependents from \$385 to \$375.

Form 1040 - This factor would result in eliminating the necessity for computing the earned income credit which is troublesome, especially for net incomes in excess of \$3,000 where gross income includes both earned and unearned income.

It should be pointed out that the elimination of the earned income credit would make possible a further major simplification in that the normal tax and surtax rates could be merged into a single schedule for the purpose of computing the total tax. This results from the fact that the elimination of the earned income credit would result in the same tax base for both normal tax and surtax for all taxpayers except those with interest on government obligations which is subject to only the surtax. Total tax could be computed at the combined rate and reduced by an amount computed by multiplying the normal tax rate by the interest on such government obligations. This would mean a computation of but one tax base and tax thereby materially reducing the computation burden and the number of items on the face of the return. Under this simplification, the only effect of the normal tax rate is to fix the credit for partially tax-exempt securities. The increase to ten percent in the rate attributable to the normal tax would thus merely be giving a tax exemption bonus to persons holding partially exempt government obligations.

5. Provide a limitation in the law that in no case will the total normal and surtax be less than three percent of the net income in excess of \$624.

Form 1040A - The determination of the minimum tax could be handled in either of two ways--

- (1) By constructing a one-column table from which the minimum tax could be determined. If \$25 brackets were used about 90 classes would be required.

Since the rate is low it might be possible to use

3 - Mr. Colin F. Kam.

\$50 or even \$100 brackets which would reduce the size of the tax table 50 or 75 percent. Such a table, like the present Supplement T table could give effect to deductions equal to 6 percent of gross income. The taxpayer would be required to determine his regular income tax from a table similar to the one prescribed by the present Supplement T and his minimum tax from the type of table outlined above.

This would probably require three lines (two additional) on the face of the return reading somewhat as follows:

- 1. Regular income tax from Table A..\$ _____
- 2. Minimum income tax from Table B.. _____
- 3. Income tax liability (item 1 or 2 whichever is largest).....\$ _____

(2) The other method would require the taxpayer to subtract \$624 from his gross income (even though the minimum tax is to be based on net income, it is assumed that Supplement T would prescribe gross income) and compute the 3 percent tax on the balance. This would require five additional lines, as follows:

- 1. Total income (this item is at present on Form 1040A but would be repeated).....\$ _____
- 2. Less: Exemption for minimum tax.\$ 624
- 3. Income for purposes of minimum tax.....\$ _____
- 4. Minimum tax (3% of item 3).....\$ _____
- 5. Tax liability (minimum tax or regular tax, whichever is larger).....\$ _____

Form 1040 - Changes similar to Form 1040A, except that the computation would be based upon net income rather than gross income.

There are enclosed three exhibits - Exhibit A shows the income level at which the minimum tax would be effective; Exhibit B - the type of minimum tax table which might be prescribed for use with Form 1040A; and; Exhibit C - the type of minimum tax table which might be prescribed for use with Form 1040.

4 - Mr. Colin F. Sten.

The minimum tax suggested retains the basic complexity now present in the calculation of the tax in Form 1040A, for it makes impossible the use of a simplified tax return which computes the entire tax in one table. The return form would contain either two tax tables, which is confusing to taxpayers, or a tax table and a tax schedule which is likewise complex. The simplification that is necessary for desirable administration of the revenue laws for the mass of the taxpayers can only be achieved through the use of a single tax table calculating the entire tax at one time for the taxpayer.

(signed) Guy T. Helvering
Commissioner.

Enclosures

JRT/lc

Exhibit A

If net income is in excess of \$624 and less than the amounts shown below the minimum income tax is effective 1/

Number of dependents	Marital status		
	Single	Married	
		Claiming one-half of personal exemption	Claiming entire personal exemption
None	^{2/}	^{2/}	\$1,275.13
One	\$879.48	\$992.52	1,670.78
Two	1,275.13	1,388.17	2,066.43
Three	1,670.78	1,783.83	2,462.00
Four	2,066.43	2,179.48	2,857.74
Five	2,462.69	2,575.13	3,253.39
Six	2,857.74	2,970.78	3,649.04
Seven	3,253.39	3,366.43	4,044.70
Eight	3,649.04	3,762.09	4,440.35
Nine	4,044.70	4,157.74	4,836.00
Ten	4,440.35	4,563.39	5,231.65

1/ At present exemption and credit for dependents levels and at rates outlined in Mr. Stam's letter of September 21, 1943.

2/ Minimum tax would never apply to a single person with no dependents or to a married person claiming one-half (or less) of personal exemption with no dependents.

Exhibit BFORM 1040CHART FOR DETERMINING MINIMUM INCOME TAX

If net income (item of Form 1040) is		Your minimum income tax is	If net income (item of Form 1040) is		Your minimum income tax is
Over	But not over		Over	But not over	
\$0	\$624	\$0	\$5,000	\$5,100	\$75
624	700	1	5,100	5,200	76
700	800	4	5,200	5,300	79
800	900	7	5,300	5,400	82
900	1,000	10	5,400	5,500	85
1,000	1,100	13	5,500	5,600	88
1,100	1,200	16	5,600	5,700	91
1,200	1,300	19	5,700	5,800	94
1,300	1,400	22	5,800	5,900	97
1,400	1,500	25	5,900	4,000	100
1,500	1,600	28	4,000	4,100	103
1,600	1,700	31	4,100	4,200	106
1,700	1,800	34	4,200	4,300	109
1,800	1,900	37	4,300	4,400	112
1,900	2,000	40	4,400	4,500	115
2,000	2,100	43	4,500	4,600	118
2,100	2,200	46	4,600	4,700	121
2,200	2,300	49	4,700	4,800	124
2,300	2,400	52	4,800	4,900	127
2,400	2,500	55	4,900	5,000	130
2,500	2,600	58	5,000	5,100	133
2,600	2,700	61	5,100	5,200	136
2,700	2,800	64	5,200	5,300	139
2,800	2,900	67	5,300	5,400	142
2,900	3,000	70	5,400 and over		145

Exhibit CFORM 1040ACHART FOR DETERMINING MINIMUM INCOME TAX

If your income (item 5 of Form 1040A) is		Your minimum income tax is	If your income (item 5 of Form 1040A) is		Your minimum income tax is
Over	But not over		Over	But not over	
\$0	\$700	\$0	\$1,800	\$1,900	\$33
700	800	2	1,900	2,000	36
800	900	5	2,000	2,100	39
900	1,000	8	2,100	2,200	42
1,000	1,100	11	2,200	2,300	45
1,100	1,200	14	2,300	2,400	48
1,200	1,300	17	2,400	2,500	50
1,300	1,400	19	2,500	2,600	53
1,400	1,500	22	2,600	2,700	56
1,500	1,600	25	2,700	2,800	59
1,600	1,700	28	2,800	2,900	62
1,700	1,800	31	2,900	3,000	64

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

Secretary Morgenthau

SEP 25 1943

Randolph Paul

Now that the Chungking cable transmitting a message to the American Jewish Joint Distribution Committee to its representative in Shanghai has been sent, we desire to raise before State a similar matter involving Italy.

The American Jewish Joint Distribution Committee has advised us that, prior to our entry into the war, they supported the Delegazione Assistenza Emigranti, a refugee assistance group, in Italy and that they desire to send the following message to their representative in Bern.

"Please advise Valobra that he is authorized by the American Jewish Joint Distribution Committee to borrow locally lira equivalent of one hundred twenty thousand dollars for refugee relief needs for next six months."

Valobra is the chairman of the Delegazione Assistenza Emigranti and was last heard of in Milan, Italy.

The considerations in this matter would seem to be basically the same as those involved in connection with the sending of the Chungking cable. Of course, no direct aid will accrue to the enemy. If you agree we shall request State to send the above quoted message to Bern.

BR

Approved: *H.M.P.*

ADDRESS OFFICIAL COMMUNICATIONS TO
THE SECRETARY OF STATE
WASHINGTON, D. C.



DEPARTMENT OF STATE
WASHINGTON

reply refer to

September 25, 1943

My dear Mr. Secretary:

I am enclosing for your records a paraphrase of the telegram sent on September 22 at your request to Marshal Joseph Stalin, thanking him for his message to the American people in connection with the current War Bond Drive.

Sincerely yours,

Enclosure:

As stated above.

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.



PARAPHRASE

MESSAGE SENT TO AMERICAN EMBASSY, MOSCOW,
FOR MARSHAL STALIN FROM SECRETARY MORGENTHAU.

Your message to the American people on the subject of war bonds for which please accept my grateful thanks was read today by General Belaev over the American radio. To everyone in this country it will bring home, I am sure, the importance of whole-hearted support of those measures necessary adequately to finance the arms and munitions with which is to be achieved the victory of our United Nations.

September 22, 1943.

PARAPHRASE OF TELEGRAM RECEIVED
 FROM: American Embassy, Chungking, China
 DATE: September 25, 1943, 11 a.m.
 NO. 1 1900

STRICTLY CONFIDENTIAL.

NOT FOR DISTRIBUTION EXCEPT TO TREASURY.

Information was given us in confidence by a prominent informed Chinese banker that Kung is at present giving consideration to not selling to the public the gold which the United States is to send to China. It would be retained in the Chinese Government's possession and thereby constitute a factor so as to stabilize the confidence of the public in the currency.

It is our informant's private opinion that, in any case, the continuing inflationing plan will not be affected materially by the sending of gold to China because of the following reasons:

- (1) In order for any program of sale of gold to the public to be successful it would be necessary to cut the bars into small pieces and probably to make them into ornaments (such as rings) so that the majority of prospective individual buyers would be in a position to buy the gold.
- (2) Even if kept in appreciable amounts is drawn in through its sale, the primary cause of the inflationary spiral is the continued budgetary deficiency.
- (3) The Japs will offer a price higher than the French in a price (sic)^e and most of the gold sold will inevitably flow into Jap hands and into the occupied areas.

The Embassy's informant also stated that so far the only effect of the announced program with respect to gold was that some commodity prices have been lowered in terms of gold but not in terms of the currency. It was our informant's opinion that the only means of materially effecting the price situation - if it were possible - would be to announce that consumer goods (notably price^e goods) were being brought from India into China. An announcement of this type would force the hoarders to place their stocks (which probably amount to an ordinary supply for a year) on the market.

GAUSS

*This is subject to correction.

CORRECTION

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN EMBASSY, CHUNGKING, CHINA

DATE: SEPTEMBER 25, 1943, 11 a.m.

NO.: 1800

In paragraph two, under point (3), delete "French in a" and "(sic)". Point (3) should read:

"(3) The Japs will offer a price higher than the Free China price and most of the gold sold will

inevitably flow into Jap hands and into the occupied areas.

In the last paragraph, line seven, delete "price" and insert "piece"; thus the ~~pxh~~ phrase reads, "(notably piece goods)"

9/28/43

PARAPHRASE OF TELEGRAM RECEIVED
FROM: American Embassy, Chungking, China
DATE: September 25, 1945,
NO. 1 1801

Reference is made to telegram No. 1624, dated
September 2, from the Embassy.

A reliable authoritative source has informed the
Embassy that - pending definitive action with respect
to the stabilization board, the activities of the board
have deteriorated to practically nothing. This is due
mainly to the fact that the board does not know what its
status is and any real power is lacking.

Our informant - who is very close to the chairman
of the board - tells us that it is probable that K. P.
Chen will continue to act as chairman until the Board,
in its present form, is shelved and Chen is shelved
with it.

GAUSS

PARAPHRASE OF TELEGRAM RECEIVED
 FROM: AMERICAN CONSULATE GENERAL, CALCUTTA, INDIA.
 DATE: September 25, 1945, 11 a.m.
 NO.: 1230

SECTION THREE.

RE: GOLD.

1. In mid-August the Reserve Bank began selling gold on the United Kingdom account; the sale of which amounts to about 200,000 tolas per week or approximately five crores per month. There has been a strong demand for gold and, as a consequence, the market in Bombay has been bullish. This condition is due to speculators who test the Reserve Bank to see how adequate its supplies are and this causes a rise in price whenever the Bank stops selling. Therefore, the Bank is experiencing some difficulty in keeping the price down to its objective of 70 rupees per tola. According to reliable information which I have received, speculators take 1/4th to 1/3rd daily off take eventually reselling up country, up country demand a like amount and holders of the so-called black money evade taxation of the remainder. In the Bombay market it is the prevalent opinion that the Reserve Bank is inexperienced in its selling operations. It is believed by the authorities that they can easily dispose of an additional one quarter million ounces at approximately rupees 70 per tola every three months if such an amount is made available by the United States, which in all would cause the inflationary gap to be reduced by six crores per month.

2. Therefore, especially if section 2, paragraph 3 above is not accepted, there is a strong case for our selling the gold to cover USAF rupee disbursements. It is presumed that any sale of gold beyond this amount would be the subject of arrangements between the United Kingdom and the United States as India's dollar surplus for the first quarter of this year (\$15,000,000 excluding dollar receipts from USAF) goes into the British pool. It is Raisman's feeling (in my opinion rightly) that if the southeast Asia Command entails additional expenditures amounting to 15 crores monthly then 10 crores gold should be sold per month in India even if the price drops below 70 rupees per tola - though it is not likely to fall below 65. Consequently, with 10 crores from the sale of gold and 5 crores from additional borrowing, the inflationary gap would again be narrowed to 15 crores (with no allowance being made for silver).

3. Since the trend is for silver and gold to move sympathetically, the selling of gold also helps to keep the price of silver down.

END OF THE MESSAGE.

PATTON

924
27/43
U.S. SECRET
BRITISH MOST SECRET

COPY NO. 13

NOT TO BE RETRANSMITTED

OPTEL NO. 316

Information received up to ten A.M. 25th Sept. 1943.

1. NAVAL

One of H.M. Frigates in support group in (N?) Atlantic rammed a U-boat early this morning.

2. MILITARY

Italy. Our forces north of Salerno have met strong enemy resistance. Demolitions covered by well sighted machine gun and mortar positions are proving a difficulty in the mountainous country. Near Montecorvino and Campagna U.S. forces have made slow progress on account of enemy mines. Build up of our forces continues.

Corfu. After heavy bombing early on 23rd the Germans landed and occupied San Giorgio dawn 24th.

3. AIR OPERATIONS

23rd/24th. Mannheim. 1861 tons dropped including 273 4000 pound H.E. and 950 tons of incendiaries in 33 minutes. Weather cloudless good visibility good concentration many large fires one exceptionally large explosion. Little A/A but great fighter activity three aircraft claimed destroyed photographic reconnaissance four P.M. 24 reported columns of smoke rising from centre of city and fires still burning particularly in the docks area and in Sudwigshaven.

Darmstadt. About 84 tons dropped. 24th. Total of 197 medium and fighter bombers dropped about 250 tons on railway centres and six airfields in Northern France. Fighters on escort and sweeps inflicted enemy casualties 21.9.13. Ours nine missing. 24th/25th 36 aircraft laid 124 sea mines, four attacked Duisburg and two dropped leaflets. Six Intruders attacked railway objectives.

Italy. 22nd/23rd. Wellingtons dropped 90 tons on the railway at Formia three miles North of Gaeta. 23rd. Marauders hit a road bridge at Cancellò and bombed Capua where the main span of the road bridge was found cut. Mitchells dropped 60 tons on road junctions in the battle area.

Corsica. 23rd. Beaufighters intercepted enemy transport aircraft leaving the island and destroyed seven, one Beaufighter missing.

Rhodes. 22nd/23rd. Halifaxes and Liberators dropped 25 tons on airfields.

NOT TO BE RELEASED UNTIL 1933

U.S. SECRET
BRITISH MOST SECRET TREASURY DEPARTMENTOPTEL NO. 317

Information rec'd up to 10 a.m. 25th September.

1. NAVAL.

On 24th/25th, at least 4 groups of E-boats were operating off the South East coast. One E-boat was destroyed by two motor launches which were damaged; 16 prisoners were taken. One of H.M. trawlers was torpedoed off Harwich, 16 crew are missing. Two other E-boats were damaged by gunfire. The Italian torpedo boat STOCCA has been sunk by air attack after bombarding Corfu. The Italian torpedo boat SIBILLA has been seriously damaged off Otranto. On 25th, a U.S. Minesweeper was torpedoed in the Gulf of Salerno. One of H.M. subs torpedoed a 10,000 ton tanker which was subsequently beached off Bastia and sank one Siebel Ferry. Between the 19th and 23rd escorts of the outward convoy attacked in North Western approaches claim one U-boat sunk, 3 possibly sunk and 5 damaged.

2. MILITARY.

ITALY. To 1600/25th. During 24th progress North of Salerno was slow owing to stubborn enemy resistance, the difficult nature of the ground and heavy demolitions. Further inland United States troops have reached the area of Quaglietta 12 miles North East of Eboli and have gained the high ground overlooking the road running East from Avellino. They have been engaged in close fighting with enemy tanks, Infantry and Artillery in the hills South of this road.

8th Army. Forward elements of 78th Division have cleared Barletta and Armaria and have crossed River Ofanto North West of Canosa while troops of Canadian and 5th Divisions have captured Spinazzola, Atella just South of Rionero and Muro. On 25th, they were in contact with the enemy near Rionero and in area 3 miles North West of Muro.

3. AIR OPERATIONS.

Western Front. 25th. Marauders attacked an airfield near St. Omer dropping 90 tons with fair to poor results and Fighter bombers (one missing) successfully attacked 16 trains, 11 locomotives and several barges and lorries in Belgium and Northern France. Escorted Beaufighters attacked a convoy off Holland, a 6,000 ton ship and a small ship were torpedoed and 4 escort vessels damaged, 2 Beaufighters missing, 4 Mosquitos destroyed 2 JU 88's and damaged 4 others over the Bay of Biscay, 1 Mosquito missing.

25th/26th. Aircraft despatched--Cologne 4, Dusseldorf 4, Sea Mining 10, Leaflets 11, anti-shipping 6.

Italy. 23rd/24th. Wellingtons dropped 101 tons on the railway centre and an airfield at Pisa.

24th. Liberators dropped 122 tons on Pisa railway centre, several bridges and railway buildings were hit and a gas plant was left on fire. Medium Bombers attacked road and other objectives in the Naples area dropping 261 tons. Attacks were also made by 48 light bombers while Fighter bombers attacked mechanical transport destroying 22 vehicles.

Corsica. 24th. Beaufighters intercepted enemy transport aircraft destroying 19 JU 52's and damaging 10 more for the loss of 4 Beaufighters. Liberators damaged 2 ships and sank a barge.

Burma. 22nd. Mitchells dropped 10 tons on railway objectives near Mandalay and on 24th 19 Fighter bombers attacked transport in upper and central Burma.

September 27, 1943
10:30 a.m.

TAXES

Present: Mr. Bell
Mr. Paul
Mr. Sullivan
Mr. White
Mr. Smith
Mr. Gamble
Mr. Blough
Mr. Surrey
Mrs. Klotz

H.M.JR: Well, I saw the President this morning on this question of presenting a tax bill, and I told him how I felt about the Social Security. I told him that Green and Murray and the Railroad Brotherhood man were here and how they felt. He listened; he was very much interested. I told him about how they felt, particularly about medical care.

So I told him about this afternoon. He said, "I don't have any time to turn around between now and this afternoon."

I said, "No," but he said, "I would like to see George and Doughton and Jere Cooper tomorrow."

MR. PAUL: The President said he would?

H.M.JR: Yes, it has been arranged, and you (Paul) and I - he said, "What about the meeting this afternoon?"

I said, "I will just mark time somehow or other."

But he said before that, "I have got to see what you want to say."

- 2 -

I said, "I will have my statement in your hands by seven o'clock tonight."

He said, "I will read it tonight before I see them tomorrow, but," he said, "I have to know what you want to say."

I said, "That is perfectly fair," which is fair.

So some of you fellows will have to detach yourselves from that four o'clock meeting, but you have plenty of time.

Now, the thought I had - and I want to get Fred Smith in on this thing - was this: At least I feel I am making headway, and we will have to tell these labor people that I need another twenty-four hours.

MR. PAUL: Murray said he would be here through tomorrow.

H.M.JR: I'll clear it through Houghteling. I thought the way, Fred, to get this thing by the President, you see - he said to me about getting through Congress - well, I mean, he said, "I don't know how good a chance--" - I said, "I don't know as we even have a fifty-fifty chance."

I thought the way for me to put my statement and get by him - he also said, "The only person who can explain this medical thing is myself. The people are unprepared."

I said, "That is right."

I will not go up the way I always do and talk about taxes and schedules. Let's talk about philosophy; let's talk about the working man. What I want to get - and this is what I have been groping for - and let's say - I said this to the President. I said, "Look, Mr. President, by the time they pay their taxes - by the time they pay their withholding tax and the victory tax and the ten percent on payroll savings there is nothing left. I don't know whether you have talked to anybody recently who went through the September thing, but these people - there is nothing left."

- 3 -

He said, "Henry, this thing about twenty-five, thirty, and forty billion dollars is purely a theoretical paper thing. The money isn't there. It is just one of these highly theoretical things that somebody puts on paper; then go out and try to find the money."

Well, I agreed with him, and I think - I mean, I am having Gamble come in here. He said that he had to see you (Smith) and me on this thing. I would like you (Smith) to detach yourself, lock the door, and everything, and these men are there to help. I told Gamble not to bother you about Mrs. Roosevelt's speech or anything because we have to have this by seven o'clock.

But let's take - let's take the thing; let's take simplification of taxes, amalgamating the victory tax. Let's make a stump speech, go on a campaign speech.

Here you have Willkie's stuff, and this Republican thing here this morning, right off the ticker. Let's take what George said about breaking the taxpayer's back, and all the rest of the stuff. Then we can say, "Now, the only way to do this thing which is acceptable to the people making the munitions of war and who are entitled to consideration for the magnificent job they are doing is to do it this way, and this is the way they like it.

"Now, any other way is going to cut down production, and it is going to hurt the war effort," and so forth. "These people are also entitled to look forward to something on the post-war, and this is the way to do the post-war." And let's forget rates and all the rest of the stuff. I think I have a good chance to get by with the President on a straight political, soap-box, stump speech. Let's call it by its right name before somebody else in the room does. (Laughter)

MR. SULLIVAN: You are talking about objectives instead of details of technique.

H.M.JR: That is right. In other words, he fired the first gun on the '44 campaign when he talked of what he was going to do for the soldiers; let this be the second

- 4 -

gun; and not get in the position of saying - he said, "Who is going to explain health? Who is going to explain Social Security reserves? You have three billion; why do you need four billion, and all the rest of the stuff?"

But why not say, "Sure, this is what organized labor wants, and they are entitled to it." I don't know, but do you get my approach?

MR. SMITH: I certainly do, yes.

H.M.JR: With all due respect to everybody - I don't know whether you want to see it, but they gave me the summary on this. I can't get that by the President.

MR. BLOUGH: The President isn't interested in most of that, anyway.

H.M.JR: No, but he is going to get something at seven o'clock which has to appeal to him emotionally. I reminded him about what is happening in Canada and in Australia. I picked up what Harry told me about last night. I said, "If England had a vote today, you know what would happen as far as the labor party is concerned."

He said, "Yes, that is right. The trend is all that way."

I want to sugar-coat it, nice, pretty and damned smart on the political front. Then if the President wants to throw it in the ash can, O.K., but I think he is too smart.

MR. SULLIVAN: So do I.

MR. BELL: This is a message for the President?

H.M.JR: No, sir, for me. If he likes it, let him make it.

Now, he is giving me all the time. No, if he likes it he said on health that he would have to explain the health thing.

- 5 -

Now, the other thing which I thought we might get - I will call Houghteling. If I can get a letter like that from Bill Murray similar to the one I had from Green, it would help.

MR. PAUL: He will do it.

H.M.JR: Now, Bell, do you think I am crazy?

MR. BELL: No, it sounds all right. I should think the Social Security end, particularly, is a message for the President and not for the Secretary of the Treasury. I think you are going to get in conflict with the Social Security Board, which has got to be in tune.

H.M.JR: We have been all over that. The President has asked me for a message, and I want to write a complete package. If he says, "Henry, I like that; I will take it," fine. If he says, "Let me do the thing," all right. But, Dan, for tonight I want a complete package.

MR. BELL: That is all right, but I think you are going to have difficulty on the Social Security anyhow, and I think it is up to the President to come forward with it in a public statement, a message to Congress. Then you can tie your tax program into that, which seems to me to fit.

H.M.JR: In order to save time - I am not going to argue - give me what I am asking for.

MR. PAUL: Don't you think we ought to postpone that meeting this afternoon, if possible, until tomorrow?

(The Secretary held a telephone conversation with Mr. Houghteling, as follows.)

September 27, 1943
10:34 a.m.

Lawrence
Houghteling: Houghteling.

HMJr: Hello. Look, Lawrence, I just left the President and he wants, for your information, he's calling some of the Democratic leaders in tomorrow morning, and now, he wants a statement from me on what I propose to say, which is a perfectly reasonable thing, you see?

H: Yes.

HMJr: And -- but what I'd like to do is to get a letter out of Phil Murray similar to the one that he wrote -- Green wrote the President.

H: Yeah.

HMJr: Now, I'll send over to you immediately a copy of the correspondence between Green and myself....

H: Yeah.

HMJr: And if I could get -- I'm sending this statement over tonight at 7 o'clock. Do you suppose you could get a statement out of Murray today?

H: Yeah.

HMJr: Well, this thing will be over to you within a half an hour.

H: All right. I'll get -- they get through over there at the Pentagon at 12:20 and I'll pick Mr. Murray up and get him to....

HMJr: What I want -- I want a statement along the line of Green's to the President.

H: Yeah. And you want it by what time?

HMJr: Well, I've got to have it by 6 o'clock.

H: 6 o'clock tonight?

HMJr: The thing is that Green -- that Murray should send the thing directly to the President the way Green did and then send me a copy.

H: Yeah.

HMJr: And I'll send the copy along with my stuff.

H: All right. Fine.

HMJr: But it should go from Murray to the President and a copy to me. That's the way Green did it.

H: Yeah. All right.

HMJr: And you tell him that the President wants another 24 hours on this.

H: All right. Fine.

HMJr: But a letter from Murray right now would help like hell.

H: Yeah. All right. Fine.

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H.M.JR: I think you are right. I think that meeting should be postponed until tomorrow.

MR. PAUL: We might be accused of fraud, I mean, withholding information. Did you fix a time for the meeting tomorrow?

H.M.JR: The first appointment is around eleven o'clock. Why not tell them that the President is going to see us tomorrow morning?

MR. PAUL: I don't think there will be any trouble about it.

H.M.JR: That would be wonderful.

MR. PAUL: You can't tell that to Vinson and Byrnes, though.

MR. BLOUGH: Just tell them it is postponed for twenty-four hours.

MR. WHITE: They will find out anyhow, so it is all right - the next day.

MR. PAUL: We don't want them to find out before and then force themselves into this conference.

H.M.JR: Just tell them to postpone it; I am not ready.

MR. WHITE: If you are afraid of that, don't let them know until an hour or half an hour before.

H.M.JR: Postpone it; then that gives us a chance to work on the statement.

MR. PAUL: I don't want to have that conference and stall on the stuff.

H.M.JR: You are right. That is very good advice. But does anybody agree with me in the room?

MR. SMITH: I do.

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MR. SULLIVAN: I have, all along.

MR. WHITE: It is the only approach.

MR. SULLIVAN: Randolph is much more closely in touch with this than I am, but I think as the weeks have gone by it has become more and more apparent that you are not going to get any sizable amounts of money in taxes. You can get some this way. I think it is the best kind of money you can get. I thought that this gap has been a phony for the last year. I agree with the statisticians that here and there and all around the premises you have little bits of money which add up to something like that magnitude, but when you try to legislate you just can't pick up anything of that size.

MR. PAUL: There isn't the money around. I disagree with that. It is the fact that the money is maldistributed.

MR. SULLIVAN: That is it exactly.

(Mr. Gamble entered the conference.)

H.M. JR: Well, look, gents, if we start discussing this thing - it is like every tax meeting - there are eleven people in the room, and there will be eleven different ideas. I have lived with this thing.

Paul and Blough are now in complete accord with me that I should make a positive statement on one front. Right?

MR. PAUL: One or the other.

H.M. JR: I say one front.

MR. PAUL: Yes, that is right.

H.M. JR: It can't be one or the other.

MR. PAUL: I mean, we tried, actually tried, and in the acid test of writing, you can't have an alternative tax plan. You have to take one thing or the other.

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H.M.JR: Well, at least you agree we should make one statement at a time.

MR. PAUL: That is right, and we also say we prefer the Social Security. We say you won't get it, but if we were Congress that is what we would enact.

H.M.JR: All right, with that in mind - that is a straight public relations job. It is not anything else, Fred. See? And see what you can do. I am asking these people in the room to assist you, but it is a straight - let's for once try - somebody cooked up this thing which I gave you - that the Republicans gave out. Let's go them one better. What the heck if it isn't going to be twelve billion dollars. Let's come out - "After thinking this over, and having gone through this thing, this is what we want."

MR. SMITH: We change our minds after we find out the facts.

H.M.JR: What?

MR. SMITH: It is good to find out the facts and change your mind.

H.M.JR: But why drag my feet on twelve billion dollars? I am not going to get it anyway.

MR. SULLIVAN: That is right. I am for just the kind of statement you are talking about.

H.M.JR: I don't have to give you any more, do I?

MR. SMITH: No.

H.M.JR: I am available any time today if and when you are ready, and will you please help him as he goes along?

MR. PAUL: You had better take our account of it.

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MR. SMITH: That is what I have got.

MR. PAUL: No, that is a summary.

H.M.JR: Please everybody help Smith. This is the most important task I have given you (Smith) since you have been with us.

September 27, 1943

My dear Mr. President:

After leaving you this morning, I got my people together in the Treasury, and we have very hastily prepared a statement along the lines that you and I were discussing this morning.

It goes without saying that in the time elapsed it was not possible to give you a finished product, but the statement does represent the approach and the philosophy which I should like to present to Congress on October 4th.

Hoping that you will have time to read this tonight in advance of our meeting with Senator George and Congressmen Doughton and Cooper tomorrow, I remain

Sincerely yours,

(Signed) H. Morgenthau, Jr.

The President,

The White House.

Copy to Pres.
Sept 27, 1943

MEMBERS OF CONGRESS:

We are faced with the very serious problem of creating for the American people a new tax program that is fair and equitable, that will raise more money for the war, that will absorb what excess or inflationary funds may be endangering our economy, and that will not break the back of the average American taxpayer.

Probably never before have there been so many vital factors to consider in any tax program. Because we are dealing in astronomical figures, and because our present economic situation has created such a wide variation in ability to pay taxes, never before has there been such a possibility of unfortunate injustice being done by an ill advised tax program. In our eagerness to raise additional money for financing the war, we must not overlook the fact that there is a point beyond which the working man cannot deduct from his pay envelope and still keep his family going. After his tax burden reaches a certain point, he cannot meet his tax bills and still maintain that standard of living and that morale essential to the effective prosecution of the war.

I am telling you this to emphasize the fact that the Treasury Department knows these problems exist and must be met. In our effort to meet them, we have asked the help of every executive branch of government having any relationship to taxes, including the Army and the Navy. We have examined, I think, every conceivable plan to raise additional taxes.

- 2 -

Since the 1943 tax bill was introduced, at least eighty-five specific plans have been suggested, developed, and examined against what we believe is the only yardstick that makes any sense in this year of war, 1943. We have measured these plans against:

First, the ability of the plan to raise money;

Second, the degree of hardship the plan places upon people of fixed incomes and with fixed obligations and upon people with grossly inadequate incomes; and

Third, their practicability and cost from the Administration standpoint. No plan is good if it won't work, or if it further tries the patience of the taxpayer who is already burdened with too much and too complicated paper work.

One of our chief considerations in developing a tax program has been the drawing off of what has been so often called "excess spending money." It has been estimated that income payments to individuals will amount to about 152 billion dollars in the fiscal year of 1944. It is further pointed out that the amount of goods and services available can absorb only about 89 billion of this 152 billion. Personal taxes will account for about 21 billion at present rate, leaving excess spending money of about 42 billion dollars, and this excess spending money accumulates month after month, year after year, as the war goes on, and production of civilian goods is decreased, and the supply of things to buy becomes progressively more limited.

- 3 -

It has been pointed out that two-thirds of all the income of the nation is going into the pay envelopes of people earning less than three thousand dollars a year; and therefore it is reasoned that the people earning less than three thousand dollars a year present a great potential danger from an inflationary standpoint. It is said that they have a great deal of excess money and that the weight of this excess money will cause undue price rises, will tear down the value of the dollar, and will, if not controlled completely upset our entire economic system.

With this in mind -- and having in mind, also, the need for additional funds to finance this most expensive of wars -- the Treasury set a goal early this year, of twelve billion dollars as the amount of money which should be raised by new taxation.

Since this goal was set as an ideal worth approaching, the Treasury has done considerable investigating. We have gone outside the Treasury offices, outside of Washington. We knew that twelve billion dollars was a great deal of money, and we were fully cognizant of the problems we would have in levying so huge a tax on anything like an equitable basis. We fully realized that designing this tax, in the last analysis, would require a process different from any we have ever tried before. We knew we had to make actual observations in the field, since there is a great difference between the statistical

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working man, and the working man who pays rent, feeds his family healthful food, and meets all extra bills which war time living saddles upon him.

To help us in this direction, we made numerous checks. We checked closely the response of working people in the Bond drives. We made a small survey of incomes and expenditures in one war-wealthy industrial city, a survey of people at various income levels. By and large, we have found little actual evidence of dangerous inflationary spending, although in certain isolated spots, we, like everyone else, have seen individual cases of such spending, which unfortunately, have attracted wide attention and have unduly prejudiced the public mind.

A great economic transition has come over this Nation since the war began. We came out of a depression -- out of a series of depressions -- into this period of prosperity. That was not the case in the last war.

Before Pearl Harbor, we were a nation of people in debt. We were in debt for money we borrowed to get along on during the lean years. In debt for vacuum sweepers and automobiles; in debt to the doctor and the dentist; in debt even for the clothes on our backs in many cases. Literally millions of people were living two and three families in a house. A large percentage of young married couples had never been able to move out of the homes of their parents. We were a Nation of people whose normal lives were

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being depressed from every angle by the burden of debts.

Some of it was foolish debt, some of it was debt brought about in an effort to maintain a typical American standard of living, and much of it was just out and out unavoidable debt. But whatever it was, it was there. Even before we entered the war, when it became obvious that civilian goods would be curtailed, that automobiles and vacuum sweepers were to go completely out of production, we wisely curtailed and stopped installment-plan buying. Then it was that the American people -- and chiefly the American working people -- began to get out of debt. They began to be a Nation of people dealing on a cash basis. They began to pick up these back debts that had been hanging over them, in some cases for many years. Everything indicates that much of the new-found gains of the working people have gone to pay those debts.

In fairness to labor, we must say that for every one citizen who is over-earning and over-spending, for every one who is buying "silk shirts," as in the last war, there are hundreds upon hundreds who are not, regardless of any increase they might have in their incomes. For the most part, the American working man is not finding it too easy to make ends meet with a pay check from which has been deducted, even before he gets it, an allotment for War Bonds, an allotment for Social Security or old age pension, a substantial

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advance on his tax bill, and perhaps other charges which are necessary in connection with the kind of work he does. However, they do not ask for comfort and luxury while the nation is at war.

And it is to these people -- these many millions of good American citizens who are turning out the materials of war in unprecedented amounts -- that the tax program must be tailored and fitted. We cannot punish all of them through excessive taxation simply because a few of them have more money than they know how to spend intelligently. Taxation is not a medium for vengeance.

Our experience in our War Loan Drives has proved to me beyond doubt that the hearts of the American working people are sound and they are more than willing to do their part. This is a precious possession which we have in this free country, and we should protect it at all costs. Primary consideration should be given to these people in framing a tax bill; and that is exactly what we have done, with the sanction of the President of the United States.

The sound, strong American must be kept strong and sound. He must be given every opportunity to become a better American, but we must not let him be legislated into doing less than he would do on his own simply because one of his neighbors, somewhere, has failed to live up to his obligations.

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I am dwelling here today on the American working man -- the man who is making about three thousand dollars a year -- because he is the one who will have to pay most of any increase in taxes.

In the high income brackets, taxes are already levied at such a rate that they cannot be materially increased and still be collectible. Moreover, the vast majority of people are in these lower income groups, and taxation, like everything else in America is a product of, and subject to, the wishes of the majority. Therefore they are the ones who must be satisfied, because they are the ones who must pay the bill.

I might add that they are the ones whose spirits cannot be broken, and whose incentive must be maintained, if we are to continue to get the tremendous war production necessary to victory. Therefore, I will say without hesitation that the means employed in the new tax bill must be agreeable to them -- as agreeable as it is possible for any plan that sets out to take their money.

We at the Treasury have discussed various plans with the working people and with their leaders, and we are confident that through the proposal which I am about to make we will be able to raise a tremendous amount of money to be used for the war. It will be paid willingly and eagerly by the American people, even though the meeting of the individual tax bills may mean discomfort.

Let me tell you first how we arrived at our recommendations.

We first planned simply to increase rates to such an extent that we could secure the whole amount through taxation. This, of course, would be an ideal way to finance the war because it raises money without increasing our National debt. But we soon found this to be a completely impractical idea. Because of the existing high rates in the high income brackets, we would have to double and some times even triple the rates in the lower income brackets, and this we could not do.

With the thought foremost in my mind that we had to raise additional money for the War, that we had to absorb any excess money which might threaten inflation, we then considered various ways of combining income tax increases with post-war refunds in the lower brackets. In this way it would seem that we might get the necessary money from the lower income groups, and that in getting it we might be giving them an advantage. But we soon found that the very groups who would enjoy at least a theoretical advantage would have no part of compulsory savings, or of anything that depended upon Government compulsion. Labor reacted violently to this suggestion as being un-American -- particularly in the face of what Labor -- organized and unorganized -- is doing in the War Loan drives.

Let me stop for a moment and tell you about that.

The working people on the home front are investing heavily in War Bonds. During the Third War Loan, individuals invested _____ billions of dollars in Government securities. Of these, _____ billions were E Bonds, small denomination Bonds. As we go down through the list of war production plants, we will find that those working people who are making the most money from war work are investing the most in

their futures -- and they are doing this willingly, and without compulsion from their Government. The shipbuilders are investing 12% of their pay, the auto workers __%, the munitions makers __%, and in isolated cases, we have seen as high as 30% of the total payroll of a huge plant going to Bonds during a given month.

Realizing that the only appreciable source for money to finance the War is the lower income groups, and knowing that they would not approve of the refund idea, we took back to representatives of these people the idea of combining a moderate increase in income tax with a substantial increase in Social Security tax.

On every front we were met with interest and enthusiasm for this suggestion. We were told that we could go as far as we chose along this line. We were told that the people would somehow find the money to pay the bill to increase the effectiveness of Social Security.

We felt then, and we feel now, that this is the best possible solution to the problem with which we are faced; the problem of getting a great deal of money from the people who have new money -- and getting it without arbitrarily taking it away simply because they now happen to have it. We had gone to these people and asked them and they had voted for it. This is the democratic way, in my estimation, to levy so huge a burden as we must have in order to pay for victory.

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We have made arrangements to re-establish our fighting men economically when they return to build new lives on the sound foundation on the victory they will have won; and now we must also keep in mind that on that sound foundation of victory, working men must also build new and better lives. There is this one difference; the people who are working today and making substantial wages can afford to make larger investments in their futures than our fighting men.

That is how we arrived at the Treasury's recommendations for the present tax bill. We believe it is economically sound because it will tap any money that can be considered dangerous, and it will give us the use of the money to finance the war -- and in the final analysis, we are giving the people an opportunity to invest in their own future security.

The Treasury therefore recommends that in 1944 the individual income tax be a combination tax and social security measure. We recommend that individual income tax rates, as such, be raised to yield an additional 3.8 billion dollars. The greatest percentage of this will come from people making more than thirty-five hundred dollars a year.

We then recommend that Social Security be extended and expended to cover practically all persons in the Nation, to increase unemployment insurance benefits, and to provide benefits for temporary

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disability and hospitalization. To do this will cost the American people, chiefly those up to thirty-five hundred dollars, approximately 3.7 billions. An additional payroll tax of 1.6 billion dollars will yield a total of 5.36 billion dollars for Social Security purposes -- and for the immediate purpose of helping to finance the war.

There is no pretense on the part of American labor that it can comfortably meet this bill. It is known by them and admitted by us to be a sacrifice; but it is felt by leaders and spokesmen for labor that because we are expanding Social Security's advantages, and are permitting the working people to invest in their future, this sacrifice will be made willingly. The people will find a way to meet the bill, without resentment.

Now let's see what this would mean to individual taxpayers. Take, for example, a married person with two dependents.

Assuming that this man were making \$1,500 a year, he will pay \$46 in taxes this year. Next year, under the present law, with the increase of two percent in Social Security payments which is called for in the present law, he will pay \$62. Under the plan which the Treasury is recommending, this man will pay \$100 towards income taxes and Social Security.

Take the case of a man in the same circumstances earning three thousand dollars. This year he will pay \$297. Next year,

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under the present law, he would pay \$327. Under the present proposal, he would pay \$458.

Finally, take the case of the man, married and with two dependents, earning ten thousand dollars. This year he will pay \$2,238. Next year, under the present law, he would pay \$2,268. Under the present proposal, he would pay \$3,555.

The total result of this proposal -- the raise in income rates, the increase in Social Security paid by the employer and the employee, would total 9.16 billions.

We propose also that corporation taxes be raised, under certain conditions until we have an increased yield of 1.11 billions.

We recommend that estate and gift taxes be raised to the extent of .40 billion dollars.

We are proposing an increased excise tax of 2.53 billion dollars.

The sum total of these increased taxes, under the recommended proposal submitted, will total \$13.20 billion.

The Treasury has one other recommendation to make in connection with this tax program. We recommend that every effort be made -- and at this session -- to simplify our taxes and make it possible for the Bureau of Internal Revenue to greatly simplify tax returns.

We spent a great deal of time attempting to simplify the September 15th return forms. I think we made it as simple as it

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is possible to make under the terms of the very complicated law which was passed during the last session. Part of our simplification was accomplished, very frankly, by postponing much of the difficult calculations until the March 15 return is filed. Unless the law can be simplified before March 15, it is my feeling that the resentment against any tax form that can fulfill the requirements of this present tax law will cause great resentment among the American people.

I am sure that Congress agrees that there is great room for simplification in all our tax laws. I cannot here go into the details of simplification, but I should like to recommend specifically the repeal of the Victory tax. The Victory tax serves especially to complicate return form. It is in itself complicated, it is calculated differently, and on a basis of different exemptions, so there is no way of simplifying it to such an extent that the man in the street can and will take it in his stride.

In changing the law to accommodate this situation, the Government will lose a certain amount of revenue; but I am confident that the loss of this revenue is far less important than the good-will of the American taxpayer. That's why I am urging that it be done.

September 27, 1943

Honorable Franklin D. Roosevelt
The White House
Washington, D.C.

Dear Mr. President:

The current consideration being given to the tax program for the coming year moves me to direct your attention to the relationship between the new tax bill and the social security program.

The Wagner-Murray-Dingell Bill now before both houses of Congress proposes to make available to American workers a comprehensive system of insurance against the economic problems of old age, unemployment, illness and permanent disability. The Congress of Industrial Organizations has long urged the vital necessity for such a program. We regard the substance of the Wagner-Murray-Dingell Bill as the fruits of the efforts of the labor movement and as the answer to a vital long-range need of American workers.

Although we shall wish to discuss with the appropriate Congressional committees the problems of the appropriate distribution of the costs of this program, there can be no doubt that a tax bill which operated to interfere with the prospects for this badly needed expansion of our national social security program would be a severe blow at the hopes and aspirations not merely of the working men and women in our war plants at home but also of the millions of fighting men in the armed services who look toward full economic security on their return home.

Rising living costs and the greater physical demands of speeded up war production serve to create in these war times a irreducible minimum beyond which workers' incomes cannot be taxed without affecting their food, clothing and shelter budgets, and in consequence, their health and their working efficiency. This factor must be recognized in any program for taxation, particularly with respect to the lowest income brackets. It is also this factor which makes it essential that a new tax bill not be framed in a manner such as to interfere with the social security program. Forced loans in such a tax bill are no substitute for social security.

We know and respect the role which you have played in making the beginnings of a social security program available to the workers of this nation.

At the present time and particularly in the light of the needs of our war program we hope that you will extend the benefits of your sound leadership to an improvement and expansion of social security to meet present-day necessities.

Respectfully yours,

Philip Murray

Treasury Department
Division of Monetary Research

Date September 28 19 43

To: Mrs. McHugh

The Secretary took this over to the President this morning and gave it (I believe) to Miss Tulley. She was going to bring it to the attention of the President.

H.D.W.

MR. WHITE
Branch 2058 - Room 214½

September 27, 1943

MEMORANDUM FOR THE PRESIDENT

We have almost completed discussions on the proposal for the establishment of an International Stabilization Fund with the technical experts of some thirty countries, and we are now engaged in further discussions with the British experts. These discussions have, of course, been confined to the technicians.

We feel we have now made enough progress in these conversations to take up discussion on the companion proposal for supplying long-term capital for reconstruction and development, which has been prepared by the technical experts of the Treasury working with the experts of the State Department, Federal Reserve Board, and the Export-Import Bank.

Mr. Crowley, Mr. Berle representing Secretary Hull, Mr. Clayton representing Secretary Jones, Mr. Ranson for the Board of Governors of the Federal Reserve System, and Mr. Warren Pierson of the Export-Import Bank have met in my office and have recommended that the draft proposal be distributed to and discussed with the technical experts of the United Nations, just as was done with the proposed draft of the International Stabilization Fund.

With your approval, I therefore propose to write to the Ministers of Finance of other countries calling their attention to our unofficial draft proposal and inviting its study by their technical experts. This is a particularly opportune time for taking this step in view of the presence in Washington of the British financial experts who are pressing to discuss with us the question of the provision of long-term capital.

With your approval, I also propose to go before the appropriate committees of the House and Senate to bring them up to date on discussions with regard to the International Stabilization Fund and to explain this tentative and as yet unofficial proposal for a United Nations Bank for Reconstruction and Development.

I have attached a copy of our draft proposal together with a brief summary which you may care to glance at.

HDW:EMB:ISF:RFM/jm 9/28/43

**Proposal for a United Nations Bank for
Reconstruction and Development**

One of the important international economic and financial problems after the war will be the unprecedented need for foreign capital. Countries will require capital for reconstruction and for conversion to peacetime production, and for the development of their productive resources. At the same time, the large industrial countries will find a need for continuing foreign investment to assure markets for their goods.

While private financial agencies will be prepared to undertake some international investment in the postwar period, the needs and risks will be so great that they can be successfully met only through the cooperative action of all of the United Nations.

The purposes of the Bank are to cooperate with private financial agencies in making available long-term capital for reconstruction and development, and to provide capital for these purposes when private financial agencies are unable to meet the need on reasonable terms. The Bank would have a capital of approximately \$12 billion of which the United States would subscribe nearly \$4 billion. Only one-fifth of the capital would be paid in when the operations of the Bank begin, subsequent calls, not exceeding in any one year one-fifth of the subscription, being made as the Bank requires additional resources.

The Bank would not compete with private financial agencies. It would make no loans that could be secured from private sources on reasonable terms. The principal function of the Bank would be to guarantee and participate in international loans made by private investment agencies and to lend directly from its own resources. Loans would be made only for approved governmental and industrial projects, which have been guaranteed by the national governments.

By making certain that capital is available for productive uses on reasonable terms, such a Bank can make a great contribution to an enduring peace and to prosperity. With adequate capital, countries affected by the war can move steadily toward reconstruction, and our neighbors in Latin America can undertake the development for which they are prepared.

Preliminary Draft Outline
 Of a Proposal for
 A United Nations Bank
 For Reconstruction and Development

Preamble

(To be prepared later)

I. The Purposes of the Bank

1. To assist in the reconstruction and development of member countries by cooperating with private financial agencies in the provision of capital for sound and constructive purposes.
2. To provide capital for reconstruction and development, under conditions which will amply safeguard the Bank's funds, when private financial agencies are unable to supply the needed capital for such purposes on reasonable terms consistent with the borrowing policies of member countries.
3. To facilitate a rapid and smooth transition from a wartime economy to a peacetime economy by increasing the flow of international investment, and thus to avoid serious disruption of the economic life of member countries.
4. To assist in raising the productivity of member countries by helping to make available long-term capital for the sound development of their productive resources.
5. To promote the long-range balanced growth of international trade among member countries.

II. Capital Structure of the Bank

1. The authorized capital shall be equivalent to about \$12 billion consisting of shares having a par value equal to \$100,000.
2. The shares of the Bank shall be non-transferable, non-assessable, and non-taxable. The liability on shares shall be limited to the unpaid portion of the subscription price.
3. Each government which is a member of the International Stabilization Fund may subscribe to a number of shares to be determined by an agreed upon formula. The formula shall take into account such relevant data as the national income and the international trade of the member country.

Such a formula would make the subscription of the United States approximately \$4 billion.

II-4. Payments on subscriptions to the shares of the Bank shall be made as follows:

- a. The initial payment of each member country shall be 20 percent of its subscription, some portion of which (not to exceed 20 percent) shall be in gold and the remainder in local currency. The proportions to be paid in gold and local currency shall be graduated according to an agreed upon schedule which shall take into account the adequacy of the gold and free foreign exchange holdings of each member country.
 - b. The member countries shall make the initial payments within 60 days after the date set for the operations of the Bank to begin. The remainder of their respective subscriptions shall be paid in such amounts and at such times as the Board of Directors may determine, but not more than 20 percent of the subscription may be called in any one year.
 - c. Calls for further payment on subscriptions shall be uniform on all shares, and no calls shall be made unless funds are needed for the operations of the Bank. The proportion of subsequent payments to be made in gold shall be determined by the schedule in II-4 as it applies to each member country at the time of each call.
5. When the cash resources of the Bank are substantially in excess of prospective needs, the Board may return, subject to future call, uniform proportions of the subscriptions. When the local currency holdings of the Bank exceed 20 percent of the subscription of any member country, the Board may arrange to repurchase with local currency some of the shares held by such a country.
6. Each member country agrees to repurchase each year its local currency held by the Bank amounting to not more than 2 percent of its subscription, paying for it with gold; provided, however, that:
- a. This requirement may be generally suspended for any year by a three-fourths vote of the Board.
 - b. No country shall be required to repurchase local currency in any given year in excess of one-half of the addition to its official holdings of gold during the preceding year.
 - c. The obligation of a member country to repurchase its local currency shall be limited to the amount of the local currency paid on its subscription.
7. No country shall be obligated to increase its subscription to the shares of the Bank. Any member country may at any time acquire additional shares from the Bank at the book value of such shares at the time of purchase, but at not less than par. The initial payment on such additional shares shall be equal to the amount paid-in

- II-7. on outstanding shares plus the premium, if any. The local currency portion of the initial payment may not exceed the average amount paid in local currency on shares outstanding at that time.
8. All member countries agree that all of the local currency holdings and other assets of the Bank located in their countries shall be free from any restrictions as to their use, except such restrictions as are consented to by the Bank.
9. The resources and the facilities of the Bank shall be used exclusively for the benefit of member countries.

III. The International Monetary Unit

1. There shall be established an international monetary unit to be called the Unitas, with a value equal to 137-1/7 grains of fine gold, that is, equivalent to \$10 U.S.
2. The Bank shall keep its accounts in terms of unitas. The local currency assets of the Bank are to be guaranteed against any depreciation in their value in terms of unitas.

IV. Powers and Operations

1. To achieve the purposes stated in Section I, the Bank may guarantee, participate in, or make loans to any member country and through the government of such country to any of its political subdivisions or to business or industrial enterprises therein under conditions provided below.
- a. The payment of interest and principal is fully guaranteed by the national government.
- b. The borrower is otherwise unable to secure the funds from other sources, even with the national government's guaranty of repayment, at rates of interest and under other conditions which in the opinion of the Bank are reasonable.
- c. A competent committee has made a careful study of the merits of the project and of the loan and, in a written report, concludes that the loan would serve directly or indirectly to raise the productivity of the borrowing country and that the country's budgetary and balance of payments prospects are favorable to the servicing of the loan. The majority of the committee making the report shall consist of members of the technical staff of the Bank. The committee shall include an expert selected by the country requesting the loan who may or may not be a member of the technical staff of the Bank.

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- IV-1-d. The Bank shall make arrangements to assure the use of the proceeds of any loan which it guarantees, participates in, or makes for the purposes for which the loan was approved.
- e. The Bank shall impose no condition upon a loan as to the particular member country in which the proceeds of the loan must be spent; provided, however, that the proceeds of a loan may not be spent in any country which is not a member country without the approval of the Bank.
 - f. Where the borrowing country holds blocked balances of another member country, the Bank may arrange with the borrowing country to offer such balances as collateral for a loan guaranteed by the borrowing country and by the country in which the balances are held. Such collateral shall be returned to the borrowing country and shall become free exchange at the same rate as the loan is amortized, or under other suitable arrangements between the two countries and the Bank.
2. In accordance with the provisions in IV-1, above, the Bank may guarantee in whole or in part loans made by private investors provided further:
- a. The rate of interest and other conditions of the loan are reasonable.
 - b. The Bank is compensated for its risk in guaranteeing the loan.
3. The Bank may participate in loans placed through the usual investment banking channels, provided all the conditions listed under IV-1 above are met except that the rate of interest may be higher than if the loans were guaranteed by the Bank.
4. The Bank may place part or all of any loan it has previously made for public distribution through the usual private investment channels. To facilitate the placing of such loans, the Bank may, in its discretion, guarantee the loan.

In placing such loans, the Bank shall advertise for bids and may award the loan or any part thereof to the responsible bidders tendering the most acceptable bids. No bid offering less than the par value of the securities shall be deemed acceptable.

5. The Bank shall make no loans that can be placed through the usual private investment channels at reasonable rates of interest. To assure the application of this principle, the Bank shall pursue the following procedure:
- a. All loans shall be approved conditionally, with the option of requiring the placing of the loan, in whole or in part, with or without the Bank's guaranty, through the usual investment channels.

- IV-5-
- b. After the Board approves a loan, the Bank shall publish the technical report recommending the loan, and the agreed terms and conditions for the loan.
 - c. The Bank shall advertise for bids from responsible investment institutions, the closing date for the bids to be 30 days after the publication of notice.
 - d. In advertising for bids, the Bank shall stipulate that bids will be considered for either the whole or any part of the loan and that the bidder, at his option, may condition his bid upon the guaranty of the loan by the Bank.
 - e. If a bid is received from a responsible bidder which is acceptable to the Bank and to the borrower, the Bank shall notify the borrower that it will exercise its option and will require the placing of the loan in whole or in part, with or without the Bank's guaranty, through the successful bidder.
6. The Bank shall make loans only at reasonable rates of interest with a schedule of repayment appropriate to the character of the project and the balance of payments prospects of the country of the borrower.
 7. The Bank in making loans shall provide that:
 - a. The foreign exchange in connection with the project shall be provided by the Bank in the currencies of the countries in which the proceeds of the loan will be spent.
 - b. The local currency needs in connection with the project shall be entirely or very largely financed locally without the assistance of the Bank.
 - c. In special circumstances, where the Bank considers that the local part of any project cannot be financed at home except on very unreasonable terms, it can lend that portion to the borrower out of local currency held by the Bank.
 8. When a loan is made by the Bank it shall credit the account of the borrower with the amount of the loan. Payment shall be made from this account to meet drafts covering audited expenses.
 9. Loans participated in or made by the Bank shall contain the following payment provisions:
 - a. Payment of interest due on loans shall be made in gold, but the Bank may agree to accept any member currencies. Interest will be payable only on amounts withdrawn.

- IV-9- b. Payment on account of principal of a loan shall be in gold. If the Bank and the borrower should so agree at the time a loan is made, payment on principal may be in gold, or at the option of the borrower, in the currency actually borrowed.
- c. In event of an acute exchange stringency the Bank may in its judgment accept for periods not exceeding 3 years the payments of interest and principal in local currency. The Bank shall arrange with the borrowing country for the repurchase of such local currency over a period of years on appropriate terms that safeguard the value of the Bank's holdings of such currency.
- d. Payments of interest and principal, whether made in gold or in member currencies, must be equivalent to the unitas value of the loan or the contractual interest thereon.
10. Any loan guaranteed, participated in, or made by the Bank may provide that it may be repaid, at the option of the borrower, in whole or in part, at any time prior to its maturity. The Bank may also arrange for the refunding, through governmental or private financial channels, of any loan guaranteed, participated in, or made by the Bank.
11. The Bank may levy a charge against the borrower for its expenses in investigating any loan placed, guaranteed, participated in, or made in whole or in part by the Bank.
12. The Bank may guarantee, participate in, or make loans to international governmental agencies for objectives consonant with the purposes of the Bank, provided that one-half of the participants in the international agencies are members of the Bank.
13. In considering any application to guarantee, participate in, or make a loan to a member country, the Bank shall give due regard to the effect of such a loan on business and financial conditions in the country in which the loan is to be spent.
- a. At the request of the representative of the country in which the proposed loan is to be spent, accompanied by a statement of the reasons for such request, the Bank shall postpone for one year action on the proposed loan. The Bank shall inform the applicant of the postponement and the reasons therefor.

At the end of one year, the representative of the country in which the loan is proposed to be spent may request the further postponement or the withdrawal of the application and the Bank shall act accordingly.

IV-13- b. The borrower may at any time amend the application to provide for the expenditure of the loan in a currency or currencies other than that of the country whose representative requested the postponement. The Bank may guarantee, participate in or make the loan on the basis of the amended application.

c. At the request of the countries in which portions of the loan are spent, the Bank will repurchase for gold or needed foreign exchange an appropriate part of the expenditures in the currencies of those countries directly derived from the loan made by the Bank.

14. With the approval of the representatives of the governments of the member countries involved, the Bank may engage in the following operations:

a. It may issue, sell, pledge, or discount any of its own securities and obligations, or securities and obligations taken from its portfolio.

b. It may borrow from any member governments, fiscal agencies, central banks, stabilization funds, private financial institutions in member countries, or from international financial agencies.

c. It may buy or sell foreign exchange, after consultation with the International Stabilization Fund, where such transactions are necessary in connection with its operations.

15. The Bank may act as agent or correspondent for the governments of member countries, their central banks, stabilization funds and fiscal agencies, and for international financial institutions.

The Bank may act as trustee, registrar or agent in connection with loans guaranteed, participated in, made, or placed through the Bank.

16. Except as otherwise indicated the Bank shall deal only with or through:

a. The governments of member countries, their central banks, stabilization funds and fiscal agencies.

b. The International Stabilization Fund and any other international financial agencies owned predominantly by member governments.

The Bank may, nevertheless, with the approval of the member of the Board representing the government of the country concerned, sell its own securities or securities it holds to the public or to institutions of member countries.

IV-17. If the Bank shall declare any country as suspended from membership, the member governments and their agencies agree not to extend any financial assistance to that country without the approval of the Bank until the country has been restored to membership.

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18. The Bank and its officers shall scrupulously avoid interference in the political affairs of any member country. This provision shall not limit the right of an officer of the Bank to participate in the political life of his own country.

The Bank shall not be influenced in its decisions with respect to applications for loans by the political character of the government of the country requesting a loan. Only economic considerations shall be relevant to the Bank's decisions.

V. Management

1. The administration of the Bank shall be vested in a Board of Directors composed of one director and one alternate appointed by each member government in a manner to be determined by it.

The director and alternate shall serve for a period of three years, subject to the pleasure of their government. Directors and alternates may be reappointed.

2. Voting by the Board shall be as follows:

a. The director or alternate of each member country shall be entitled to cast 1,000 votes plus one vote for each share of stock held. Thus a government owning one share shall cast 1,001 votes, while a government having 1,000 shares shall cast 2,000 votes.

b. No country shall cast more than 25 percent of the aggregate votes.

c. Except where otherwise provided, decisions of the Board of Directors shall be by simple majority of the votes cast, each member of the Board casting the votes allotted to his government. When deemed to be in the best interests of the Bank, decisions of the Board may be made, without a meeting, by polling the directors on specific questions submitted to them in such manner as the Board shall by regulation provide.

3. The Board of Directors shall select a President of the Bank, who shall be the chief of the operating staff of the Bank and ex-officio Chairman of the Board, and one or more vice presidents. The President and vice presidents of the Bank shall hold office for four years, shall be eligible for reelection, and may be removed for cause at any time by the Board. The staff of the Bank shall be selected in accordance with regulations established by the Board of Directors.

- v-4. The Board of Directors shall appoint from among its members, an Executive Committee of not more than nine members. The President of the Bank shall be an ex-officio member of the Executive Committee.

The Executive Committee shall be continuously available at the head office of the Bank and shall exercise the authority delegated to it by the Board. In the absence of any member of the Executive Committee, his alternate on the Board shall act in his place. Members of the Executive Committee shall receive appropriate remuneration.

- 5. The Board of Directors shall select an Advisory Council of seven members. The Council shall advise with the Board and the officers of the Bank on matters of general policy. The Council shall meet annually and on such other occasions as the Board may request.

The members of the Advisory Council shall be selected from men of outstanding ability, but not more than one member shall be selected from the same country. They shall serve for two years, and the term of any member may be renewed. Members of the Council shall be paid their expenses and a remuneration to be fixed by the Board.

- 6. The Board of Directors may appoint such other committees as it finds necessary for the work of the Bank. It may also appoint advisory committees chosen wholly or partially from persons not regularly employed by the Bank.

- 7. The Board of Directors may at any meeting authorize any officers or committees of the Bank to exercise any specified powers of the Board except the power to make, guarantee or participate in loans. Such powers shall be exercised in a manner consistent with the general policies and practices of the Board.

The Board may by a three-fourths vote delegate to the Executive Committee the power to make, guarantee or participate in loans in such amounts as may be fixed by the Board. In passing upon applications for loans, the Executive Committee shall act under the requirements specified for each type of loan.

- 8. A member country failing to meet its financial obligations to the Bank may be declared in default and it may be suspended from membership during the period of its default provided a majority of the member countries so decide. While under suspension, the country shall be denied the privileges of membership, but shall be subject to the obligations of membership. At the end of one year the country shall be automatically dropped from membership in the Bank unless it has been restored to good standing by a majority of the member countries.

If a member country elects to withdraw or is dropped from the Bank its shares of stock shall, if the Bank has a surplus, be repurchased at the price paid. If

- v-8. the Bank's books show a loss, such country shall bear a proportionate share of the loss. The Bank shall have 5 years in which to liquidate its obligations to a member withdrawing or dropped from the Bank.

Any member country that withdraws or is dropped from the International Stabilization Fund, shall relinquish its membership in the Bank unless three-fourths of the member votes favor its remaining as a member.

9. The yearly net profits shall be applied as follows:
- a. All profits shall be distributed in proportion to shares held, except that one-fourth of the profits shall be applied to surplus until the surplus equals 20 percent of the capital.
 - b. Profits shall be payable in a country's local currency, or in gold at the option of the Bank.
10. The Bank shall collect and make available to member countries financial and economic information and reports relating to the operations of the Bank.

Member countries shall furnish the Bank with all information and data that would facilitate the operations of the Bank.

September 27, 1943
11:31 a.m.

HMJr: Hello.

Operator: Mrs. Ross.

HMJr: Hello. Mrs. Ross.

Nellie T.
Ross: Yes. Good morning, Mr. Secretary.

HMJr: Good morning. Look, Mrs. Ross, we've got to stop making those new pennies. I have finally gotten a complaint from the President and I can't take any more complaints about them.

R: Mr. Secretary, I think that all you will have to do will be to tell Mr. Nelson that, We have been....

HMJr: Who is Mr. Nelson?

R: The -- the War Production Board.

HMJr: Well, I -- well, let's stop making pennies and then let him find out. I can't go along with all these complaints.

R: Yes, I know. It's very distressing to me.

HMJr: Why can't you make them out of something else or put a hole in them?

R: They wouldn't let us have any other material in the whole country.

HMJr: How about putting a hole in them?

R: The reason we didn't put the hole in them is that the legislature, you know, made the legislation -- enjoined us to take into consideration the vending machines.

HMJr: Oh, to....

R: And....

HMJr: Look, I can't run this country for the vending machines or the slot....

R: I know it but, Mr. Secretary, you know the law -- the legislation that authorized it.

HMJr: Now, look, Mrs. Ross....

R:and provided that....

HMJr:you're going to have to do something.

R: I think so, too.

HMJr: I'm not going to take it any more.

R: Mr. Secretary, let me tell you that we have been collaborating strongly with the War Production Board lately and trying to induce them to give us back the copper and they tell us that they are going to do it.

HMJr: Mrs. Ross, I can't write that to the President. He doesn't want excuses. He wants something different.

R: Yes.

HMJr: I finally got a letter from him and I get....

R: Yes.

HMJr:hundreds and hundreds of letters and I'm sick and tired of it.

R: Mr. Secretary, Mr. Bell is thoroughly conversant with all the facts about it and we've been taking it up with him regularly.

HMJr: All right. I'll....

R: Now, as far as -- the legislation is the only thing, you know, that....

HMJr: I'll tell him.

R: If you will.

HMJr: I'll tell Mr. Bell.

R: All right and I say I think that a letter from you to Mr. Nelson might just turn the trick.

HMJr: Well....

R: But we have correspondence with him -- and I think you'd be interested in the memorandum that I sent him the other day....

HMJr: Yes.

R:on it.

HMJr: Okay. I'll talk to Mr. Bell.

R: Thank you, Mr. Secretary.

September 27, 1943
11:35 a.m.

HMJr: I was stupid enough to call up your pal, Nellie Tayloe Ross.

Dan
Bell: Yeah? What was stupid about that?

HMJr: Well, I knew I'd get what I got. I just got the following memorandum from the President: "What should I tell my uncle? I think there's a lot in what he says. I, myself, tried to use a one-cent piece in a ten-cent slot machine and I was arrested, but let off by the Judge under suspended sentence. F.D.R."

B: (Laughs)

HMJr: Now, listen.

B: Yeah.

HMJr: We've got to do something about this God damn penny.

B: Well....

HMJr: Now, don't give me a lot of alibis.

B: No. Can I tell you what we've done?

HMJr: Why not?

B: We've had a number of conferences with the O.P.A. -- uh -- W.P.B.

HMJr: Yeah.

B: They're sympathetic and they don't want to make a decision now as to copper....

HMJr: Yeah.

B:and, of course, it would probably be a little late to make it now for the Christmas holidays and another thing we've got -- ordinarily we'd have to put in our order now for the second quarter for steel.

HMJr: Yeah.

B: So they've written us a letter and told us not to put in the second order -- or the order for the second quarter -- that they'd have a decision by January 1 and it looked favorable for copper but they've got a lot of other people on their neck and they don't want that publicized at the moment.

HMJr: Can't we get it before that?

B: Well, they say not. They're afraid to try it in view of all the other people.

HMJr: Can't you put a hole in the penny?

B: Well, that wouldn't work your slot machines because it takes the weight.

HMJr: Uh.

B: And then your dies are also made out of high steel which has priority. We've tried all those things and....

HMJr: Well, can't we get copper before the 1st of January?

B: Well, they say that it's doubtful. We're still in touch with them and they do just the best they can. They know the situation thoroughly and they're sympathetic to our problem.

HMJr: Well, who's over there?

B: Uh....

HMJr: In charge of that?

B: Oh, I'd have to get his name. He's somebody under Nelson. Nelson, of course, is the top and they've gone to Nelson and Nelson told them to do everything they could, but....

HMJr: Well, who's in charge when Nelson is gone?

B: I don't know. I'll have to find out.

HMJr: I'll call up and....

- 3 -

B: The man....

HMJr:find out.

B:we've been in contact with is the fellow in charge of some of the metals division.

HMJr: I'll call up and find out who's there. They've got to give us some copper.

B: We -- is this another letter we got? We got that letter last week to which we're preparing an answer.

HMJr: From the President?

B: Yeah.

HMJr: This is September 22nd.

B: Well, I guess that's....

HMJr: I've answered it. I told the President that he could guess what was in my mind when I talked to Nellie Tayloe Ross as to what she could do with the penny.

B: (Laughs) Well, we're preparing an answer for that letter. I guess you sent us a photostat.

HMJr: Yeah.

B: That's what we're answering. We got it Friday.

HMJr: I told the President that he could guess what was in my mind and what Nellie Tayloe Ross could do with a penny.

B: (Laughs) I don't get that.

HMJr: Well, sometime when I see you, I'll tell you.

B: (Laughs) That's pretty deep.

HMJr: (Laughs)

B: Well, did you get a run around from her. Didn't she tell you what....

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HMJr: No. She told me to see you. You're her boss.
Let me....

B: What? (Laughs)

HMJr: Well, you read the correspondence anyhow.

B: Yeah.

HMJr: All right.

B: Fine,

HMJr: I'll call up the man over there.

B: All right. Thanks.

September 27, 1943
11:41 a.m.

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Operator: The Vice Chairman.
HMJr: All right.
Operator: Here he is.
HMJr: Hello.
Operator: Go ahead.
HMJr: Hello.
Chas. E. Wilson: Wilson speaking.
HMJr: This is Morgenthau.
W: Good morning.
HMJr: Mr. Wilson, I don't know whether anybody has talked to you about our penny troubles.
W: No, I haven't heard about them.
HMJr: Well, have you seen one of the new pennies made out of steel?
W: I have not. I've heard plenty about them and everything against them.
HMJr: Now, I've finally got an amusing letter from the President where he said he tried to use one and he got arrested....
W: (Laughs)
HMJr:because he tried to use it instead of a ten-cent piece.
W: (Laughs) Gee!
HMJr: But it's finally got to him and my mail is just full of the stuff.
W: Yeah.
HMJr: Couldn't you give us a little copper?

W: How much would it take?

HMJr: Well, I don't know exactly but not an awful lot.
I could find out and call you back in three minutes.

W: If you'll just let me know how much, I'll see --
and when -- if you'll tell me how much you want and
when you want it and then I surmise you'll need a
continuing supply from month to month, won't you?

HMJr: That's right.

W: And I think you ought to give me an estimate on
that and we'll see whether we could spare it.
Now, with -- I - I see the necessity for it.
We'll see what we can do.

HMJr: I'll call you. Will you be there for the next
five minutes?

W: You bet I will.

HMJr: I'll call you back.

W: Thanks a lot.

September 27, 1943
11:52 a.m.

HMJr: Hello. Hello.

Chas. E.
Wilson: Yeah.

HMJr: Mr. Wilson, have you got a pencil?

W: Yep.

HMJr: I'd like 800 tons October 1, 600 tons November 1,
and 600 tons December 1st, and after -- thereafter
at the rate of from 330 to 350 tons a month.

W: I see.

HMJr: Or a total of 5,000 tons a year. Of course, what --
the big demand now is on account of Christmas.

W: Oh, yeah. I suppose there's no -- no hope of using
the same as we are using today for the penny and
making it 50% larger is there?

HMJr: Well, of course, I'm not in sympathy with this but
the trouble is Congress says it's these damn slot
machines.

W: Oh. Oh. Oh.

HMJr: And the whole trouble was -- and there's something in
the legislation about these damn slot machines.

W: I'll get busy on this and I'll call you back this
afternoon. I'll get our copper people and we'll take
a look at our....

HMJr: Yeah.

W:our order boards for the next six months and
I'll see what we can do.

HMJr: Will you?

W: And I'll call you back.

HMJr: It's getting to be a public relations nuisance.

W: Oh, it must be. I -- I mean, I hear it in my very
limited sphere on it....

HMJr: Yeah.

W:and so I can imagine what it must be to you.

HMJr: And it's just a question of how much of a nuisance value is it worth to get rid of.

W: Yeah, that's right. I'll see what we can do and I'll call you back.

HMJr: I thank you.

September 27, 1943
3:10 p.m.

Operator: Go ahead.

HMJr: Hello.

Charles
Wilson: This is Wilson.

HMJr: Go ahead.

W: I've been looking further into that copper matter, and I'm afraid that 800 tons in October, and indeed the tonnage you wanted up to the early months of the year is - is too difficult to - to over-come. I don't believe we can do it.

HMJr: Well, can you give any part of it?

W: Only a small part of it, but I'm wondering if you've given full consideration to this other possibility of taking the ammunition cases and using them.

HMJr: Ammunition cases?

W: Yeah, we can do that, you see, and we - we might even - in fact I'm sure we can arrange to have those ingots made for you if your facilities won't make them. Of course, that would bring you out with something like seventy-seven per cent copper in - in your melt instead of what you have to - what you always had with the bronze penny.

HMJr: Yeah.

W: And - and the color as compared with the customary bronze penny would be a little brighter, maybe considerably brighter.

HMJr: Yeah.

W: But it - it would be sort of a tarnished gold color.

HMJr: Yeah.

W: But it - it would have all the characteristics of the bronze penny, and we could give you, I think, all of the metal you need for it.

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HMJr: I - you're making that in quantity?

W: Oh, yes, and we -- we could just take that -- we could take the stuff from the battle grounds or we could take the stuff that's coming in now from the practice fields here in the United States and turn over plenty of that to you.

HMJr: You mean that's discharged shells -- is that what it takes?

W: That's right.

HMJr: What?

W: That's right. Discharged shells.

HMJr: Well, I don't know why not, but I'll find out mighty quickly.

W: And, you could get enough of it and you'd get entirely away from this thing that's causing you the trouble.

HMJr: Yeah.

W: And you -- you could go right back to something that would be just as distinguishable as your bronze penny ever was.

HMJr: And you -- you have facilities for melting it down and giving it to us in ingots if we don't.

W: Well, that -- that would be the difficulty, but I'm sure we could find a way to over-come that for you quickly.

HMJr: Well, suppose we say "yes" -- who -- do we give you the answer?

W: Yes, give me the answer and -- and tell me how much of it you want, and we'll get busy and find out how quick we can get those ingots. Now, I think maybe some of it, you could make yourself and, with your present facilities -- but we won't count on that. We'll see where we could get it fast enough for you.

HMJr: If I don't call you back, it will be Danny Bell.

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W: All right. That's fine.

HMJr: You know Bell?

W: Oh, yes. Incidentally, he knows about this, because the boys wrote him a letter on September 20 telling him what we could do about this.

HMJr: I see.

W: But, I just looked into the thing - into the color of it, and had them match it up with me, and outside of its - the fact that it has kind of a brassy gold color

HMJr: Yes.

W: and I - I think maybe we could even over-come that by taking a little copper

HMJr: Yeah.

W: a little more copper and putting it in

HMJr: Yeah.

W: but we - we've got so damn much of this stuff that rather than diverting it back to cartridge manufacture, I - I think we could do this, and - I - I really believe it would be just as good for you.

HMJr: Sounds good to me. I don't know what the objections are, but I'll certainly pass it along at once.

W: All right.

HMJr: Thank you so much.

W: Bye - bye.

September 27, 1943
2:30 p.m.

UNITED NATIONS BANK

Present: Mr. Bell
Mr. White
Mr. Crowley
Mr. Clayton
Mr. Pierson
Mr. Goldenweiser
Mr. Ransom
Mr. Szymczak
Mr. Berle
Mr. Pasvolski

H.M.JR: We might as well start, gentlemen. You are all busy. At this last meeting we had we decided we would go ahead and let our technical assistants discuss this question of a world bank, and I understand that they have gotten far enough along to make a recommendation.

The thing is, if I can get the approval of this group I would like to distribute it to other members of the United Nations.

(Copies of drafts of proposal and summary of principal provisions for a United Nations Bank attached.)

(Mr. Berle and Mr. Pasvolski entered the conference.)

H.M.JR: All I was saying is that I understand the so-called technicians, or otherwise known as the people who do the work, have gotten far enough along that they have a plan, and I would like this group to ask any questions that they want.

If they are satisfied, then I would like to go ahead and tell the President so. And then the plan is to give copies to other members of the United Nations, particularly the English, who are here and are very anxious to see it, and

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then for the Treasury to appear before the Senate and House - these various committees - and explain both how far we have progressed on stabilization of currency and this plan for a world bank.

Now, I am just telling you what I would like to do, but the purpose of the meeting is to find out whether the various departments represented feel that their technicians are satisfied that we take that next step.

So we will start with anybody that wants to make any comments - say he is satisfied or not satisfied, or does not think this is a good plan, or has a better plan.

We will start with the State Department.

MR. BERLE: Our technicians feel that something along the lines here proposed would serve as the basis for discussion on a technical level with the British delegates in Washington.

There are a couple of points we think might be made which are partly on the strategic level. The first is that it might be desirable not to discuss or put out figures at this time, certainly for public discussion; in other words, that the amounts perhaps might not be the best possible way of discussing it.

The second is obviously - this is a drafting point merely in the final plan, to which I think Harry will agree. It discusses the use of Unitas separate and apart from the Stabilization Fund, and it obviously must mean Unitas as determined in the Stabilization Fund plan. I take it that is merely what you--

MR. WHITE: It is a very unimportant part of this.

MR. BERLE: It obviously contemplates the same thing and would want to be tied in.

I think the third point is this, that if we get very badly knocked about we might want to keep a strategic line open for the development of an agreement setting up

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consortium of lending agencies of governments in the event that we get roughly handled politically on this.

That is merely a possibility that we thought might be kept in mind as a second line of defense if this looks as though it was a lost fight, or something of that kind. That isn't apposite to this plan, but might be a method of handling it in the event things go badly here.

MR. BELL: You mean if you can't get this through, you could use the agencies already in existence?

MR. BERLE: Perhaps with an agreement to consult, and things of that kind - to work together on jobs of that kind.

H.M.JR: I don't quite get you.

MR. BERLE: I mean, Mr. Secretary, in the event we couldn't get this, or this looked wholly unpracticable, there is the alternative of an agreement as between the nations that would be interested in this, consulting together and working out a common program to be shared in by the lending institutions of each government without forming a new institution.

I think the view of the Department is that we would rather have this, but that the other might be necessary as an open line to retreat to.

I think that is about all we have to say, unless you have something.

MR. PASVOLSKI: No.

MR. RANSOM: You would then hold that suggestion, Mr. Berle, in reserve to see what fate met this proposal, and not as an alternative to this?

MR. BERLE: That is right.

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MR. PASVOLSKI: There is just one other point. We would have to be ready with a reply on the proposition - the question may be raised as to the exclusive dealing - the bank dealing exclusively in government guaranteed loans. That question may come up and I think we would need to consider first of all whether or not we are definitely going in that direction, and if we are, what reply we make to the people who would say that that restricts the operation and particularly restricts the field of private enterprise in the borrowing countries. Of course you have given consideration to that.

MR. WHITE: I thought the purpose of this was to get it out first to the various countries, and then to the public, to give them an opportunity to do the same thing that they have done on the Fund - discuss it, criticize it, comment on it, and make it possible to shape it in the light of that criticism.

And I wonder whether, in view of that, and in view of the fact that it does not at this stage represent in any sense an official commitment - it is the same kind of a technical commitment which the various departments can back away from - a government can back away from if it doesn't like it at a later stage - the same position we took with respect to the Fund - whether, in the light of that, it isn't desirable to give this distribution among the other countries.

They know - they have been promised that something of this kind is coming forward. Now, whether you want to not make it available to them, but merely make it available to the British in these discussions which we are having with them, is something I am rather doubtful about.

I certainly think we ought to discuss it with the British, but I believe also that it ought to be disseminated to the various persons who receive the Fund so as to give them an opportunity to comment and discuss it if they wish.

MR. PASVOLSKI: I think so.

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MR. BERLE: I would recommend adding the Canadians to that list, Mr. Secretary. The three capital exporting nations, as far as I can see, will be the United States, Canada, and Great Britain, for the time being. I yield to the Federal Reserve, which analyzes those things more closely.

MR. WHITE: Well, unfortunately, in this respect the capital importing countries are more interested than the capital exporting countries. I don't see harm to it, and I see value in sticking to the pattern that these are United Nations arrangements, and all countries participate, and not a favored two or three countries that are deciding the plan at this very early stage in the discussions.

I think the other procedure worked out very nicely, and since the British are here, it provides an excellent opportunity to begin discussions with them without discussing it with the other countries, and at the same time informing the other countries or sending them a copy, and ask for their written comments of the technicians.

MR. PASVOLSKI: Harry, would you wait until there has been some talk to the British about this?

MR. WHITE: I should imagine that if the President approves, the Secretary would send a copy of this to every one of the financial ministers that he sent the Fund to. Then at once, the moment that is mailed, practically, you give a copy to the British and begin a discussion at any time subject to their convenience.

H.M.JR: May I ask a question? I know when we wanted to do this with the Fund the President was very insistent it be kept in sort of a liquid state - sort of tentative. Now, have we passed that stage as far as the Fund goes?

MR. WHITE: Not yet, sir.

H.M.JR: So in preparing the memo for me for the President, be sure and use the same language as we did

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the last time, because I know - he hasn't changed his mind, has he, on that thing?

MR. BERLE: No, I think not.

H.M.JR: You might look up the language of the last one. He was so insistent last time that it still be, to use the vernacular, kept up in the air.

From the talks the State had with him, has he anything more definite on this postwar?

MR. BERLE: Not very much - not until he gets more of a guide as to Congress on that, I think, Mr. Secretary.

H.M.JR: O.K.

Did I interrupt anybody?

MR. SZYMCZAK: Is the purpose to bring this up to date with the stabilization plan - the Fund - so they both go to Congress?

MR. WHITE: That would be the whole. But it is more directly intended to open it for discussion among the interested governments and particularly the British, who claim that some of their discussion on the other points depends upon our ideas on these.

H.M.JR: Well, the other thing is we have been getting questions from Congress on both.

MR. SZYMCZAK: That is right.

H.M.JR: Now, if we are going to go up there we might as well do a job on both. It is hard enough as it is. We have to appear before four committees in the Senate and four in the House.

MR. WHITE: Otherwise they think we are trying to put something over they don't know about.

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MR. RANSOM: Isn't that an advantage, Mr. Secretary, in trying to do both of them as nearly simultaneously as possible? One complements the other, and if you can present them both at the same time you have an advantage in explaining either one of them.

H.M.JR: That is right, and they know the other one is in the offing and they are very curious about it.

MR. PASVOLSKI: We are in somewhat better position in this connection than we were in connection with the Stabilization Fund because the British, I think, are honest in saying to us that they haven't got a plan of their own, so you wouldn't run into the difficulty of having two plans.

MR. WHITE: They say they are deliberately withholding because they think that a plan of this kind might more appropriately come from the United States.

MR. PASVOLSKI: We ran into some difficulties--

MR. WHITE: It is perfectly understandable. (Laughter)

MR. RANSOM: It needs no explanation. (Laughter)

H.M.JR: How about the Federal Reserve Board?

MR. SZYMCZAK: We have, of course, discussed this this morning. As you know, Marriner is out of town.

H.M.JR: I didn't know.

MR. SZYMCZAK: I don't know whether he will be back this week or next week. We discussed it. Goldy brought us up to date on it. We see nothing at this time we want to bring to your attention. We think it is a wise thing to proceed and get it out to the other governments.

MR. RANSOM: I believe our technical people do have one or two suggestions.

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MR. GOLDENWEISER: There are a number of suggestions. We are still in the study stage and we have been making them and we will keep on making them, but on our technical level we are very much in favor of having it proceed now.

MR. WHITE: What?

H.M.JR: What?

MR. GOLDENWEISER: To have it go now.

H.M.JR: To move forward?

MR. GOLDENWEISER: That is right.

MR. RANSOM: To move forward.

H.M.JR: Any objection?

MR. RANSOM: No objection from anyone on the Board who is in town.

MR. SZYMCAK: Only four working today. (Laughter)

H.M.JR: I hope you all bought your extra bond before you left town. (Laughter) Does anybody want to buy a bond? I can get it right now. (Laughter)

Leo, how do you feel on this?

MR. CROWLEY: Our technical men have been working with Mr. White. As I told the Secretary when I came over here - they told me just to vote to go along with Mr. White. They have been working with him, so I give you my proxy on it. (Laughter)

H.M.JR: Now I know what the President means when he calls you the good administrator. (Laughter)

MR. CROWLEY: You mean not to touch anything you don't know about? (Laughter)

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MR. SZYM CZAK: If this doesn't go far enough you will go all the way with Lease Lend. (Laughter)

MR. CROWLEY: He (the Secretary) has to put up the money. (Laughter)

H.M.JR: They always forget that until the commitments are made. (Laughter)

How about the Department of Commerce?

MR. CLAYTON: We think, Mr. Secretary, it has reached a stage where it is time to begin discussions with the British.

H.M.JR: Well, I would say that the technicians under Mr. White's leadership have done a swell job.

MR. WHITE: This has been a real cooperative job - the State Department participated and the other agencies - the other men have attended a number of meetings and reshaped it. There is every attempt here to avoid competition with private channels of providing capital.

H.M.JR: Say that again, Harry. I didn't hear that.

MR. WHITE: There is very great care exercised to avoid having the institution, as envisaged in this document, compete with private capital. It merely supplements it.

H.M.JR: In other words, we still believe in the capitalistic system. (Laughter)

MR. SZYM CZAK: That is right.

MR. CLAYTON: What do you think the position of the Export-Import Bank would be of this institution as established?

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MR. WHITE: I don't see anything - unless this, I think they will be able to use more of their funds for the shorter and intermediate credits, which this doesn't do at all. As you remember, it did, originally.

H.M.JR: Can't I answer that question in the light of - we will let you make the political loans and we will make the commercial loans?

MR. CLAYTON: No, the other way around. (Laughter) We thought it was the other way around, Mr. Secretary.

H.M.JR: Whether they want to build a road down there - wasn't Nicaragua one of the early ones?

MR. PIERSON: They have been going on ever since.

H.M.JR: We will let you make those kinds of loans without any competition. (Laughter)

MR. CLAYTON: I think what Harry says, though, is correct, that this institution - it is not contemplated this institution make short-term loans for financing commercial transactions, foreign trade, and so on. The Export Import Bank will still do that.

MR. WHITE: It did at first, but Bill Clayton made a very impressive argument. He convinced everybody on the committee and we all unanimously agreed that it ought to be not permitted to make short-term loans.

MR. PASVOLSKI: There is a tremendous field for intermediate credit.

H.M.JR: Oh, my, there is at home; we don't have to go abroad.

Anything else, Clayton?

MR. CLAYTON: I don't think of anything else, Mr. Secretary.

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H.M.JR: Well, on behalf of the technicians I thank you for your vote of confidence and I will try to get it to the President, so we will hope we will get it out this week.

We will continue to keep you posted.

TREASURY DEPARTMENT
Washington

September 27, 1943

Summary of the Principal Provisions of the
Proposal for a United Nations Bank for
Reconstruction and Development

I. Purposes of the Bank

1. To cooperate with private financial agencies in providing long-term capital for the sound development of the productive resources of member countries.
2. To provide capital for reconstruction and development when private financial agencies are unable to supply the needed capital for such purposes on reasonable terms.

II. Capital of the Bank

1. The capital of the Bank shall consist of non-transferable and non-assessable shares amounting to about \$12 billion, subscribed to by member countries according to an appropriate formula. The subscription of the United States would be approximately \$4 billion.
2. Member countries will make an initial payment of 20 percent on their shares before the operations of the Bank begin. When the Bank needs additional funds for its operation, it may make uniform calls upon the unpaid portion of subscriptions, but not exceeding 20 percent in any one year. Similarly, when the resources of the Bank are substantially in excess of prospective needs, it may return, subject to future call, uniform proportions of the subscriptions.
3. The initial payment and all payments on subsequent calls are to be made partly in gold and partly in local currency. The proportion paid in gold, not exceeding 20 percent of the payment, will be determined by a formula which takes into account the adequacy of the gold holdings of each member country. The local currencies paid on subscriptions are to be repurchased by member countries with gold at the rate of 2 percent of the subscriptions annually.
4. The facilities and resources of the Bank shall be used exclusively for the benefit of member countries.

III. The International Monetary Unit

1. The accounts of the Bank shall be kept in terms of the unitas, equal in value to $137\frac{1}{7}$ grains of fine gold, \$10. The local

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currency assets of the Bank are to be guaranteed against any depreciation in their value in terms of units.

IV. Powers and Operations of the Bank

1. The Bank may guarantee, participate in, or make loans to any member government, and through the member government to any of its political sub-divisions, and to business and industrial enterprises in the member country. The Bank may not use its facilities or resources for such loans unless the borrower is unable to secure the funds from private investment channels on reasonable terms.
2. The decisions of the Bank shall be based exclusively on economic considerations. In passing upon any application to guarantee, participate in, or make a loan, the Bank shall give consideration to the soundness of the project, to the budgetary position of the member government guaranteeing the loan, and to the prospective balance of payments of the member country.
3. All loans which the Bank guarantees, participates in, or makes must fulfill the following general conditions: (a) Payment of interest and principal must be fully guaranteed by the national government of the member country; (b) The project and the loan must have been investigated and approved by a competent committee of the Bank; (c) Rates of interest on loans guaranteed, participated in, or made by the Bank must be reasonable.
4. The Bank shall impose no conditions as to the member country in which the proceeds of a loan are to be spent. When a loan is made by the Bank, it shall credit the account of the borrower with the amount of the loan, and payments in the appropriate local currency shall be made from this account to meet audited expenses.
5. The representative of a member country in which the proceeds of a loan are to be spent may request postponement of action on the application for the loan. The Bank may grant the loan on the basis of an amended application if the proceeds are to be spent in other countries.
6. Interest payments may be made in gold or in any member currency acceptable to the Bank. Payments of principal shall be made in gold, or by agreement, in the currency in which the loan was made. In the event of an acute exchange stringency, payments of interest or principal may be made temporarily in local currency to be repurchased with gold.
7. With the approval of the representatives of the governments of the member countries involved, the Bank may sell or pledge

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any of its own securities, or securities taken from its portfolio. With similar approval, the Bank may buy or sell foreign exchange after consultation with the International Stabilization Fund.

8. The Bank shall deal only with or through the governments of member countries, their central banks and financial agencies, and with or through international financial agencies that are owned predominantly by member governments. However, the Bank may sell its own securities or the securities it holds to the public and to financial institutions in member countries, where approval has been given for such transactions.

V. Management of the Bank

1. The administration of the Bank is vested in a Board of Directors consisting of one director, or his alternate, appointed by each member government. The Board will appoint an Executive Committee of not more than nine members, an Advisory Council of seven members, and such other committees as it finds necessary for the work of the Bank.
2. Each country will be given 1,000 votes plus one vote for each share of stock it holds. No country will cast more than 25 percent of the aggregate votes. All decisions will be made by majority vote, unless specifically required otherwise.
3. Any member country that fails to meet its financial obligations to the Bank may be suspended and then dropped from membership. A country may withdraw from membership upon giving one year's notice. The shares of any member country that withdraws or is dropped from membership shall be repurchased by the Bank at par or at book value if that is less than par.
4. One-fourth of profits shall be applied to surplus until surplus equals 20 percent of the capital. The remaining profits shall be distributed in proportion to shares held.

STRICTLY CONFIDENTIAL

U. S. Treasury
Division of Monetary Research
September 24, 1943Preliminary Draft Outline
Of a Proposal for
A United Nations Bank
For Reconstruction and DevelopmentPreamble

(To be prepared later)

I. The Purposes of the Bank

1. To assist in the reconstruction and development of member countries by cooperating with private financial agencies in the provision of capital for sound and constructive purposes.
2. To provide capital for reconstruction and development, under conditions which will amply safeguard the Bank's funds, when private financial agencies are unable to supply the needed capital for such purposes on reasonable terms consistent with the borrowing policies of member countries.
3. To facilitate a rapid and smooth transition from a wartime economy to a peacetime economy by increasing the flow of international investment, and thus to avoid serious disruption of the economic life of member countries.
4. To assist in raising the productivity of member countries by helping to make available long-term capital for the sound development of their productive resources.
5. To promote the long-range balanced growth of international trade among member countries.

II. Capital Structure of the Bank

1. The authorized capital shall be equivalent to about \$12 billion consisting of shares having a par value equal to \$100,000.
2. The shares of the Bank shall be non-transferable, non-assessable, and non-taxable. The liability on shares shall be limited to the unpaid portion of the subscription price.
3. Each government which is a member of the International Stabilization Fund may subscribe to a number of shares to be determined by an agreed upon formula. The formula shall take into account such relevant data as the national income and the international trade of the member country.

Such a formula would make the subscription of the United States approximately \$4 billion.

II-4. Payments on subscriptions to the shares of the Bank shall be made as follows: 101

- a. The initial payment of each member country shall be 20 percent of its subscription, some portion of which (not to exceed 20 percent) shall be in gold and the remainder in local currency. The proportions to be paid in gold and local currency shall be graduated according to an agreed upon schedule which shall take into account the adequacy of the gold and free foreign exchange holdings of each member country.
 - b. The member countries shall make the initial payments within 60 days after the date set for the operations of the Bank to begin. The remainder of their respective subscriptions shall be paid in such amounts and at such times as the Board of Directors may determine, but not more than 20 percent of the subscription may be called in any one year.
 - c. Calls for further payment on subscriptions shall be uniform on all shares, and no calls shall be made unless funds are needed for the operations of the Bank. The proportion of subsequent payments to be made in gold shall be determined by the schedule in II-4 as it applies to each member country at the time of each call.
5. When the cash resources of the Bank are substantially in excess of prospective needs, the Board may return, subject to future call, uniform proportions of the subscriptions. When the local currency holdings of the Bank exceed 20 percent of the subscription of any member country, the Board may arrange to repurchase with local currency some of the shares held by such a country.
6. Each member country agrees to repurchase each year its local currency held by the Bank amounting to not more than 2 percent of its subscription, paying for it with gold; provided, however, that:
- a. This requirement may be generally suspended for any year by a three-fourths vote of the Board.
 - b. No country shall be required to repurchase local currency in any given year in excess of one-half of the addition to its official holdings of gold during the preceding year.
 - c. The obligation of a member country to repurchase its local currency shall be limited to the amount of the local currency paid on its subscription.
7. No country shall be obligated to increase its subscription to the shares of the Bank. Any member country may at any time acquire additional shares from the Bank at the book value of such shares at the time of purchase, but at not less than par. The initial payment on such additional shares shall be equal to the amount paid-in

- II-7. on outstanding shares plus the premium, if any. The local currency portion of the initial payment may not exceed the average amount paid in local currency on shares outstanding at that time.
8. All member countries agree that all of the local currency holdings and other assets of the Bank located in their countries shall be free from any restrictions as to their use, except such restrictions as are consented to by the Bank.
9. The resources and the facilities of the Bank shall be used exclusively for the benefit of member countries.

III. The International Monetary Unit

1. There shall be established an international monetary unit to be called the Unitas, with a value equal to $137\frac{1}{7}$ grains of fine gold, that is, equivalent to \$10 U.S.
2. The Bank shall keep its accounts in terms of unitas. The local currency assets of the Bank are to be guaranteed against any depreciation in their value in terms of unitas.

IV. Powers and Operations

1. To achieve the purposes stated in Section I, the Bank may guarantee, participate in, or make loans to any member country and through the government of such country to any of its political subdivisions or to business or industrial enterprises therein under conditions provided below.
- a. The payment of interest and principal is fully guaranteed by the national government.
- b. The borrower is otherwise unable to secure the funds from other sources, even with the national government's guaranty of repayment, at rates of interest and under other conditions which in the opinion of the Bank are reasonable.
- c. A competent committee has made a careful study of the merits of the project and of the loan and, in a written report, concludes that the loan would serve directly or indirectly to raise the productivity of the borrowing country and that the country's budgetary and balance of payments prospects are favorable to the servicing of the loan. The majority of the committee making the report shall consist of members of the technical staff of the Bank. The committee shall include an expert selected by the country requesting the loan who may or may not be a member of the technical staff of the Bank.

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- IV-1-d. The Bank shall make arrangements to assure the use of the proceeds of any loan which it guarantees, participates in, or makes for the purposes for which the loan was approved.
- e. The Bank shall impose no condition upon a loan as to the particular member country in which the proceeds of the loan must be spent; provided, however, that the proceeds of a loan may not be spent in any country which is not a member country without the approval of the Bank.
- f. Where the borrowing country holds blocked balances of another member country, the Bank may arrange with the borrowing country to offer such balances as collateral for a loan guaranteed by the borrowing country and by the country in which the balances are held. Such collateral shall be returned to the borrowing country and shall become free exchange at the same rate as the loan is amortized, or under other suitable arrangements between the two countries and the Bank.
2. In accordance with the provisions in IV-1, above, the Bank may guarantee in whole or in part loans made by private investors provided further:
- a. The rate of interest and other conditions of the loan are reasonable.
- b. The Bank is compensated for its risk in guaranteeing the loan.
3. The Bank may participate in loans placed through the usual investment banking channels, provided all the conditions listed under IV-1 above are met except that the rate of interest may be higher than if the loans were guaranteed by the Bank.
4. The Bank may place part or all of any loan it has previously made for public distribution through the usual private investment channels. To facilitate the placing of such loans, the Bank may, in its discretion, guarantee the loan.

In placing such loans, the Bank shall advertise for bids and may award the loan or any part thereof to the responsible bidders tendering the most acceptable bids. No bid offering less than the par value of the securities shall be deemed acceptable.

5. The Bank shall make no loans that can be placed through the usual private investment channels at reasonable rates of interest. To assure the application of this principle, the Bank shall pursue the following procedure:
- a. All loans shall be approved conditionally, with the option of requiring the placing of the loan, in whole or in part, with or without the Bank's guaranty, through the usual investment channels.

- IV-5-
- b. After the Board approves a loan, the Bank shall publish the technical report recommending the loan, and the agreed terms and conditions for the loan.
 - c. The Bank shall advertise for bids from responsible investment institutions, the closing date for the bids to be 30 days after the publication of notice.
 - d. In advertising for bids, the Bank shall stipulate that bids will be considered for either the whole or any part of the loan and that the bidder, at his option, may condition his bid upon the guaranty of the loan by the Bank.
 - e. If a bid is received from a responsible bidder which is acceptable to the Bank and to the borrower, the Bank shall notify the borrower that it will exercise its option and will require the placing of the loan in whole or in part, with or without the Bank's guaranty, through the successful bidder.
6. The Bank shall make loans only at reasonable rates of interest with a schedule of repayment appropriate to the character of the project and the balance of payments prospects of the country of the borrower.
7. The Bank in making loans shall provide that:
- a. The foreign exchange in connection with the project shall be provided by the Bank in the currencies of the countries in which the proceeds of the loan will be spent.
 - b. The local currency needs in connection with the project shall be entirely or very largely financed locally without the assistance of the Bank.
 - c. In special circumstances, where the Bank considers that the local part of any project cannot be financed at home except on very unreasonable terms, it can lend that portion to the borrower out of local currency held by the Bank.
8. When a loan is made by the Bank it shall credit the account of the borrower with the amount of the loan. Payment shall be made from this account to meet drafts covering audited expenses.
9. Loans participated in or made by the Bank shall contain the following payment provisions:
- a. Payment of interest due on loans shall be made in gold, but the Bank may agree to accept any member currencies. Interest will be payable only on amounts withdrawn.

- IV-9- b. Payment on account of principal of a loan shall be in gold. If the Bank and the borrower should so agree at the time a loan is made, payment on principal may be in gold, or at the option of the borrower, in the currency actually borrowed.
- c. In event of an acute exchange stringency the Bank may in its judgment accept for periods not exceeding 3 years the payments of interest and principal in local currency. The Bank shall arrange with the borrowing country for the repurchase of such local currency over a period of years on appropriate terms that safeguard the value of the Bank's holdings of such currency.
- d. Payments of interest and principal, whether made in gold or in member currencies, must be equivalent to the unitas value of the loan or the contractual interest thereon.
10. Any loan guaranteed, participated in, or made by the Bank may provide that it may be repaid, at the option of the borrower, in whole or in part, at any time prior to its maturity. The Bank may also arrange for the refunding, through governmental or private financial channels, of any loan guaranteed, participated in, or made by the Bank.
11. The Bank may levy a charge against the borrower for its expenses in investigating any loan placed, guaranteed, participated in, or made in whole or in part by the Bank.
12. The Bank may guarantee, participate in, or make loans to international governmental agencies for objectives consonant with the purposes of the Bank, provided that one-half of the participants in the international agencies are members of the Bank.
13. In considering any application to guarantee, participate in, or make a loan to a member country, the Bank shall give due regard to the effect of such a loan on business and financial conditions in the country in which the loan is to be spent.
14. At the request of the representative of the country in which the proposed loan is to be spent, accompanied by a statement of the reasons for such request, the Bank shall postpone for one year action on the proposed loan. The Bank shall inform the applicant of the postponement and the reasons therefor.

At the end of one year, the representative of the country in which the loan is proposed to be spent may request the further postponement or the withdrawal of the application and the Bank shall act accordingly.

- IV-13-
- b. The borrower may at any time amend the application to provide for the expenditure of the loan in a currency or currencies other than that of the country whose representative requested the postponement. The Bank may guarantee, participate in or make the loan on the basis of the amended application.
 - c. At the request of the countries in which portions of the loan are spent, the Bank will repurchase for gold or needed foreign exchange an appropriate part of the expenditures in the currencies of those countries directly derived from the loan made by the Bank.

14. With the approval of the representatives of the governments of the member countries involved, the Bank may engage in the following operations:

- a. It may issue, sell, pledge, or discount any of its own securities and obligations, or securities and obligations taken from its portfolio.
- b. It may borrow from any member governments, fiscal agencies, central banks, stabilization funds, private financial institutions in member countries, or from international financial agencies.
- c. It may buy or sell foreign exchange, after consultation with the International Stabilization Fund, where such transactions are necessary in connection with its operations.

15. The Bank may act as agent or correspondent for the governments of member countries, their central banks, stabilization funds and fiscal agencies, and for international financial institutions.

The Bank may act as trustee, registrar or agent in connection with loans guaranteed, participated in, made, or placed through the Bank.

16. Except as otherwise indicated the Bank shall deal only with or through:

- a. The governments of member countries, their central banks, stabilization funds and fiscal agencies.
- b. The International Stabilization Fund and any other international financial agencies owned predominantly by member governments.

The Bank may, nevertheless, with the approval of the member of the Board representing the government of the country concerned, sell its own securities or securities it holds to the public or to institutions of member countries.

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- IV-17. If the Bank shall declare any country as suspended from membership, the member governments and their agencies agree not to extend any financial assistance to that country without the approval of the Bank until the country has been restored to membership.
18. The Bank and its officers shall scrupulously avoid interference in the political affairs of any member country. This provision shall not limit the right of an officer of the Bank to participate in the political life of his own country.

The Bank shall not be influenced in its decisions with respect to applications for loans by the political character of the government of the country requesting a loan. Only economic considerations shall be relevant to the Bank's decisions.

V. Management

1. The administration of the Bank shall be vested in a Board of Directors composed of one director and one alternate appointed by each member government in a manner to be determined by it.

The director and alternate shall serve for a period of three years, subject to the pleasure of their government. Directors and alternates may be reappointed.

2. Voting by the Board shall be as follows:
- The director or alternate of each member country shall be entitled to cast 1,000 votes plus one vote for each share of stock held. Thus a government owning one share shall cast 1,001 votes, while a government having 1,000 shares shall cast 2,000 votes.
 - No country shall cast more than 25 percent of the aggregate votes.
 - Except where otherwise provided, decisions of the Board of Directors shall be by simple majority of the votes cast, each member of the Board casting the votes allotted to his government. When deemed to be in the best interests of the Bank, decisions of the Board may be made, without a meeting, by polling the directors on specific questions submitted to them in such manner as the Board shall by regulation provide.
3. The Board of Directors shall select a President of the Bank, who shall be the chief of the operating staff of the Bank and ex-officio Chairman of the Board, and one or more vice presidents. The President and vice presidents of the Bank shall hold office for four years, shall be eligible for reelection, and may be removed for cause at any time by the Board. The staff of the Bank shall be selected in accordance with regulations established by the Board of Directors.

- v-4. The Board of Directors shall appoint from among its members, an Executive Committee of not more than nine members. The President of the Bank shall be an ex-officio member of the Executive Committee.

The Executive Committee shall be continuously available at the head office of the Bank and shall exercise the authority delegated to it by the Board. In the absence of any member of the Executive Committee, his alternate on the Board shall act in his place. Members of the Executive Committee shall receive appropriate remuneration.

5. The Board of Directors shall select an Advisory Council of seven members. The Council shall advise with the Board and the officers of the Bank on matters of general policy. The Council shall meet annually and on such other occasions as the Board may request.

The members of the Advisory Council shall be selected from men of outstanding ability, but not more than one member shall be selected from the same country. They shall serve for two years, and the term of any member may be renewed. Members of the Council shall be paid their expenses and a remuneration to be fixed by the Board.

6. The Board of Directors may appoint such other committees as it finds necessary for the work of the Bank. It may also appoint advisory committees chosen wholly or partially from persons not regularly employed by the Bank.
7. The Board of Directors may at any meeting authorize any officers or committees of the Bank to exercise any specified powers of the Board except the power to make, guarantee or participate in loans. Such powers shall be exercised in a manner consistent with the general policies and practices of the Board.

The Board may by a three-fourths vote delegate to the Executive Committee the power to make, guarantee or participate in loans in such amounts as may be fixed by the Board. In passing upon applications for loans, the Executive Committee shall act under the requirements specified for each type of loan.

8. A member country failing to meet its financial obligations to the Bank may be declared in default and it may be suspended from membership during the period of its default provided a majority of the member countries so decide. While under suspension, the country shall be denied the privileges of membership, but shall be subject to the obligations of membership. At the end of one year the country shall be automatically dropped from membership in the Bank unless it has been restored to good standing by a majority of the member countries.

If a member country elects to withdraw or is dropped from the Bank its shares of stock shall, if the Bank has a surplus, be repurchased at the price paid. If

- v-8. the Bank's books show a loss, such country shall bear a proportionate share of the loss. The Bank shall have 5 years in which to liquidate its obligations to a member withdrawing or dropped from the Bank.

Any member country that withdraws or is dropped from the International Stabilization Fund, shall relinquish its membership in the Bank unless three-fourths of the member votes favor its remaining as a member.

9. The yearly net profits shall be applied as follows:
- a. All profits shall be distributed in proportion to shares held, except that one-fourth of the profits shall be applied to surplus until the surplus equals 20 percent of the capital.
 - b. Profits shall be payable in a country's local currency, or in gold at the option of the Bank.
10. The Bank shall collect and make available to member countries financial and economic information and reports relating to the operations of the Bank.

Member countries shall furnish the Bank with all information and data that would facilitate the operations of the Bank.

September 27, 1943
4:40 p.m.

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Operator: Go ahead.

HMJr: Hello.

Sam
Rosenman: Hello, Henry.

HMJr: I want to get a good mark -- when I left last week to come down here I called up your house and you didn't answer.

R: Down here?

HMJr: Yeah.

R: Oh, you mean you called my house up there?

HMJr: Yeah. In the country.

R: Oh. Yeah. We moved down. We're down here now.

HMJr: So, you....

R: But I'll give you a good mark.

HMJr: Give me a good mark.

R: All right. (Laughs)

HMJr: Now -- uh....

R: I want to give you another good mark. Your office got me three good seats last night at the Army Show.

HMJr: Well, that was -- that's easy. Try us on something hard.

R: (Laughs) It was very nice. It was really a wonderful show.

HMJr: You enjoyed it?

R: Yeah.

HMJr: Good.

R: Wonderful.

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HMJr: What I'm calling you up about -- since I've seen you, McConnell and O'Connell....

R: Yeah.

HMJr:have gone a long way towards whipping together really a very practical scheme....

R: Uh huh.

HMJr:on this post-armistice organization....

R: Good.

HMJr:and I -- they've got a wonderful chart and really they've done a beautiful job and I think it's worth fifteen minutes of your time.

R: It's ready -- it's ready for me to see?

HMJr: It's ready for His Highness.

R: Okay, my dear. How about tomorrow?

HMJr: Is that the kind of Highness you are?

R: Yes. (Laughs) How about tomorrow sometime?

HMJr: You set the time and they'll be there saying "Salaam" to you.

R: I'm not in my office but I'm -- I guess 11:00 o'clock is okay. If I -- when I go up, if I find it's not I'll call them.

HMJr: Right. But it's McConnell and O'Connell.

R: McConnell and O'Connell, 11:00 o'clock?

HMJr: 11:00 o'clock at your office.

R: Right.

HMJr: Thank you, Sam.

R: Now, what about our taxes?

HMJr: Haven't you paid yours? I paid mine.

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R: I mean the tax program.

HMJr: Well, I -- I think I'm making a little progress.

R: I saw the President this morning after you did....

HMJr: Yeah.

R:and I think he still thinks he ought -- it ought to go up in the alternative -- that he -- with the emphasis on the all-out business.

HMJr: Well, for you and only for you -- can I -- are you alone?

R: Yes.

HMJr: He asked me to draft a statement....

R: Uh huh.

HMJr:which we have done very hastily....

R: Uh huh.

HMJr:and he asked me to sent it over to him tonight....

R: Good.

HMJr:and again only for you --

R: Yeah.

HMJr: He said that he would have George and Doughton and Jerry Cooper and Paul and me together.

R: Yeah. He has arranged that for tomorrow.

HMJr: Yeah. And he hasn't said anything about the other guys.

R: Uh huh.

HMJr: So, after all, he's the President and I'm only his hired man.

R: He arranged it -- he did that for tomorrow I think.

HMJr: That's right. And at which time he would take up the proposed statement which I proposed to make.

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R: Yeah.

HMJr: But I -- but please don't

R: Not a word.

HMJr:leak on it, will you?

R: I urged him strongly, even in health insurance, the....

HMJr: Yeah.

R:doctors are against us. They always will be and that they're only less than 1%.

HMJr: Yes.

R: Everybody's interested in health care.

HMJr: I asked him about Hopkins and I gathered Hopkins hadn't said anything to him.

R: Well, I was surprised, too, because -- I'll go you one better than that, Henry.

HMJr: Yeah.

R: I said, "I talked with Harry and I suppose -- and I know Henry did, and I supposed he'd told you."

HMJr: Yeah.

R: And (Laughs) he looked at me blankly and said, "No".

HMJr: Well, that's what he did with me.

R: (Laughs) No, I mean even that Henry told you.

HMJr: Wait a minute. I don't get that.

R: I said, "I suppose Henry told you this morning...."

HMJr: Yeah.

R: "...about our talk with Harry."

HMJr: Yes.

R: (Laughing) He looked at me blankly and said, "No".
(Laughs)

HMJr: (Laughs) He's a hard man to play. Well, I said to him, "Hasn't Harry said something to you?" I said, "We went over the whole thing." He said, "Harry -- Harry -- no, Harry -- what does Harry know about this?"

R: (Laughs)

HMJr: He said, "Harry doesn't know anything about this."

R: (Continues to laugh)

HMJr: And then you brought up the same thing?

R: That's right. And he denied that you had even mentioned Harry to him.

HMJr: Well, that's wonderful.

R: (Laughs)

HMJr: What a man!

R: (Laughs) All right, I thought -- I thought you surely would have told him something about Harry.

HMJr: No, but just keep this under your hat, because....

R: Absolutely, my boy.

HMJr:because I really think it's the best -- I won't say the best but it's a swell political move....

R: Oh, well, I have no doubt about it.

HMJr:and I had Phil Murray and Green and the Railroad Brotherhoods over here this morning and if the President will give me the green light, they immediately will go to work on Congress before I go up there, and soften them up. And this is what they want, and they're not in too good a humor as far as the President goes.

R: Yeah, I know.

HMJr: And this would soften them up beautifully.

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R: Whom did you have up?

HMJr: Murray, Green and a man from the Railroad Brotherhoods.

R: And they -- they -- you say they are willing to take this increased crack providing they get something?

HMJr: Oh, enthusiastic, and go to work -- I've talked to -- and so has Paul -- this goes right down to the grass root, I mean, you would have organized labor -- I don't know how many people there are -- ten million -- whatever they are -- 100% behind the President on this, but enthusiastically.

R: Uh huh.

HMJr: And this does the inflation job, too.

R: Yeah. Oh, no question....

HMJr: Green has written the President. He's put it in writing.

R: He has?

HMJr: Yeah.

R: Well, the boss -- the President saw him today.

HMJr: Did he?

R: Off-the-record.

HMJr: He saw Green?

R: Yeah. Off-the-record.

HMJr: And Murray?

R: No, just Green.

HMJr: I see.

R: That is he told Pa to arrange it. I just assume he did. I -- I....

HMJr: On this thing?

R: No. I didn't know what it was on.

HMJr: Well, while you're in such a good humor....

R: What do you mean? I'm always in a good humor.

HMJr:why Leo Crowley?

R: (Laughs) That's the second time you've asked me that question, isn't it?

HMJr: Well, everytime he gets more things, I'm going to keep asking you.

R: Some day you're going to wake up and find he's President and you've come to call me up and say, "Why Leo Crowley?" (Laughs)

HMJr: Well, you think that's funny.

R: (Continues to laugh)

HMJr: I hope that day never comes.

R: (Laughs again)

HMJr: How about Vice President?

R: Oh, I doubt it.

HMJr: Well, you still haven't answered.

R: He wanted something else, you know.

HMJr: No, I don't.

R: Well, I'll tell you when I see you.

HMJr: Okay.

R: (Laughs) How's Ellie?

HMJr: She's getting along.

R: All right. Now we're moving down here and we want to see something of you.

HMJr: I want to see....

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R: I mean in your -- ah -- social moments.

HMJr: Ah, ah.

R: Yeah.

HMJr: Okay. It's mutual.

R: Okay.

HMJr: We still run movies, you know, here.

R: Yeah. How often?

HMJr: About once a week.

R: When is your next?

HMJr: Next week. We won't -- can't have any this week. I'm selling bonds.

R: How will we get notice about them?

HMJr: From me.

R: Okay. Put me on the list, will you?

HMJr: You're on.

R: Okay.

HMJr: Thank you.

R: Good bye.

HMJr: Good bye.

9/27/43

R. E. McConnell

Re: Post-Armistice Interdepartmental Council.

Enclosures: Second Preliminary draft of Government "V" Day Problems and organization chart of Post-Armistice Council.

This procedure suggests a council composed of the Secretaries and Chairmen of the seventeen Departments and Agencies of the Government most concerned with Post-Armistice problems.

The Council members will appoint deputies. The Council itself will meet once a month. The deputy members will meet once a week with the Deputy Chairman for the purpose of preparing factual material for recommendation and action by the Interdepartmental Council at its monthly meetings.

Committees will be appointed, composed in part of the deputy council members, to deal with correlated groups of problems more or less as indicated on the list of problems stated in the "V" Day Agenda.

From time to time representatives of labor, business, farmers, manufacturers, etc., could be invited to sit with the Council or with the deputies for discussion of specific problems involving labor, business, etc.

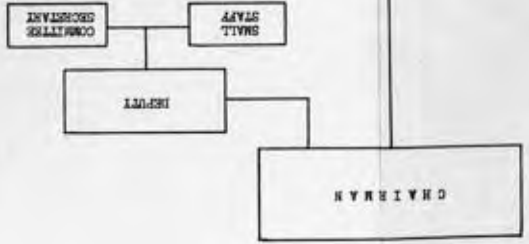
It will be the duty of the Deputy Chairman to organize a small staff which will implement and coordinate the work of the committees, assist in the preparation of the committee reports, and perform such other work as the Deputy Chairman may direct.

It will be the duty of the secretary to keep records of the proceedings and to prepare and distribute agenda well in advance of all meetings.

REM:ESD 9/29/43

PROPOSED POST-AMMUNITION ORGANIZATION CHART

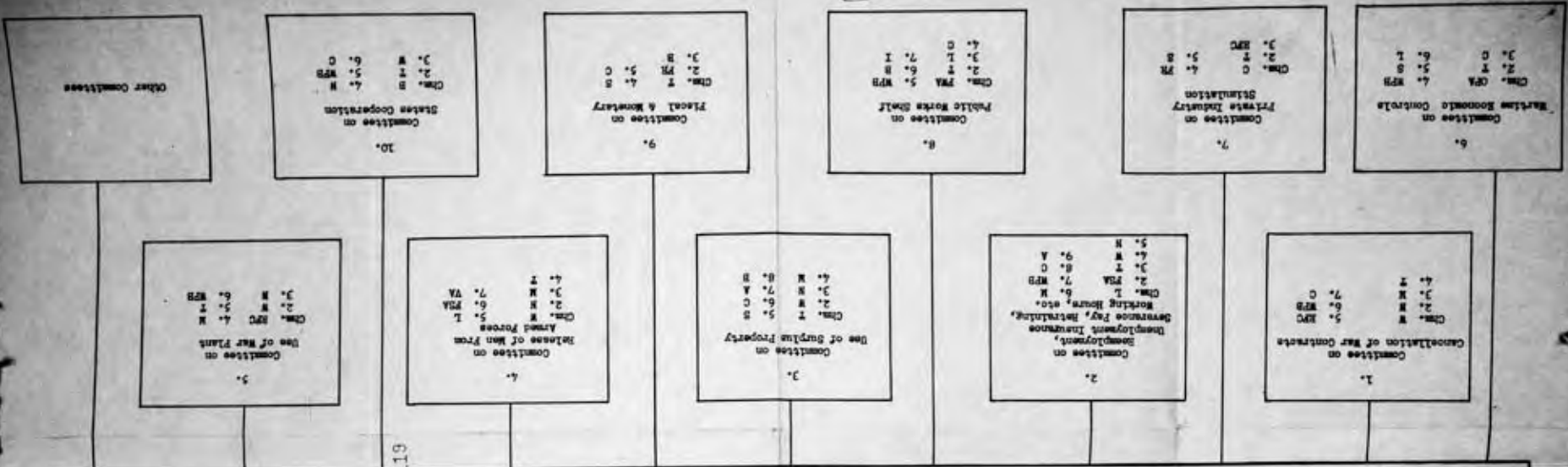
9/20/63



POST-AMMUNITION INTERDEPARTMENTAL COUNCIL

By Invitation: A. P. of Inv. C. I. O.; B. S. Chamber of Commerce; Representatives of Farmers, Business, Bankers, Manufacturing, etc.

(A) Agriculture	(FMA) Federal Works Agency
(B) Bureau of the Budget	(I) Interior Department
(C) Commerce Department	(L) Labor Department
(FA) Federal Reserve	(N) Maritime Commission
(FMA) Federal Security Agency	(S) State Department
	(SPC) Reconstruction Finance Corp.
	(OFA) Office of Price Administration
	(N) Navy Department
	(VA) Veterans Administration
	(W) War Department
	(WPB) War Production Board



September 27, 1943

MEMORANDUM

To: Secretary Morgenthau
From: Mr. Gaston

I heard Marshall's talk this morning and part of General Strong's. The morning's program was to continue with a talk on the "military task" by General McNarney. This afternoon at 3:15 there is a program on the "air war".

Marshall talked extemporaneously and did not say much, indicating that the main story was to be told by those to follow. He said we had taken some chances and so far had outguessed the Germans and been lucky. The main difficulty all along has been one of support, that is, transport and supply. We were never able to put in at any one spot all we wanted, but had to compromise and take chances. The Germans thought they had our beachhead licked at Salerno and advertised it very widely in the occupied countries and at home. They actually for a time had us overpowered. But we held on, and are now secure. It was a tremendous task for our boys to go up against the seasoned veterans and good equipment that the Germans threw into the Salerno area. The thing that tipped the scale was air and sea support. We had originally intended to land simultaneously at the Tiber and occupy Rome but the Germans moved in there in sufficient strength, occupying the air fields, to make that impossible and our plans had to be revised. The great difficulty at Salerno, as has been mentioned before, was that the fighters had only fifteen minutes over the area for action because of the long haul from their operating fields. If they happened to miss action in any fifteen minute period, it was a dry haul. The British at the heel and toe of Italy had to go in without adequate transport, as it was a choice between that and insufficient ground forces. With the air fields around Foggia in

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our hands we will be able to move forward. It may be expected, however, that the Germans will be in strong force and in good position along the line of the Po. The basic problem is one of logistics. The oceans that surround us are a strong national defense but they make operations tremendously difficult in the distant theaters in which we are now operating.

Marshall got a great reception when he appeared and when he concluded and Patterson said, commenting on Marshall's statement about our good fortune, that one great item of our good fortune was that we have had General Marshall.

General Strong, who followed Marshall, gave an ominous picture of the strength both of Germany and Japan. He went into great detail. I left before he finished on Japan. He said that the allies together possessed greater military strength than the Axis but if Russia were out of the picture we would be outnumbered about four to one on the European continent. Germany's productive power is higher than it was at the start of the war and she has about ten million men in arms. They can still produce adequate oil and rubber supplies and the German people are being fed on a substantially better basis than in 1918. There is no sign of loss of morale among the German troops and the Germans still believe they can win. Air damage is not affecting German productive power to an extent more than three per cent, although the damage to homes and loss of personal effects by workers as well as the damage to transportation lines have caused some disorganization. As to Japan, we have been working on the outside periphery of their conquests and have not begun to reach their main lines of defense. As long as they can maintain contact with the Asiatic mainland they are in a very strong position.

Patterson said in his introductory speech that the purpose was not to give any pep talk to the

- 3 -

people in the production world but merely to let them know the actual conditions on the basis of the known fact that Americans do better both in fighting and producing if they know what is being done and why.

It seems to me that the general purpose of the conference is to provide a check to over-optimism caused by this year's favorable events.

HEG:ds

25 Mrs. High

INTRODUCTION FOR MRS. ROOSEVELT, Sept 2-7, 1943

Mrs. Roosevelt has been a friend and neighbor of mine for many years. ~~_____~~

~~_____~~
~~_____~~ ^{about her} But, instead of saying anything myself, I'm going to read an editorial written by Corporal Terry Flanagan. I quote from the Pacific Times, a newspaper published by our soldiers on a nameless island of the South Pacific.

"Mrs. Roosevelt's visit of last week was our first glimpse of our famous First Lady. . .

"We thought Mrs. Roosevelt a gracious lady, one who had a word for all of us and readily listened to any stuttering words we might have to say, accepted our little gifts, really looked the place over, had one breakfast with enlisted men, posed for pictures ~~of which there were~~ . . .
In fact, she reminded ^{us} more of some boy's mother back home than the wife of the President of the United States -- and we all loved it. . . ~~It was hard to realize that she had been hostess to some of the highest in Allied circles, has entertained Kings and Queens and~~

"She seemed to represent to the average soldier in this far-away outpost the folks back home, and everything we hold so dear. It takes great courage to do what Mrs. Roosevelt is now doing, and you have to hand it to her -- she has what it takes." (UNQUOTE)

That says everything ^{that} I might say -- 'She has what it takes.' Ladies and Gentlemen -- Eleanor Roosevelt.

FM Jr's speech introducing Mrs. Roosevelt
who spoke in behalf of Third War Loan
Drive in broadcast on 9/27/43

9/27/43

Mrs. Roosevelt has been a ^{very dear} friend and neighbor
of mine for many years. But, instead of saying anything
about her myself, I'm going to read an editorial written
by Corporal Terry Flanagan. I quote from the Pacific
Times, a newspaper published by our soldiers on a
nameless island of the South Pacific:

"Mrs. Roosevelt's visit of last week
was our first glimpse of our famous First
Lady . . .

"We thought Mrs. Roosevelt a gracious
lady, one who had a word for all of us and
readily listened to any stuttering words
we might have to say, accepted our little
gifts, really looked the place over, had one
breakfast with enlisted men, posed for
pictures. . .

206
113
92

- 2 -

"In fact, she reminded us more of some boy's mother back home than the wife of the President of the United States -- and we all loved it. . .

"She seemed to represent to the average soldier in this far-away outpost the folks back home, and everything we hold so dear. It takes great courage to do what Mrs. Roosevelt is now doing, and you have to hand it to her -- she has what it takes." (UNQUOTE)

That says everything that I might say --

~~"She has what it takes."~~

Mrs Franklin D.
Ladies and Gentlemen -- ~~Eleanor~~ Roosevelt.
^

WORKING-PRESS REPORTERS.

**FOR THE THIRD WAR LOAN
NEWS ROOM 367-391 TREASURY BLDG.
WASHINGTON, D. C.**

FOR RELEASE AFTER 7:05 P. M.,
Monday, September 27, 1943.

RELEASE NO. 176

WASHINGTON, — Buying War Bonds is our first obligation to the boys fighting at the front, said Mrs. Eleanor Roosevelt in her first broadcast since returning from the Southwest Pacific, speaking in behalf of the Third War Loan over the Blue Network tonight.

The First Lady expressed surprise that because a few victories were reported "some people here were thinking of abandoning their war jobs and trying to get their peace time jobs back.

"If that is true," she added, "I imagine we will find also a falling off in the purchase of War Bonds." She urged that "we face the facts in this war."

Mrs. Roosevelt was introduced from The White House by Henry Morgenthau, Jr., Secretary of the Treasury. In introducing her he used the words of an American soldier — Corporal Terry Flanagan. The Secretary quoted from an editorial from the Pacific Times, a newspaper published by our soldiers in a nameless island in the Pacific.

Corporal Flanagan referred to a visit by the nation's "First Lady." He said in part:

"She reminded us more of some boy's mother back home than the wife of the President of the United States—and we all loved it....."

"She seemed to represent to the average soldier in this far-away outpost the folks back home, and everything we hold dear. It takes great courage to do what Mrs. Roosevelt is now doing, and you have to hand it to her—she has what it takes."

To which the Secretary of the Treasury added these words of his own: "That says everything that I might say."

The text of Mrs. Roosevelt's address follows:

- 2 -

Tonight I am speaking for War Bonds. War Bonds provide the starting point from which materials of war evolve. This is the point at which your savings begin their return to your men all over the world.

The way you live your life, the way you exercise your citizenship is your job. You must know that the men in the field expect you to watch out for their interests. They expect you to know the kind of world they will come back to, and they expect you to see to it that it is worth the sacrifices they are making.

I have come back from a trip to the Southwest Pacific with a deeper sense of the obligation which we owe to this generation today than I had in the past, if that is possible. I have a deeper admiration for them and a surer faith that they can do the job no matter how hard it is, if we give them the tools and the backing which they need. Buying War Bonds is the first of our obligations to them.

I was surprised to hear the other day that because we had had a few victories such as the turning over of the Italian fleet to the Allies and the advance of the Russians, and the island advances in the Pacific, that some people here were thinking of abandoning their war jobs and trying to get their peace time jobs back, and that production had fallen off.

If that is true, I imagine that we will find also a falling off in the purchase of War Bonds.

Perhaps the resistance of the Germans at Salerno, and the heavy cost in men in taking the high ground from them, may have brought us back to a realization that this war is going to be won step by step. We can pray that somewhere along the line the people of Germany and Japan will crack, but we can't count on it and we mustn't assume that it will happen. We can't be sure.

There is no question but what the bombings in Europe are hard on the civilian populations, but the German Army is still fighting outside of Germany and the German Army is an efficient war machine, perfected by long years of education and training. That army will have to be driven back to Germany to feel the full extent of the break in morale in the German people when it happens.

It is always an advance when the enemy has to fall back, but to believe that victory will come in the near future without losses and sacrifices in the field and hard work at home for many months to come, is suicidal thinking, not only from the economic point of view but in the losses of innumerable human lives.

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Let us face facts about this war. Our men are fighting all over the world for the safety of the United States, and to keep the people of the United States from bombings on their home territory. They are defending Iceland and Greenland and Newfoundland, besides many other islands far away from our shores, and had they not defended these outposts, not only our coast cities, but many of our inland cities might well know what Germany and Italy and Russia and many other countries have been through.

By fighting and keeping us from this experience they have made it possible for us to become the greatest production center in the world. Even though there were bombings in Great Britain, her people had to produce because they knew their lives depended on it, but it is hard to go on building a ship or working in a war plant when you wonder, if on your return at the end of the day's work, you will have a home or whether your family will be buried in its ruins.

We have been saved from that experience and spared that anxiety. Therefore we have a tremendous obligation to our men in the field never to let up in our own efforts for one minute until the war comes to an end, doing the job that is ours to do with the maximum amount of ability which we have.

If you are a worker in a mine, or a factory, or a mill, your work may be hard, but believe me, it doesn't touch the work of your boys on the fighting fronts. Some of us are not workers in industry, but we carry on our work in offices, in homes, in special activities which because they continue the life of our country and are auxiliaries to the other things that have to be done, are part of the war work, even though the connection is not a direct one. To be a housewife today is to be a part of the war effort. To be the mother, wife, sister, sweetheart of the men on any of the fighting fronts, puts us in close contact with the war effort. To economize, to buy War Bonds, to take food rationing calmly and any other inconveniences that come our way, may be all we can do, but it is our contribution to the war and the better we do our work, the more quickly the war will come to an end.

I learned in Great Britain last autumn what it meant to live in a country where war was actually a part of the people's lives, and where civilian participation in war casualties had been very great.

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I saw the men who were being trained and prepared for the landing in North Africa, but one could not at that time get the knowledge or experience with fighting men which it is possible to get in the Southwest Pacific today, from which area I have just returned.

I went on this trip on an air transport command ship which also carried a ton of mail and military passengers. Mail is a most important factor to the morale of our men, but remember always, it must be the right kind of mail. If you had seen the gatherings at the postoffices each time we unloaded a bag of mail and it was distributed, you would know what your letters mean. Your boys want to know the truth about what is going on at home. They want to know every detail about the lives of the people they love.

In order that you may be safe and help them by your work at home to bring the war to a speedy close, they are sacrificing years out of their lives. It is important, therefore, to tell them everything, to keep them close and to make them feel they are part of your life every day, but complaining letters are better unwritten. Your dejected mood may be over quickly here, but if written down it stays with your man till he gets his next letter. Doctors told me they'd seen men buoyed up by letters from home, but also completely cast down. So remember that when you write. If you write that Bill Jones is home from Africa, and don't explain the reason why he is home, your boy in the Southwest Pacific may think some favoritism has been shown - in other words he may wonder why he too shouldn't have a thirty day's furlough and transportation home.

Boys who have been out in the South Pacific for two years without coming home, long to come home to see the folks. In talking with most of the high command, it became plain to me that the boys being sent home would be, first of all, boys who in all probability had been so depleted by malaria or war neurosis or wounds that it would take many months to get them back into fighting shape. Secondly, men might be sent for whose experiences had fitted them to give advice on special services, or they might be picked out and sent home for further training in order to fulfill special jobs that were needed in that particular area. There might often be two or three boys eligible, and it would seem unfair for one to go and the others to stay, but someone has to be chosen and the choice is often made by drawing lots. Fourth,

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a boy who had been through some spectacular experience might be sent home in the hope that he would stimulate interest and understanding at home and thereby help increase production. Outside of that I doubt if anyone from any front will be sent home because every bit of shipping space is needed for the transportation of necessary supplies, and if it were not used to the very best advantage, it would probably mean the lengthening of the war and that would mean increased cost in human lives. There isn't a boy on any front, I am sure, much as he longs to come home, who would risk the prolongation of the war for his buddies. He would rather stick it out where he is.

The monotony when you are not actually in the combat zones is sometimes more difficult to bear than to be where you fight for your life every day, day in and day out, and where the price of life is eternal vigilance. The monotony of endless toil and great discomforts is very hard to bear.

There is a spirit in our youth of the United States which is beyond praise. They have shown an ingenuity which few people credited them with. Whatever furniture they have, they have made, and I found repair shops set up for many purposes on islands in the Southwest Pacific where if machines and tools were not obtainable, they made something which could do the job. It may not be exactly the kind of machinery they would have had to do the same job at home, but it does the job.

The largest youth organization in the world today and believe me, it is an organization, is in the Armed Forces of the United States. There are boys among them who have served in every type of youth organization which has ever existed in the United States. There are boys among them who never heard of youth organizations. There are boys who have had the highest educational opportunities and there are boys who have had the most meagre, but all of them are learning from experiences such as we older people know little about. Some of them may not be very articulate, but as you talk to them you soon find out that down in their hearts, they have a picture of the kind of world they hope will be born from all this struggle and sacrifice which they are going through.

I'd like to tell you some of their experiences. I saw a boy who was wounded at Munda, who lay on a cot in the first line hospital before there was a chance to change the first bandages. His face was drawn with pain, and the clothes

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he had on were ragged. I do not think he had anything in the way of possessions except what he had on. When the Red Cross man came around he would bring the little Red Cross comfort kits which are given to every boy when he arrives in the hospital, and he would again possess a comb, shaving kit, tooth brush, and this boy will manage to muster up a smile and to thank whoever does anything for him, for that is the spirit of the front line.

These men build air-fields. They defend islands. They watch unendingly even when no enemy appears because that is the only way to make the supply line safe and to take your products to the front line.

They know these supplies are changing the war. Some of their buddies, eight or nine months ago, just a handful of men, held bits of islands here and there with mediocre equipment. All the men know that daily in the course of your work, you are giving them an even break by your production. They believe in themselves when they have the tools.

I asked a boy who was cleaning up and demonstrating some Japanese guns which he and his buddies had taken, whether he thought that man for man, our boys were as good soldiers as the Japs. He answered me promptly: "Better". I asked, but you respect them as fighters, don't you? This time he was more loquacious. He said: "Sure we do. They fight until they die. They are wily and clever and they can never be trusted, but there is something the matter with their eyes, they do not shoot as straight as we do. If they are ordered to do something and anything turns up that would really be a better thing to do, they do not take advantage of it because they have never been allowed any initiative. We are better, man for man, but we have to have the materials with which to fight."

Materials of war include food, clothing and shelter, but first of all and most important are planes, guns and ammunition.

The boys in the Southwest Pacific look strangely young when they are on the job. A bomber crew, as you know, is a very youthful group of men. You may find there are one or two in the late twenties or the early thirties, but most of them are in their early twenties. They have seen grim sights in every branch of the Service and when you see them in hospitals, you think they look much older than you did when you saw them at the front. I have been surprised when I asked a boy in a hospital his age to have him answer my inquiry with "Nineteen ma'am", for his eyes are shadowed by the things he has seen, and his face drawn by the pain he has suffered.

- 7 -

I happened to be with Admiral Halsey when he decorated a young Lieutenant Miller. The boy was almost a one-man army in himself. He and three or four others got ashore on an island held by the Japanese. His back had been hurt by the explosion so he told the others to leave him. He even gave them his shoes because he did not think he could walk. That night he found a dead Jap and took his hand grenades off him. He crawled around and managed to find some plants which kept him alive. He met up with five Japs the next day and killed them all with the grenades he had taken off the dead one. He was bombed by our own people who were bombing the enemy held island, but he was finally taken off the island and reached a hospital. Now having received three decorations and refusing to take more than a short leave, he says he must get back on his job quickly. I pinned the three decorations on him and Admiral Halsey read the citations. The men in the nearby beds listened and applauded.

For one man whose deeds are known and recognized, there are innumerable men who go through and successfully carry out patrols or missions which might end in disaster, which are always dangerous and which always require the man to face the possibility of death and great hardships, but you rarely hear stories of men who hesitate about going on a mission, or who do not carry them through. You will sometimes hear people who are known for the things they have accomplished, frankly say that their knees shook, that they were terrified at some particular point, but it never occurred to them not to go on. The test is not whether you have the entire human reaction of fear but whether fear gets the upper-hand. Training is helpful - getting accustomed to noise, getting more sense of confidence in yourself.

The American sense of humor is one of the great factors in this war and it expresses itself in a thousand ways every day. A group of boys flew me on two short trips. The bomber was named and decorated as is every other bomber in a squadron. They made me an honorary member of the squadron so they had to redecorate their squadron leader's plane. They drew a globe with a little line leading from nowhere and I was walking up that line with my knitting bag on my arm, and underneath they wrote "Our Eleanor". The next time I struck their field, the whole group was photographed with me standing underneath that decoration. It gave them a laugh, and I would be willing to bet that sometime when they are limping home after a hard fight, perhaps there will be some jokes about the fact that "Our Eleanor" has done a good many miles and perhaps she will pull through the next ones. She will, just because they are so sure that a laugh is the way in which to meet most difficult situations in life.

I could go on endlessly telling you stories that will make you laugh and stories that will make you cry because what is true of our boys in the Southwest Pacific is true of our boys wherever they fight. Their spirit is the same wherever they are, but the important thing tonight is to make you realize not what their job is, but what our job is here at home.

- 8 -

If every trip I take and everything I say helps me in any way to make it clearer to you how closely knit together our people are at home and abroad, then my job has been worth while. I wonder if I can transmit to you the feeling which I have so strongly. In a nation such as ours every man who fights for us is in some way, our man. His parents may be of any race or religion, but if that man dies, he dies side by side with all of his buddies and if your heart is with any man, in some way it must be with all. All the men are our men, part of our United States which they have saved, so that we can still call it "The Land of the Free and the Home of the Brave."

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OFFICE OF WAR INFORMATION
WASHINGTON

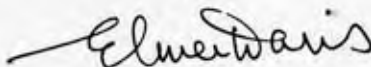
September 27, 1943

The Honorable
The Secretary of the Treasury
Washington, D. C.

Dear Mr. Secretary:

For your information I am sending to you herewith copies of letters which I have addressed to Mr. R. W. Woodruff and Mr. Frank Hummert thanking them for the radio time which they gave to the series of talks broadcast each evening from the stage of BACK THE ATTACK.

Cordially,



Elmer Davis
Director

Attachments 2

OFFICE OF WAR INFORMATION

WASHINGTON

September 27, 1943

Mr. R. W. Woodruff
Chairman of the Board
The Coca Cola Company
310 North Avenue, N. W.
Atlanta, Georgia

Dear Mr. Woodruff:

The interest which has been shown in the series of reports presented at the Army-Treasury War Show by the heads of the various Government Departments and agencies concerning their functions and responsibilities in waging the war has been most gratifying.

It was particularly fortunate that these reports to the American people could be broadcast nationally over the Blue Network and the splendid cooperation of the Coca Cola Company in contributing radio time on fourteen evenings is greatly appreciated. The representatives of your company who worked on this series of programs and Mr. Steele and Mr. Mudge of the D'Arcy Company, were most helpful and contributed largely to the success of the whole plan.

For the Office of War Information, I want to express sincere thanks for your generous and effective assistance to the success of our efforts in behalf of the Third War Loan.

Cordially,

/S/ Elmer Davis

Elmer Davis
Director



OFFICE OF WAR INFORMATION

WASHINGTON

September 27, 1943

Mr. E. F. Hummert
Blackett-Sample-Hummert
247 Park Avenue
New York, New York

Dear Mr. Hummert:

The interest which has been shown in the series of reports presented at the Army-Treasury War Show by the heads of the various Government Departments and agencies concerning their functions and responsibilities in waging the war has been most gratifying.

It was particularly fortunate that these reports to the American people could be broadcast nationally, and your splendid cooperation and that of the Bayer Company in contributing radio time on the three Sunday evenings is greatly appreciated.

For the Office of War Information, I want to express sincere thanks for your generous and effective assistance to the success of our efforts in behalf of the Third War Loan.

Cordially,

/S/ Elmer Davis

Elmer Davis
Director



THIRD WAF LOAN
Beginning September 9, 1943
(In millions of dollars)

	Cumulative					
	Through Sept. 21	Through Sept. 22	Through Sept. 23	Through Sept. 24	Through Sept. 25	Through Sept. 27
7/8% Certificates	2,915	2,993	3,073	3,202	3,341	3,412
2% Treasury bonds	3,230	3,338	3,446	3,714	3,683	3,775
2-1/2% Treasury bonds	2,662	2,700	2,815	2,897	2,935	2,969
Tax notes	1,114	1,203	1,279	1,364	1,502	1,673
Total	9,921	10,234	10,613	11,177	11,461	11,829
Savings bonds:						
Series E	556	702	800	878	966	1,053
Series F	43	61	72	82	92	112
Series G	133	186	220	245	269	294
Total Savings Bonds	732	949	1,092	1,205	1,327	1,459
2% bonds	150	150	150	150	150	150
Government funds 2-1/2% bonds.....	<u>367</u>	<u>367</u>	<u>367</u>	<u>367</u>	<u>367</u>	<u>367</u>
Total Gov't. funds	517	517	517	517	517	517
GRAND TOTAL	11,170	11,700	12,222	12,899	13,305	13,805

September 27, 1943

Dear Ted:

With the exception of the last few figure releases, which Public Relations can handle, we will finish here Wednesday afternoon.

I am planning on leaving at 8:30 p.m. Wednesday, get in a couple of days of golf and then get back into stride on the New York job. Louis is planning on leaving sometime Wednesday also.

Needless to say, it has been a valuable and interesting experience for all of us. It has been a bit tough in spots, naturally, for it is a job to take a staff unused to working together, throw them into a situation which is strange to all of them and come through without a thousand or more "bones." We were lucky in picking the staff and I trust we have not committed too many tactical errors.

It has been our great pleasure to work with you and the mighty fine organization of chaps you have built up around you. You have done an "impossible" job and I know you are headed toward many more tougher ones, and will meet the same success. I sincerely hope that you come through increasingly well on all of them. I know you will - hoping also that your health doesn't suffer. Watch it.

I will not attempt to list the individuals within your organization with regard to the fine co-operation they have given us. I'll just say that what applies to one applies to all; they have been great and they have been regular. It has been a pleasure to know them and work with them.

If we have helped a little, we are happy about the whole thing.

My very best personal regards and best wishes for continued success.

Cordially yours,

Max B. Cook

Mr. Ted R. Gamble
National Director

cc: Secretary Morgenthau; Oscar Doob; Fred Smith; Daniel Bell

SEP 27 1943

Dear Mr. Berlin:

I have your letter of September 21, 1943 requesting that as copyright owner of the song "Any Bonds Today" I authorize Warner Brothers to use the song in connection with the motion picture version of "This Is the Army."

I am, of course, entirely willing that Warner Brothers use the musical composition in question as proposed. However, the form of the suggested license enclosed with your letter is not entirely agreeable to me, in that paragraph five of the instrument as drafted imposes certain restrictions on the use to which Warner Brothers may put the musical composition which I, as Secretary of the Treasury, have no desire to impose.

Since I assume that Warner Brothers will take no exception to the elimination of the restriction in their license, I have had the instrument redrafted eliminating paragraph five, and am returning two signed copies in accordance with your request.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Irving Berlin, Inc.
799 Seventh Avenue
New York, N. Y.

AIR MAIL

Enclosures

JJO'C.Jr/lsw 9-24-43

The undersigned, HENRY MORGENTHAU, JR., Secretary of the Treasury, Washington, D. C., without warranty or recourse, does hereby grant to WARNER BROS. PICTURES, INC., without the payment of any compensation therefor, the non-exclusive, irrevocable right, license, privilege and authority to record in any manner, medium or form, in any country covered by this license, the musical composition hereinbelow set out, and to make copies of such recordings and to import said copies of said recordings in any country covered by this license, all in accordance with the terms, conditions and limitations hereinafter set out.

1. The musical composition covered by this license is:

"ANY BONDS TODAY".

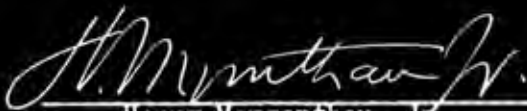
2. The title of the motion picture with which the said musical composition is to be used is "THIS IS THE ARMY".

3. Such uses are to be made of the said musical composition as are shown on the cue sheet of the motion picture hereinbefore specified.

4. This license is limited to the use of the said musical composition in synchronism or timed relation with the motion picture hereinabove specified.

5. The territory covered by this license is the entire world.

IN WITNESS WHEREOF, the undersigned has executed this license this day of 1943.



Henry Morgenthau, Jr., (L.S.)
Secretary of the Treasury.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Mrs. McHugh

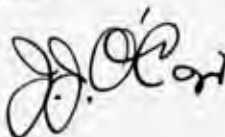
September 24, 1943

FROM Mr. O'Connell

Attached is a letter I have prepared for the Secretary's signature, addressed to Irving Berlin, together with ~~two~~ copies of a revised form of license running to Warner Brothers.

The point of the revision, as the letter is intended to make clear, is that the Secretary should not be in the position of granting a license to use the song only "in theatres having valid licenses from the American Society of Composers, Authors and Publishers or any other performing rights society affiliated therewith."

The Secretary owns the copyright to the song, and I assume he is entirely willing to let anyone use it who wants to. In any event, there is no reason why, in his capacity as Secretary of the Treasury, he should impose on Warner Brothers the condition contained in paragraph five of the license agreement forwarded by Mr. Berlin (even though Warner Brothers may be perfectly willing).



Attachment

IRVING BERLIN

September 21, 1943

Mr. Henry Morgenthau, Jr.
Secretary Of The Treasury,
Treasury Department,
Washington, D. C.

Dear Mr. Morgenthau:

In the motion picture version of THIS IS THE ARMY,
we used a few bars of "ANY BONDS TODAY" as back-
ground music. As the copyright owner, it is
necessary you sign a release to the Warner Brothers.

I am therefore enclosing two forms, which I wish
you would please sign and have your secretary
return to me.

With my best wishes, I am

Sincerely,

Irving Berlin

I
B
:
M
G

18297

The undersigned, HENRY MORGENTHAU, JR., Secretary of the Treasury, Washington, D.C., without warranty or recourse, does hereby grant to WARNER BROS. PICTURES, INC., without the payment of any compensation therefor, the non-exclusive, irrevocable right, license, privilege and authority to record in any manner, medium or form, in any country covered by this license, the musical composition hereinbelow set out, and to make copies of such recordings and to import said copies of said recordings in any country covered by this license, all in accordance with the terms, conditions and limitations hereinafter set out.

1. The musical composition covered by this license is:

"ANY BONDS TODAY".

2. The title of the motion picture with which the said musical composition is to be used is "THIS IS THE ARMY".

3. Such uses are to be made of the said musical composition as are shown on the cue sheet of the motion picture hereinbefore specified.

4. This license is limited to the use of the said musical composition in synchronism or timed relation with the motion picture hereinabove specified.

5. This license is granted upon condition that no performance of said musical composition shall be given except by means of said recordings and as part of the exhibition of said motion picture and only in theatres having valid licenses from the American Society of Composers, Authors and Publishers or any other performing rights society affiliated therewith having jurisdiction in the territory in which said musical composition is performed.

6. The territory covered by this license is the entire world.

IN WITNESS WHEREOF, the undersigned has executed this license this day of 1943.

Henry Morgenthau, Jr.,
Secretary of the Treasury.

(L.S.)

September 27, 1943

Dear Mr. Lyons:

The students of West Junior High School who read The Courier know that American youth is not waiting for the end of this terrible war to build a better world. They are helping in hundreds of ways to do so now.

The youth of America are buying War Bonds and War Stamps, salvaging endless tons of scrap metal, increasing the nation's food supply by raising crops in Victory gardens, knitting sweaters, and rolling bandages. These are only a few of the things they are doing.

Some day youth will inherit a better world from us older folk for having done these things -- a world in which decency and justice will once more be established, a world, we hope, in which it will never again be necessary to wage war.

Sincerely yours,

(Signed) H. Morganthau, Jr.

Mr. Leon Lyons
30 Prospect Avenue
Binghamton, New York

HMager:g
9-27-43

AS

146
Mr. Smith

30 Prospect Avenue
Binghamton, New York
September 12, 1943

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

My dear Mr. Secretary:

It is gratifying to know that the young people of our schools and colleges are interested in the future and in building for a better world. The character of the youth of America is our greatest asset and encouragement for the future.

The character, courage, faith and ability of our young people will contribute to the clearing up of the strife, turmoil, sorrow and suffering we now have in the world.

When the war is over young people will have opportunity to contribute to the reconstruction and rehabilitation of the whole world on a basis that will make for lasting peace. It will be the period of greatest progress the world has ever known.

A few months ago the staff of THE COURIER, publication of West Junior High School in Binghamton, New York, started the practice of featuring in each issue brief statements or messages from the leading personalities in the world. In one number we published letters from President Roosevelt, Hon. Herbert Lehman, Hon. Paul McNutt, and others. In the forthcoming issue we would like to publish brief statements from the President's official family. Will you be so kind as to contribute a message for this issue?

It is the sincere resolve that the year 1943-44 will, through our redoubled efforts, be one that will materially contribute to the national goal of VICTORY for our armed forces and lasting peace throughout the world.

That a kind Providence may guide your heart and hand to many more accomplishments and that you may be spared to our cause for many years to come is the genuine wish of all the citizens of our community.

Yours for Victory,

Leon Lyons.
Leon Lyons.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE Sept. 27, 1943

TO Secretary *W. A. R.*

FROM Mr. *W. A. R.*

SUBJECT: The Business Situation,
Week ending September 25, 1943.

Summary

Commodity prices: Commodity prices on the whole moved slightly higher last week in relatively quiet markets, with the BIS index of 25 basic commodities continuing its gradual rise of the past two months. Although the all-commodity index rose slightly in the week ended September 18, it continues to move within the narrow range of recent months.

Canadian wage bonus: Press reports imply that the Canadian Government has decided to permit an increase in the cost-of-living wage bonus on October 15 rather than to enter upon a further subsidy program to roll back the index and thus avoid such a bonus. Acceptance by the Government of the forthcoming majority report of the Canadian War Labor Board would apparently mean the abandonment of the cost-of-living wage bonus system, and its replacement by an increase in wage rates of low-paid workers or by the payment of family allowances.

Industrial production: Gains in munition production offset declines in output of civilian goods last month with the result that the FRB adjusted index of production for August was unchanged from the previous month at 203. Munitions output rose 4 percent and showed the best gain since last April. The production of airplanes increased 3 percent but output was still behind schedule.

Steel production: Operations last week rose 1 percent to 100.6 percent of capacity, representing the highest weekly tonnage ever attained in the industry. Nevertheless, steel production in the last quarter of the year will not equal the demand from the armed services and essential civilian agencies.

Retail trade: Department store sales in the week ended September 18 rose to a new high since last April and exceeded last year's levels by 17 percent. Due to inability to secure merchandise, Montgomery Ward in the 6 months ending July 31 had to turn back mail orders amounting to 5 millions.

- - - -

- 2 -

Commodity and stock markets quiet

Both the commodity and stock markets were relatively quiet last week, with commodity prices showing a slight advance and stock prices easing somewhat. The BLS index of 23 basic commodities continued its gradual rise of the past two months and reached a new high, due chiefly to higher prices for hogs and barley. (See Chart 1.) Hog prices now average substantially above the \$14.75 Chicago ceiling price which will become effective October 4.

Due largely to advancing prices for grains and livestock, the BLS all-commodity index rose 0.1 percent in the week ended September 18; nevertheless, it continues to move within the narrow range of recent months. The index now stands at 102.9 percent of the 1926 average, which is only 3.6 percent higher than in the corresponding week of last year, but is 37.2 percent above the pre-war level of August 1939.

War production improved in August

Munitions output rose to new high levels in August, but civilian goods output declined, and the FPE adjusted index of industrial production for the month was unchanged from the revised July figure of 203. (Compilation of the FPE index on the new and as yet unpublished basis has not been completed for August.) In addition to further gains in the transportation equipment industry (shipbuilding, aircraft, etc.), production of iron and steel equalled previous peak levels while crude petroleum output exceeded all previous records. On the other hand, decreases in the output of textiles, leather and food products caused a decline in nondurable goods production. Cotton consumption during August was about 15 percent below the corresponding month last year and fell to the lowest level since the beginning of 1941.

The August gain in munitions production was the largest since last April, with the FPE index of munitions output rising to 618 (November 1941 = 100) from 593 in July. The number of airplanes produced rose to 7,612, or 3 percent more than in the previous month. Construction of naval vessels increased 9 percent, and the estimated value of naval work done during the month, including expenditures for naval ordnance, equipment and army auxiliaries, exceeded a billion dollars for the first time. Merchant ship construction rose 1 percent, with Liberty ship completions totaling 110.

In spite of the gain shown in August, aircraft production is reported to be still short of schedule. Employment shortages have continued to hamper production, particularly on the West

- 3 -

Cost. Changes in designs also tended to slow down August aircraft production, but the WPB says that the output of planes has not reached such proportions that interruptions for design changes can be made without seriously affecting the flow of planes to the war fronts.

Steel production rises to new high

Following up last month's gain in output, steel operations have shown further improvement in September, with the operating rate last week rising 1 percent to 100.6 percent of capacity. (See Chart 2.) On a tonnage basis this is the highest weekly output ever scheduled in the steel industry. The operating rate rose to 101.2 percent in October 1942, but the scheduled tonnage was about 1 percent less than last week due to the smaller capacity.

Despite the increase in steel output, it is indicated that demand from the armed services and essential claimant agencies will exceed the supply in the last quarter of the year, with particularly tight situations expected in such items as plates, sheets and bars. In coping with this heavy demand, steel mills are confronted with the general shortage of manpower, and in addition some concern is expressed over the outlook for supplies of coke and steel scrap. Although beehive coke production in August was 6 percent above last year's levels, the outlook for continued high production is rendered somewhat uncertain by the scarcity of labor and uneasiness over labor relations in the coal mining industry.

Steel scrap supplies tighten

After an extended period of relative easiness, steel scrap supplies have tightened recently, and a victory scrap bank commission is scheduled to get under way on October 1 to step up scrap collections before winter begins. Among other considerations it is desired to build up scrap inventories to help compensate for the failure of iron ore shipments to come up to earlier expectations. Thus despite record shipments in August, total shipments down the Great Lakes this year to the beginning of September were about 5 million tons, or 14 percent, behind last year.

Canadian Government may allow wage bonus

Confronted by the forthcoming majority report of the Canadian National War Labor Board recommending higher wages for low-paid workers, a recognized inflationary factor, the Canadian Government has apparently decided to permit an increase in the cost-of-living wage bonus on October 15.

- 4 -

rather than to enter upon a further subsidy program to roll back the index and thus avoid such a bonus, according to reports in the Canadian press last week which have not yet been officially confirmed. For every increase of 1 point in the cost-of-living index, the wage bonus covering most workers is increased 25 cents a week, adjusted quarterly.

In December 1942 the Canadian Government subsidized a reduction in the prices of milk, coffee, tea, and oranges, and thus lowered the cost-of-living index to avert the payment of a higher wage bonus. With hostile political pressures increasing, the Government apparently now believes, according to the press, that it would merely lead to further difficulties if the cost-of-living index were again adjusted to avoid an increase in the bonus.

The majority report of the Canadian War Labor Board is understood to recommend the abandonment of the present system of a wage bonus tied to the cost-of-living index, and its replacement by an increase in wage rates below the 50-cent level or else by the payment of family allowances for each child 14 years of age or under. It is therefore possible that the additional cost-of-living bonus which will become payable October 15 may be the last bonus under the present law. An increase in the wage bonus, of course, would itself be an inflationary factor, since it would tend to increase purchasing power and to increase production costs.

A decision by the Canadian Government to authorize the additional wage bonus rather than to subsidize a reduction in the cost-of-living index may have some influence on the attitude of Congress toward the use of subsidies to lower living costs in the United States. Moreover, abandonment of the cost-of-living wage bonus system in Canada may spur labor groups in this country to increase their demands for wage increases.

Dairy farmers to get subsidies

A milk subsidy program to stimulate production without requiring a retail price increase was announced last week by the War Food Administration. Subsidies will be paid to dairy farmers from October 1 through December 31 and will be based primarily on the increased cost of feed since September 1942, although consideration will be given to the differences between present milk prices and those of the immediate pre-war years. The payments in no case will be more than 40 cents per hundredweight of whole milk delivered, nor less than 25 cents per hundredweight except in areas where dairy producers are

- 5 -

benefiting under other programs. Where butterfat rather than whole milk is delivered, the subsidy will vary between 3 and 6 cents per pound of butterfat. The total cost of the subsidy during the three months October - December is reported to be \$65,000,000.

Despite variation in the amount of feeds purchased by individual farmers in an area, payments to all farmers in the same area will be at the same rate. Payments will be made directly to the dairy producers except in cases where it is desirable to make them through cooperative marketing associations or other marketing agencies.

Some indication of the relatively unfavorable price situation confronting dairy farmers is the deterioration in the butterfat-feed ratio since May. (See Chart 3.) This ratio declined more than 11 percent from May to August, the latest figure available, and a further decline may occur as feed costs rise seasonally during the fall and winter months. Moreover, despite a sharp decline since October 1942, the hog-corn ratio has continued higher than the butterfat-feed ratio, thus suggesting a greater incentive to divert feed to hog production than to milk production.

The WFA indicated that before expiration of the three-month period further consideration would probably be given by Congress to the whole milk-production program. There has been considerable evidence of Congressional opposition to a milk subsidy, many Congressmen expressing themselves as preferring an increase in retail milk prices.

Funds to be requested for farm production-subsidy program

A request for a billion dollar fund to finance "all out" farm production in 1944, and for subsidies to avert retail price increases, will be presented this week to the Senate and House Banking Committees by War Food Administrator Jones, according to press reports. There are indications, however, that the program will face severe Congressional opposition.

Specifically, Mr. Jones intends to ask Congress for legislation which would (1) extend the life of the Commodity Credit Corporation for 18 months, (2) increase the agency's borrowing authority \$500 million, and (3) grant the agency authority to sell Government-owned or Government-purchased commodities at a loss. The CCC now has, or will have by virtue of liquidation of outstanding crop loans, slightly more than \$500 million by the end of the calendar year, when the life of the agency is slated to expire.

- 6 -

It was stated that only a portion of the billion dollar CCC fund, perhaps less than half, would be used for subsidies. The amount would depend on the minimum farm support prices or guarantees finally decided upon, the volume of production, and the demand for the affected products. Loans would be used to support the prices of wheat, corn, tobacco, cotton, wool, and potatoes.

Program prepared to increase foreign food production

A program for stimulating food production in foreign countries to help meet post-war needs has been prepared by the Office of War Mobilization and is now awaiting Presidential approval, according to the press. The Office of Economic Warfare is expected to be designated to carry out the program.

The task of promoting food production abroad may be divided into three parts: (1) the selection of sufficiently fertile lands where labor is available; (2) guaranteeing markets for the produce; and (3) making available the services of scientists as well as some machinery and seeds where needed. While the program will be global in perspective, it will center first on food increases in Latin America and North Africa, where manpower is comparatively plentiful. An easing of the burden on this country for supplying post-war relief needs would undoubtedly tend to reduce inflationary pressure on food prices, but some criticism of the proposed program may arise from domestic producers fearing foreign competition.

Department store sales rise

After rising less than seasonally in August and the early part of September, department store sales in the week ended September 18 rose 17 percent above last year's levels and reached the highest point since April. (See Chart 4.) Some unusual stimulus to trade has been received in this period from early Christmas gift buying for men overseas. The deadline for gift packages for men in the Army overseas has been set at October 15 while that for the other services has been set at November 1. Thus September and October sales figures will be swelled somewhat by buying which ordinarily would occur later in the year.

Heavy volume of mail orders unfilled due to goods shortages

Although shares of the leading mail order firms and other merchandising companies have shown notable strength recently,

- 7 -

Montgomery Ward shares sold off sharply near the end of last week, when it was revealed that profits in the 6 months ended July 31 were far below 1942 levels. This decline was attributed to a substantial loss in the mail order division arising from the necessity of turning back orders amounting to \$55 millions due to inability to secure the needed goods. Mail orders received during the 6 months ended July 31 were 22 percent above last year's level, but one-third of the orders for merchandise listed in the mail order catalog could not be filled due to the goods shortage.

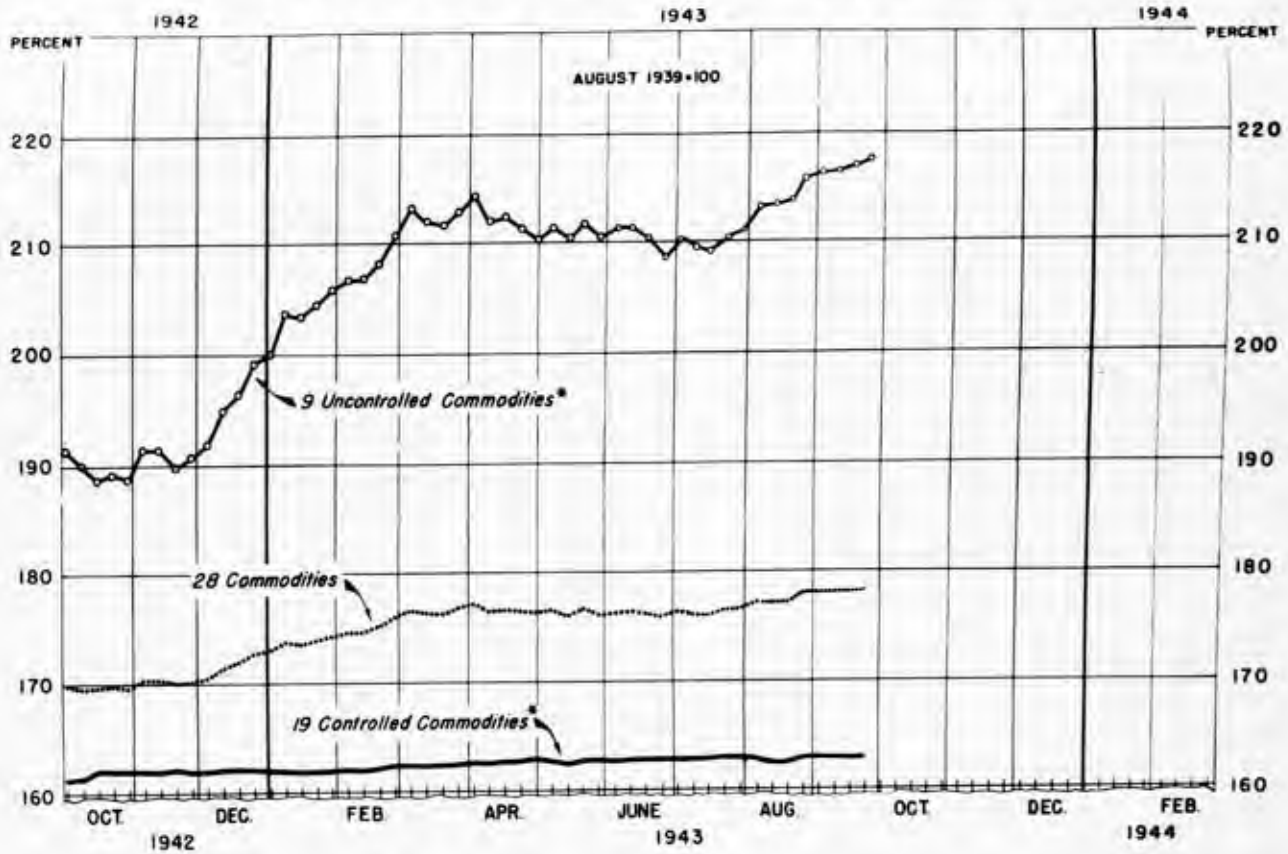
Low-priced apparel items in short supply

While shortages in the so-called hard goods lines have been particularly troublesome to the mail order companies, noticeable shortages have also been developing among the cheaper types of wearing apparel for women and children. Due to a reported swing of manufacturers away from low-priced lines, it is asserted that many types of low-priced apparel which are normally sold in heavy volume have virtually disappeared from the market. Lifting of price ceilings on low-priced lines, or lowering the ceilings on higher-priced items, are among the proposals suggested for obtaining a greater volume of production in low-priced goods.

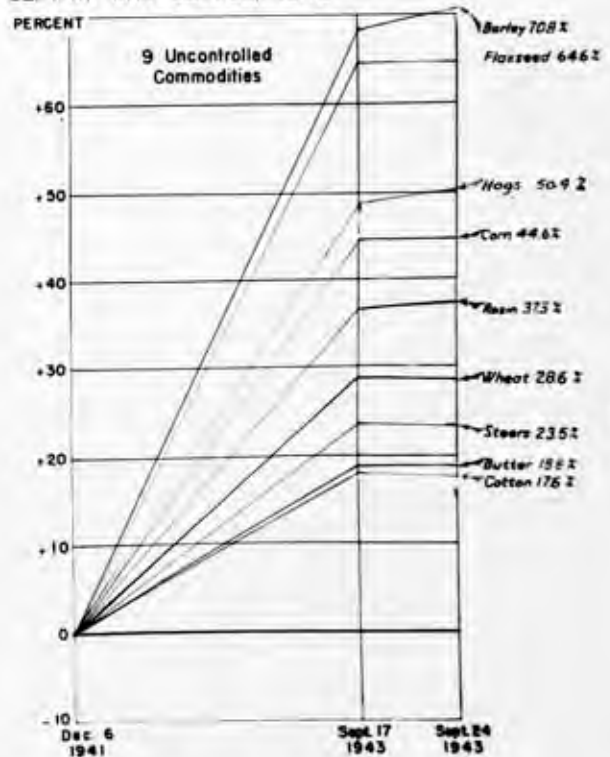
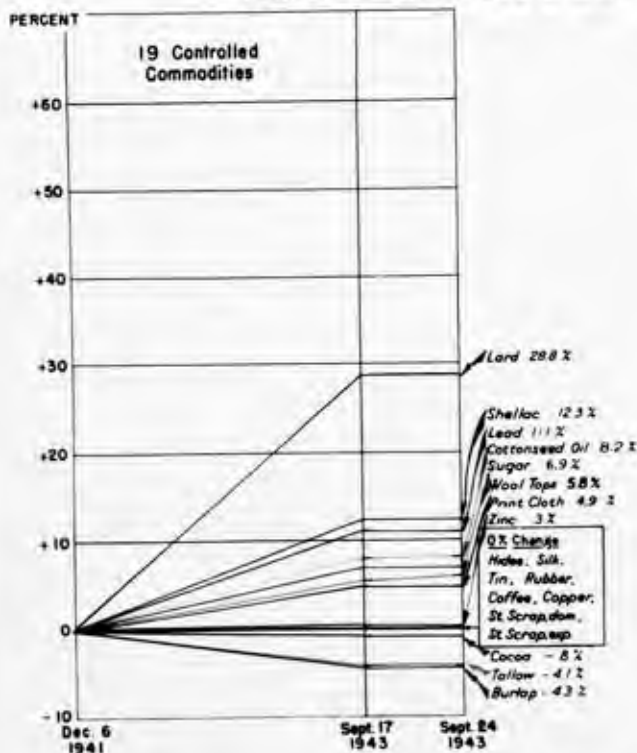
East Coast oil supplies show further gain

East Coast stocks of petroleum products available for civilians rose for the fifth consecutive period in the week ended September 18 and reached 42.5 percent of normal. (See Chart 5.) While this figure represents a considerable gain from the record low of 25.5 percent in the first week in May, it is still 29 percent below the corresponding week of last year. Inventories of heating oil have been rising steadily since the week ended August 14, but the Petroleum Administrator indicated that efforts to build up these stocks could not yet be relaxed.

MOVEMENT OF BASIC COMMODITY PRICES

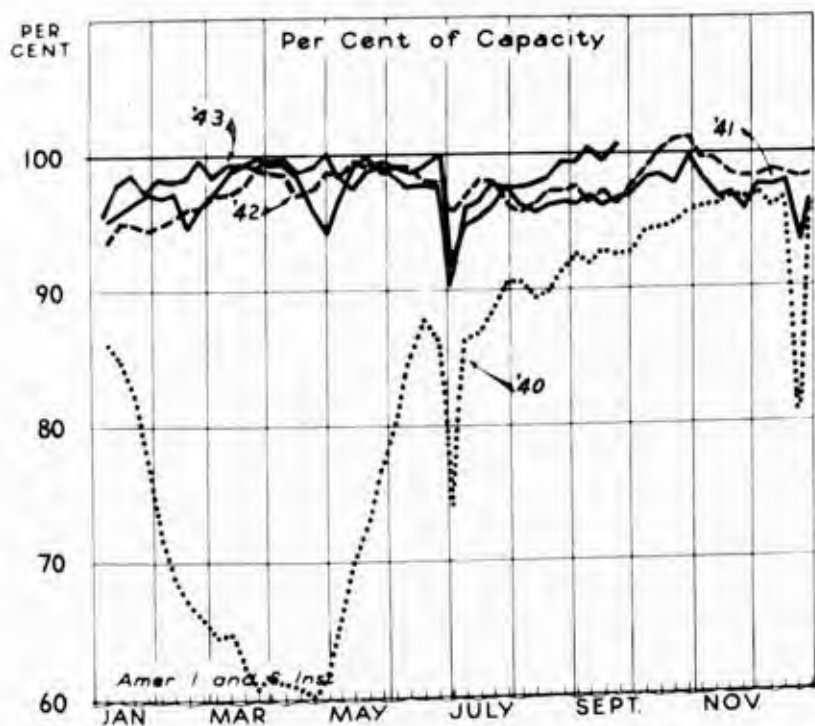


PERCENTAGE CHANGE DEC. 6, 1941 TO SEPT. 17, AND SEPT. 24, 1943



* 20 Controlled & Uncontrolled previous to June 26, 1942

STEEL INGOT PRODUCTION

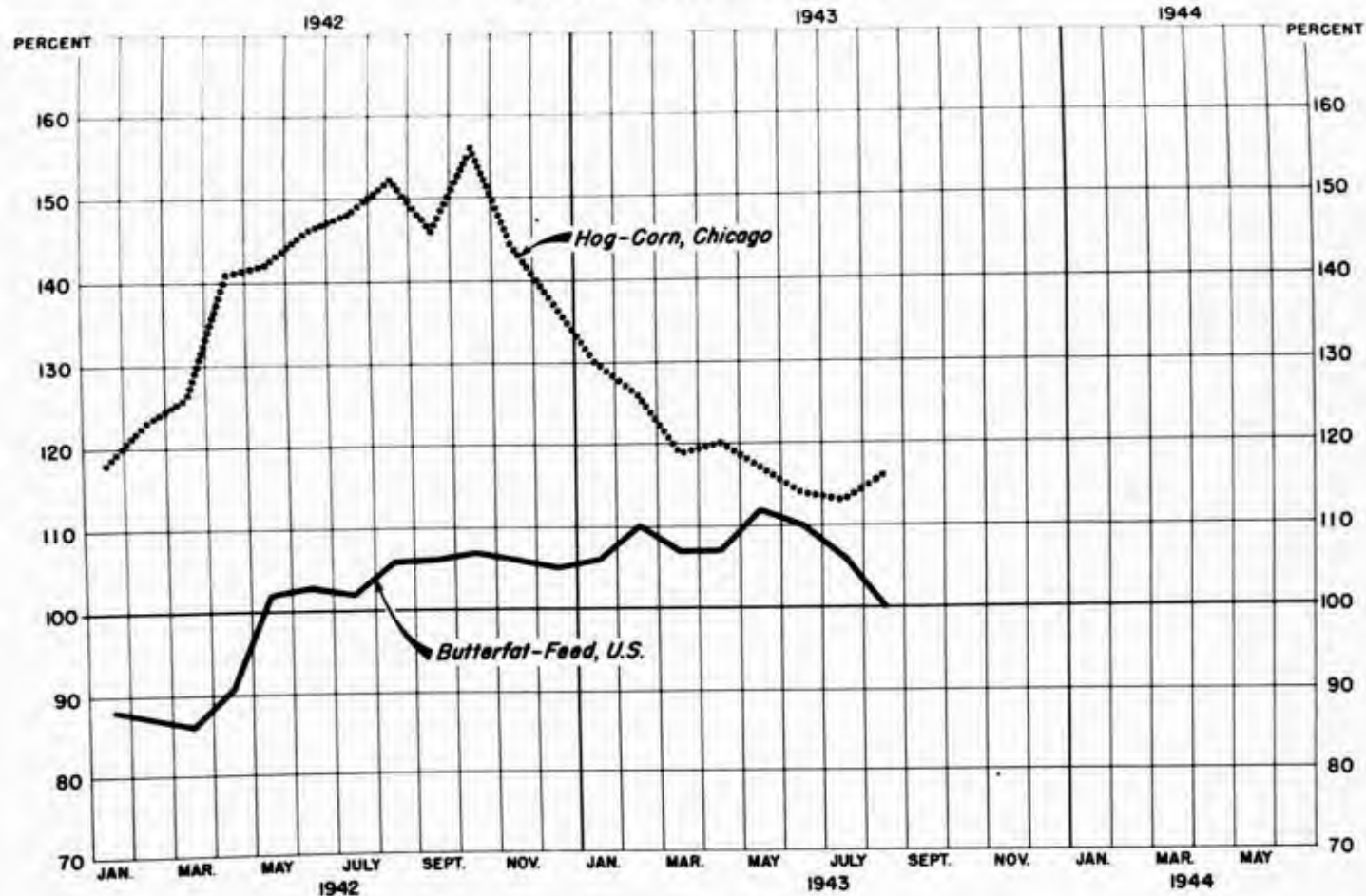


Office of the Secretary of the Treasury
 Division of Research and Statistics

C-419

HOG-CORN PRICE RATIO COMPARED WITH BUTTERFAT-FEED RATIO

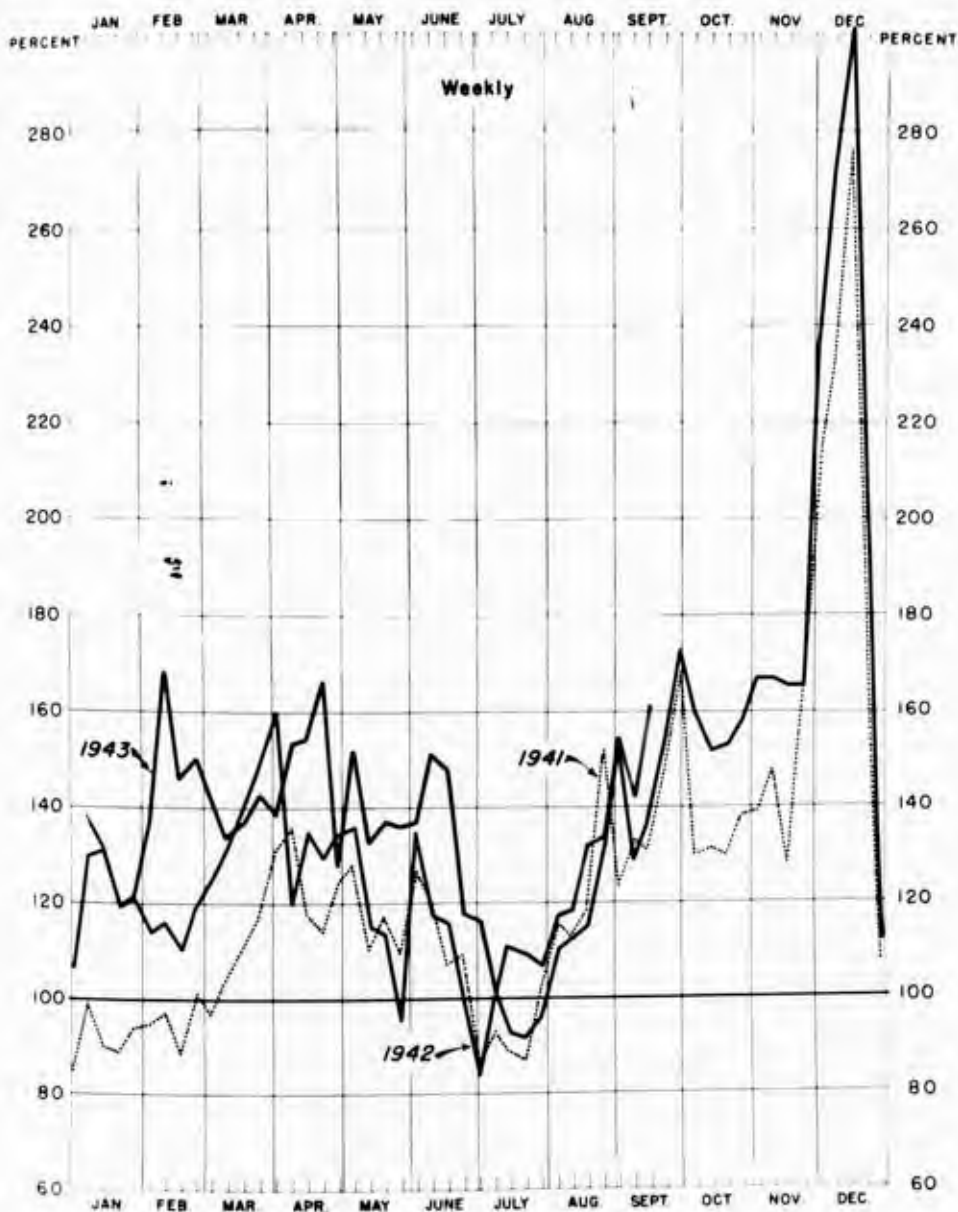
1920-'39=100, Seasonally Adjusted



Source: Department of Agriculture

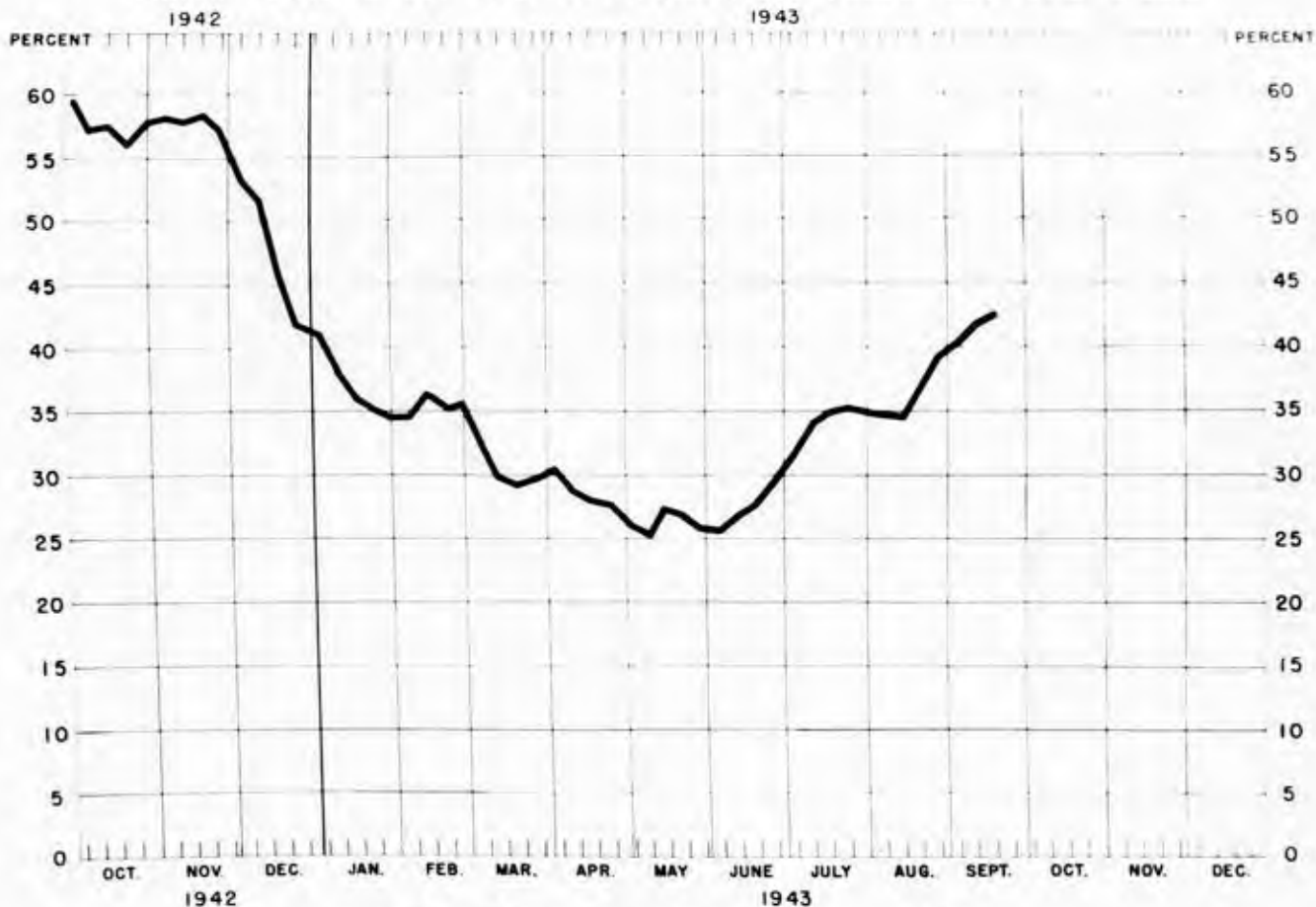
DEPARTMENT STORE SALES

1935 - '39 = 100, Unadjusted



PETROLEUM PRODUCTS SUPPLY

Civilian Supply on East Coast as Percentage of "Normal."* July 1942 to Date



*"Normal" Supply for corresponding month in year beginning July 1940.

The Speaker's Rooms
House of Representatives U. S.
Washington, D. C.

September 27, 1943


Dear Henry:

Thanks for your letter of congratulations on the third anniversary of my election to the Speakership.

It was just like you to remember me and I appreciate it more than I can say.

With every good wish, I am

Sincerely yours,



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

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

September 24, 1943

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended September 15, 1943, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

En B

FEDERAL RESERVE BANK
OF NEW YORK

September 23, 1943.

CONFIDENTIAL

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

I am enclosing our compilation for the week ended September 15, 1943, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ H. L. Sanford

H. L. Sanford,
Assistant Vice President.

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

Enclosures.

C O P Y

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

Strictly
Week Ended September 15, 1943 Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)									BANK OF FRANCE			
	D E B I T S				C R E D I T S					Net Incr.(+) or Decr.(-) in \$ Funds (d)	Total Debits (e)	Total Credits (e)	Net Incr. (+) or Decr. (-) in \$ Funds (d)
	Total Debits	Gov't Expenditures (a)	Transfers to Official Canadian Account	Other Debits	Total Credits	Proceeds of Sales of Gold	Securities (Official) (b)	Transfers from Official Australian Account	Other Credits (c)				
First year of war (g)	1,793.2	605.6	20.9	1,166.7	1,828.2	1,356.1	52.0	3.9	416.2	+ 35.0	866.3(f)	1,095.3(f)	+299.0
War period through December, 1940	2,782.3	1,425.6	20.9	1,335.8	2,793.1	2,109.5	108.0	14.5	561.1	+ 10.8	878.3	1,098.4	+220.1
Second year of war (h)	2,203.0	1,792.2	3.4	407.4	2,189.8	1,193.7	274.0	16.7	705.4	- 13.2	38.9	8.8	- 30.1
Third year of war (i)	1,235.6	904.8	7.7	223.1	1,361.5	21.8	5.5	57.4	1,276.8	+ 125.9	18.5	4.4	- 14.1
1942													
Sept. 3 - Sept. 30	56.1	37.1	-	19.0	81.6	-	0.5	20.5	60.6	+ 25.5	10.1	0.4	- 9.7
Oct. 1 - Oct. 28	46.7	27.4	-	19.3	57.5	-	-	12.0	45.5	+ 10.8	-	0.3	+ 0.3
Oct. 29 - Dec. 2	95.6	35.5	-	61.1	83.7	-	-	5.5	78.2	- 12.9	0.2	0.3	+ 0.1
Dec. 3 - Dec. 30	30.4	13.3	-	17.1	51.9	-	-	8.0	43.9	+ 21.5	-	-	-
1943													
Dec. 31 - Feb. 3	168.6	20.9	125.0	22.7	58.9	-	-	8.0	50.9	- 109.7	-	-	-
Feb. 4 - Mar. 3	87.2	17.8	37.7	31.7	120.8	-	-	16.0	105.8	+ 33.6	-	-	-
Mar. 4 - Mar. 31	35.3	12.9	-	22.4	64.4	-	-	5.0	59.4	+ 29.1	-	-	-
Apr. 1 - Apr. 28	37.0	16.3	-	20.7	87.4	-	-	15.1	72.3	+ 50.4	-	-	-
Apr. 29 - June 2	90.4	74.3	-	16.1	103.4	-	-	19.0	84.4	+ 13.0	-	-	-
June 3 - June 30	31.6	11.6	-	20.0	130.7	-	-	20.0	110.7	+ 99.1	-	-	-
July 1 - July 28	33.0	18.2	-	14.8	100.5	-	-	16.0	84.5	+ 67.5	-	-	-
July 29 - Sept. 1	51.1	27.4	7.7	16.0	131.5	-	-	11.0	120.5	+ 80.4	-	-	-
WEEK ENDED:													
August 25	4.6	1.9	-	2.7	64.9	-	-	-	64.9	+ 60.3	-	-	-
September 1	7.4	5.4	0.2	1.8	5.6	-	-	-	5.6	+ 1.8	-	-	-
8	18.1	6.8(r)	4.1	2.2(r)	19.6	-	-	14.0	5.6	+ 1.5	-	-	-
15	8.9	2.6	0.1	6.2	31.4(j)	-	-	-	31.4(j)+	+ 22.5	-	-	-

Average Weekly Expenditures Since Outbreak of War
 (1940) \$19.6 million
 (1941) \$27.6 million
 (1942) \$24.9 million
 (1943) \$19.6 million

See attached sheet for footnotes.

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

Week Ended September 15, 1943 Strictly Confidential

PERIOD	BANK OF CANADA (and Canadian Government)								COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)							
	DEBITS				CREDITS				DEBITS			CREDITS				
	Total Debits	Transfers to Official British A/C	Others Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C	For Own A/C	For French A/C	Other Credits	Net Incr. (+) or Decr. (-) in \$ Funds (d)	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits
First year of war (a)	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9
WAR period through December, 1940	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+ 230.2	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5
Second year of war (b)	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 9.0
Third year of war (c)	525.8	0.3	525.5	566.3	198.6	7.7	-	360.0	+ 40.5	107.2	57.4	49.8	112.2	17.2	95.0	- 5.0
1942																
Sept. 1 - Sept. 30	46.3	-	46.3	53.6	13.2	-	-	40.4	+ 7.3	28.0	20.5	7.5	18.1	-	18.1	- 9.9
Oct. 1 - Oct. 28	44.9	-	44.9	51.5	16.6	-	-	34.9	+ 6.6	14.3	12.0	2.3	14.6	-	14.6	+ 0.3
Oct. 29 - Dec. 2	56.5	-	56.5	80.8	14.4	-	-	66.4	+ 24.3	10.2	5.5	4.7	9.4	-	9.4	- 0.8
Dec. 3 - Dec. 30	48.2	-	48.2	43.9	2.9	-	-	41.0	- 4.3	14.1	8.0	6.1	11.7	-	11.7	- 2.4
1943																
Dec. 31 - Feb. 3	52.5	-	52.5	217.1	-	125.0	-	92.1	+ 164.6	16.2	8.0	8.2	17.3	-	17.3	+ 1.1
Feb. 4 - Mar. 3	35.1	-	35.1	101.2	-	37.7	-	63.5	+ 66.1	15.9	15.0	0.9	16.0	-	16.0	+ 0.1
Mar. 4 - Mar. 31	36.2	-	36.2	51.6	-	-	-	51.6	+ 15.4	7.1	5.0	2.1	6.7	-	6.7	- 0.4
Apr. 1 - Apr. 28	29.0	-	29.0	39.6	-	-	-	39.6	+ 10.6	16.4	15.1	6.3	19.3	-	19.3	+ 2.9
Apr. 29 - June 2	79.9	-	79.9	95.8	-	-	-	95.8	+ 15.9	21.8	19.0	2.8	20.1	-	20.1	- 1.7
June 3 - June 30	53.8	-	53.8	77.2	-	-	-	77.2	+ 23.4	20.0	20.0	-	27.3	-	27.3	+ 7.3
July 1 - July 28	102.1	-	102.1	61.8	-	-	-	61.8	- 40.3	19.2	16.0	3.2	12.5	-	12.5	- 6.7
July 29 - Sept. 1	139.1	-	139.1	84.7	-	7.7	-	77.0	- 54.4	13.8	11.0	2.8	27.4	-	27.4	+ 13.6
WEEK ENDED:																
August 25	2.2	-	2.2	18.6	-	-	-	18.6	+ 16.4	0.1	-	0.1	3.6	-	3.6	+ 3.5
September 1	12.1	-	12.1	20.1	-	0.2	-	19.9	+ 8.0	0.9	-	0.9	12.6	-	12.6	+ 11.7
8	4.7	-	4.7	27.6	-	4.1	-	23.5	+ 22.9	15.7	14.0	1.7	0.5	-	0.5	- 15.2
15	13.0(a)	-	13.0	8.5	-	0.1	-	8.4(f)	- 4.5	0.1	-	0.1	0.7	-	0.7	+ 0.6

6.2 million.
8.9 million.
10.1 million.
1.5 million.

(a) For monthly breakdown see tabulations prior to April 23, 1941.
(b) For monthly breakdown see tabulations prior to October 8, 1941.
(c) For monthly breakdown see tabulations prior to October 17, 1943.
(d) Reflects changes in all dollar holdings payable on demand or maturing in one year.
(e) Includes \$17 million of U.S. Government securities.
(f) Received from U.S. Government in the amount of \$6.2 million.

- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941.
- (h) For monthly breakdown see tabulations prior to October 8, 1941.
- (i) For monthly breakdown see tabulations prior to October 14, 1942.
- (j) Includes \$19.4 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports and \$2.2 million transferred from New York account of the National Bank of Egypt.
- (r) Revised.

165 118



BRITISH AIR COMMISSION

1785 MASSACHUSETTS AVENUE

WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO.....

With the compliments of British Air Commission
who enclose Statement No. 104 -- Aircraft Despatched
-- for week ended September 21, 1943.

The Honourable Henry Morgenthau, Jr.
Secretary of the Treasury
WASHINGTON, D. C.

September 27, 1943.

TOP SECRETSTATEMENT NO. 104

Aircraft Despatched from the United States
Week Ended September 21, 1943

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>CONSOLIDATED</u>					
Catalina IB	U.K.	U.K.		1	
Catalina IV	U.K.	U.K.		13	
<u>DOUGLAS</u>					
Dakota III	India	India		6	
<u>GLENN MARTIN</u>					
Baltimore V	M.E.	M.E.		8	
Marauder II	M.E.	M.E.		14	
Mariner GR I	U.K.	U.K.		1	
<u>VEGA</u>					
Ventura GRV	M.E.	M.E.		1	
Ventura GR V	S. Africa	S. Africa		3	
<u>NORTH AMERICAN</u>					
Mustangs	U.K.	U.K.	47		
Harvards	S. Africa	Capetown	27		
<u>UNITED</u>					
Corsair	U.K.	U.K.		1	
<u>GRUMMAN</u>					
Hellcat	U.K.	U.K.		1	
Martlet V	U.K.	U.K.		1	
<u>CURTISS</u>					
Seanew	U.K.	U.K.		1	
<u>NOROVYN</u>					
Harvards	India	Karachi		10	
Norseman UC 64	Australia	Sydney		4	
<u>VULFEE</u>					
Vengeance	India	Karachi		1	
<u>FAIRCHILD</u>					
Cornell PT 26	S. Rhodesia	Capetown		3	
			Total	96	47
					0

Movements Division
 British Air Commission
 September 27, 1943

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Regraded Unclassified



TREASURY DEPARTMENT
PROCUREMENT DIVISION
WASHINGTON

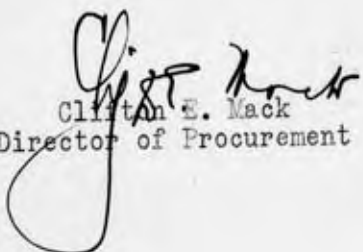
OFFICE OF THE DIRECTOR

September 27, 1948

MEMORANDUM TO THE SECRETARY:

Supplementing report to you of September 20, 1948, the purchases against the African Program from September 20, 1948, to September 26, 1948, totaled \$1,834,049.46, or a total of purchases for the program thus far of \$63,589,896.90.

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	1777.24	171.96	414.71	128.24
Automotive Eqpt. & Parts	801.17		131.4	132.8
Batteries	120.77	.25	18.5	7.46
Bearings	2.21	.23	.94	
Brass & Bronze	288.4	2.5	87.6	
Brushes & Brooms	.8	.15		50.14
Bldg. Hdw. and Material	312.07	74.82	268.51	3546.65
Chemicals	19272.68	1162.44	8105.16	4607.58
Clothing, Notions & Textiles	16602.5	374.28	2931.66	.48
Construction Machinery			98.18	11.3
Copper in Various Forms	336.3		16.51	31.67
Elec. Eqpt. & Supplies	74.44	22.76		
Explosives	14.15			8.69
Ferro-Alloys	73.88	11.32		
Food & Food Products	6032.			1.71
Furniture & Office Eqpt.	.11	.49	.01	
Glass	194.82	95.12	7.66	690.44
Graphite Products	92.66	.32	13.23	
Hand & Cutting Tools	1062.48	22.99	445.61	283.81
Industrial Machinery	49.85	73.2	105.81	296.96
Iron	145.	810.	974.78	276.22
Jute Bags	857.47		535.	
Lead & Lead Alloys	73.18		102.5	
Medical Supplies	56.12	.68	5.02	.3
Non-Ferrous Metals, Other	434.02		21.32	.33
Paper & Paper Products	4791.16	1439.38	2368.64	2713.7
Rope & Twine	247.7	34.75	14.	12.
Rubber	786.19	16.	320.51	450.72

<u>Commodity</u>	<u>Tonnage Shipped to Date From U. S. A.</u>	<u>Tonnage Under Load At Port</u>	<u>Tonnage On Hand At Port Waiting Vessels</u>	<u>Tonnage En Route To Port</u>
Shoes & Boots	315.68	5.34	562.5	1487.98
Steel, Alloy & Carbon	8036.24		7962.31	5233.96
Steel, Pipe & Tubing	251.47		129.54	313.72
Tin Plate	845.	357.55	795.82	2431.05
Zinc		27.96	27.29	
Totals	63,947.76	4704.49	26,464.72	22,717.91

SEP 27 1943

SECRET

My dear General Burns:

This is to acknowledge receipt of your letter of September 20, 1943, enclosing two copies of the latest version of the Preamble and the United States Schedule of Supplies and Shipments for the proposed Third Soviet Protocol which has been forwarded to the State Department for transmittal to London for incorporation in the Combined Third Protocol to be signed there.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Major General J. H. Burns, U. S.A.
Executive
The President's Soviet Protocol Committee
1901 Constitution Avenue, N. W.
Washington, D. C.

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SECRET 171

20 September 1943

The Honorable

The Secretary of the Treasury

My dear Mr. Secretary:

Enclosed herewith for your information is a copy of the latest version of the Preamble and the United States Schedule of Supplies and Shipments for the proposed Third Soviet Protocol. This has been forwarded to the State Department for transmittal to London for incorporation in the combined Third Protocol to be signed there.

Sincerely yours,

J. H. Burns
J. H. BURNS,
Major General, U. S. Army,
Executive.

1 Enclosure
Protocol as of
Sept. 18, 1943.

SECRET

Mr. Mack
SECRET 172

THE PRESIDENT'S SOVIET PROTOCOL COMMITTEE
WASHINGTON 25, D. C.

OFFICE OF THE EXECUTIVE
ROOM 149
1901 CONSTITUTION AVENUE NW.

20 September 1943

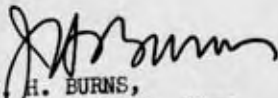
The Honorable

The Secretary of the Treasury

My dear Mr. Secretary:

Enclosed herewith for your information is a copy of the latest version of the Preamble and the United States Schedule of Supplies and Shipments for the proposed Third Soviet Protocol. This has been forwarded to the State Department for transmittal to London for incorporation in the combined Third Protocol to be signed there.

Sincerely yours,


J. H. BURNS,
Major General, U. S. Army,
Executive.

1 Enclosure
Protocol as of
Sept. 18, 1943.

OFFICE OF THE EXECUTIVE

SEP 24 11 42 AM '43

RECEIVED

SECRET

PROPOSED THIRD PROTOCOL
BETWEEN
THE UNION OF SOVIET SOCIALIST REPUBLICS
AND
THE UNITED STATES, UNITED KINGDOM AND CANADA
COVERING THE PERIOD
JULY 1, 1943 TO JUNE 30, 1944

The Government of the United States, the Government of the United Kingdom and the Government of Canada, recognizing the outstanding contribution of the Union of Soviet Socialist Republics in the prosecution of the war against the common enemy, and desiring to continue to provide the Government of the Union of Soviet Socialist Republics with the maximum assistance possible in the form of military supplies, raw materials, industrial equipment and food, and the Government of the Union of Soviet Socialist Republics desiring to assist the Governments of the United States, the United Kingdom and Canada in meeting their war needs for raw materials and other supplies, have agreed as follows:

ARTICLE I

The Governments of the United States, the United Kingdom, and Canada undertake to make available for dispatch to the Government of the Union of Soviet Socialist Republics, during the period July 1, 1943 to June 30, 1944, the supplies mentioned in the schedules annexed hereto under the conditions stated therein.

ARTICLE II

The Governments of the United States and the United Kingdom will aid in the movement of the supplies offered, by furnishing shipping as set forth in the schedules annexed hereto, it being understood that these commitments as to shipping may be reduced if shipping losses, lack of escorts, deficiencies in the anticipated capacity of the available routes, the necessities of other operations, or the exigencies of the situation, render their fulfillment impracticable.

ARTICLE III

The Government of the Union of Soviet Socialist Republics undertakes to make available for dispatch to the Governments of the United States, the United Kingdom, and Canada, within the period covered by the present protocol, such raw materials and other supplies as may be available and as are desired by said governments in the prosecution of the war.

ARTICLE IV

The financial arrangements concluded between the Government of the Union of Soviet Socialist Republics on the one hand and the Governments of the United States and the United Kingdom respectively, on the other in connection with the supplies furnished in pursuance of the protocol signed between the parties in Washington on October 6, 1942 shall continue to govern the provision of supplies furnished by the Governments of the United States and the United Kingdom in pursuance of the present protocol.

Any financial arrangements between the Government of the Union of Soviet Socialist Republics on the one hand and the Government of Canada on the other in connection with the supplies to be furnished by the Government of Canada in pursuance of the present protocol shall be the subject of a separate agreement to be concluded between the Government of Canada and the Government of the Union of Soviet Socialist Republics.

ARTICLE V

The lists of supplies in the schedules annexed hereto shall be subject to reallocation between the three supplying countries as they may decide between themselves in order to meet strategic, supply or shipping exigencies. They shall too be liable to variation to meet unforeseen developments in the war situation. If shipping losses, production failures, or the necessities of other operations render their fulfillment prohibitive, it may be necessary to reduce them. On the other hand, if conditions permit, the Governments of the United States, the United Kingdom and Canada will be glad to review the schedules from time to time for the purpose of increasing the quantities to be provided and delivered.

SECRET

UNITED STATES SCHEDULE OF SUPPLIES AND SHIPMENTS
FOR THE THIRD SOVIET PROTOCOL

The United States Government undertakes to make available for shipment during the protocol period to the Union of Soviet Socialist Republics a total of 5,100,000 short tons of stores, of which approximately 2,700,000 short tons will be for shipment in Soviet flag vessels and 2,400,000 short tons for shipment in United States flag vessels. The foregoing availability will be reduced to the extent that offerings of other parties to the protocol are carried in the shipping referred to hereinafter.

The United States will supply the shipping tonnage which, with the Soviet tonnage presently employed, will lift 225,000 short tons per month via the Pacific route, on the understanding that the turn-around is to be of 90 days' duration and that the United States will lend every assistance to the Union of Soviet Socialist Republics in order that this may be achieved, and on the further understanding that should any untoward events close the Pacific route to the Union of Soviet Socialist Republics or restrict its use, United States tonnage transferred to the Soviet flag for employment on this route will be used on other available routes to the Union of Soviet Socialist Republics for lifting protocol supplies, for the shipment of which the United States is responsible.

The United States will undertake to lift by either the Northern route or the Persian Gulf route, whichever in the light of changing conditions proves from time to time to be more efficient a total of 200,000 short tons a month, providing such capacity proves to be available to the United States. Furthermore, if future conditions permit, the United States agrees to increase this amount as the over-all circumstances justify.

The foregoing commitments as to shipping will include the movement of supplies selected from Canadian offerings and from United Kingdom offerings of wool and lead originating in Australia and New Zealand and such supplies originating in North America as by agreement between the Governments of the United States and United Kingdom are to continue to be carried in United States vessels, as well as shipments from such sources as may become necessary in meeting the commitments of the United States. All shipping commitments are subject to the provisions of Article II of this protocol.

The Government of the United States offers the following schedule of supplies, aggregating some 7,080,000 short tons, from which it will be necessary for the Soviet Government to select as promptly as practicable, a program of particular

supplies for dispatch which does not exceed the shipping limitations outlined above, i.e., 5,100,000 short tons, exclusive of fly-away airplanes, to which may be added 500,000 short tons for stockpile and carryover, or a total of 5,600,000 short tons. This program should include all cargo to be transported in the shipping referred to above from the United States, or from other sources, after July 1, 1943, including protocol and non-protocol items on hand, on order or to be ordered. Protocol and non-protocol material delivered but not exported as of June 30, 1943 will be available for selection within the limitations as to tonnage.

In the execution of the program of supplies listed in the attached schedule, the Government of the United States will be guided by the selections of the Government of the Union of Soviet Socialist Republics as described in the document dated September 1, 1943 annexed to this preamble.

It is appreciated that reasonable stockpiles of stores must be maintained in the United States so that the Union of Soviet Socialist Republics can, from month to month, select cargo for shipment that is most needed to meet the everchanging requirements of war. However, the United States reserves the right to limit the size of such individual stockpiles, either by control of production or diversion of product, or both, when in its judgement such action is in the best interest of the common cause. In taking such action, due consideration will be given to the expressed needs of the Union of Soviet Socialist Republics.

When production is curtailed or material is diverted, the arrearages in the various items involved will be given all possible consideration in conformity with future realistic shipping programs, Soviet desires, other urgent war requirements and reasonable production schedules.

The offerings made in the United States' schedule of supplies are subject to specifications which shall be in accord with current United States' conservation and production practices and practicable and specific material scheduling.

The United States stands ready, through appropriate officials, to discuss with Soviet representatives in Washington all detailed questions pertaining to the schedule of stores and services and any reasonable adjustments that may be desired.

Above all, the United States desires again to assure the Union of Soviet Socialist Republics that it has a full understanding of the vital importance of the Soviet front and the urgent necessities of moving supplies to it in the highest possible volume and in the shortest space of time.

It is desired to emphasize that the Government of the United States is not only willing but is very anxious to render the assistance outlined. The Soviet Government may rest assured that the provisions described in Articles II and V of this protocol will not be invoked by the Government of the United States unless developments definitely require it.

ANNEX TO PREAMBLEUNITED STATES SCHEDULE OF SUPPLIES AND SHIPMENTS

MEMORANDUM

Below is the answer of the Soviet Government to the proposals made by the Government of the United States regarding the Third Protocol:

"In view of the fact that the U.S. Government does not agree to make available shipping space trading under the U.S. flag in excess of 2,400,000 short tons for U.S. shipment to the Soviet Union under the Third Protocol through the Atlantic Ocean, the Soviet Government, with the purpose of reconciling of the amount of deliveries with available shipping facilities, agrees to decrease the Program of supplies under the Third Protocol proposed by the United States Government from 7,080,000 tons to 5,600,000 tons, including 500,000 tons of stocks and carry-overs, by decreasing the quantities of the following items /in short tons/:

- a/ Wheat and flour 700,000 tons (including deliveries from Canada) instead of 1,680,000 tons.
- b/ Concentrated foods 177,000 tons instead of 252,000 tons.
- c/ Ferrous metals 500,000 tons instead of 710,000 tons.
- d/ Petroleum products 360,000 tons instead of 565,000 tons.
- e/ Various chemicals 9,200 tons instead of 18,800 tons.

At the same time the Soviet Government agrees to the above-mentioned decrease in the deliveries of the petroleum products on the provision that the Government of Great Britain will continue deliveries of aviation gasoline to the USSR from Iran at the rate of 10,000 tons per month during the Third Protocol period and the U.S. Government will replace these deliveries to England out of its own supplies without decreasing the above-mentioned amount of petroleum product deliveries to the USSR from the United States of America.

The Government of the USSR, agreeing to decrease the program of deliveries under the Third Protocol, is relying upon the assurance of the U.S. Government that the United States agrees to increase the afore-mentioned amount of deliveries if conditions permit and circumstances justify it in future."

Embassy of the Union of Soviet Socialist Republics

Washington, D. C.

September 1, 1943

ARMAMENT AND MILITARY EQUIPMENT

(All Weights in Short Tons)

(Except as otherwise specified, amounts are to be provided in equal monthly installments as nearly as practicable.)
 (The amounts offered below indicate all quantities to be made available during the Third Protocol period in addition to those quantities made available but unshipped on June 30, 1943.)

AIRPLANES

Requested: 8,160

Airplanes:

6,000 pursuit planes "Aircobra"
 1,200 light bombers, Type A-20
 600 medium bombers, Type B-25
 360 transport planes, Type C-46; C-47

Spare Parts:

Spare engines) 30% of number of planes (for two-
 Spare propellers) motor planes - 30% per motor or
 60% per two-motor plane.)
 Airplane spare parts 20 percent of value of plane
 Engine spare parts 15 percent of value of plane
 Propeller spare parts 15 percent of value of propeller

Offered: 3,462 (Supplied with equipment and ammunition in accordance with United States Standards.)

Airplanes:

1,200 fighters, 1-engine, Type P-39
 600 fighters, 1-engine, Type P-40-N in first six months
 1,200 light bombers, Type A-20
 222 medium bombers, Type B-25
 150 in first six months
 72 in second six months
 240 medium transport planes, Type C-47

The schedule of supply of aircraft during the second half of the Protocol Period will be reviewed in November, 1943.

In addition, in accordance with a previous agreement made with the United Kingdom, involving interchange of certain airplanes, the United States is to supply for the United Kingdom's account 150 P-39 or P-63 fighter airplanes per month.

Spare Parts:

To be supplied in accordance with United States Standards which are equal to or in excess of amounts requested. (Joint Aircraft Committee Case 1850, Revision B.)

TANKS

Requested: None

Offered: 2,000 medium tanks, M4A2, with ammunition and spare parts. Also 1,000 additional tanks to be placed in production for delivery July 1, 1944 to December 31, 1944.

TRUCKS

Requested: 144,000
Spare parts, 20 percent of value of trucks

Offered: 132,000

Delivery:

10,000 for each of first six months

12,000 for each of second six months

Trucks to be supplied with spare parts according to United States Standards which are in excess of amount requested.

SCOUT CARS (Jeeps)

Requested: 24,000
Spare parts at 20 percent of value of a jeep

Offered: 24,000 $\frac{1}{4}$ ton 4 x 4 trucks

Spare parts according to United States Standards which are in excess of amount requested.

Additional items offered estimated to be undelivered on June 30, 1943 under Second Protocol: 4,500 Scout Cars M3A1

ARMAMENT AND MILITARY EQUIPMENT, CONTINUED

PRIME MOVERS FOR ARTILLERY

Requested: 3,000
1,680 tractors, medium
720 tractors, heavy
600 armcured half-tracks
Spare parts, 20 percent of value of
item

Offered: 3,000
1,680 tractors, medium M1
720 tractors, heavy M1
600 cars half-track M9 (Supplied with equip-
ment and ammunition in accordance with
United States Standards)
Spare Parts in accordance with United
States Standards which are in excess of
amount requested

MOTORCYCLES

Requested: 12,000
Spare parts, 20 percent of value of motor-
cycle

Offered: 12,000
Spare parts in accordance with United States
Standards which are in excess of amount re-
quested

POWDER

Requested: 67,200 tons

Offered: 72,700 tons

Delivery:
5,600 tons in first month
6,100 tons in each of remaining months

TOLUOL

Requested: 40,320 tons

Offered: 40,320 tons

Delivery:
6,720 tons in first quarter
11,200 tons in each of last three quarters

SECRETARMAMENT AND MILITARY EQUIPMENT, CONTINUEDT N T

Requested: 26,880 tons

Offered: 26,880 tons

RADIO STATIONS, RADIO LOCATORS

Requested: 15,700 Units and other radio equipment

Offered: 14,011 Units and other radio equipment

In addition 430 units estimated to be undelivered on June 30, 1943 under Second Protocol

BreakdownA. Radio Stations, Output more than 1 KW

Requested: 60

Offered: 61

Delivery:

- 1 - 50 KW short wave station in last quarter
- 20 - 10 to 15 KW transmitting and receiving sets
 - 10 in each of last 2 quarters
- 39 - 2 to 3 KW transmitting and receiving sets
 - 9 in second quarter
 - 15 in each of last 2 quarters
- 1 - RGA ET4331 in second quarter

B. Radio Stations, Output less than 1 KW

Requested: 12,000

Offered: 11,800

Delivery:

- 1000 - SCR - 299
 - 350 in first 6 months
 - 650 in second 6 months
- 4500 - SCR - 284
- 2300 - set #19 British in first 6 months
- 4000 - Pilot V-100
 - 3000 in first 6 months
 - 1000 in second 6 months

SECRETARMAMENT AND MILITARY EQUIPMENT, CONTINUED

Within the total offering of 11,800, the U.S.S.R. may select the whole or part of the following items as substitutes for those listed above:

95 SCR177B

Delivery:
40 in first quarter
55 in second quarter

560 SCR274

Delivery:
400 in first quarter
160 in second quarter

400 SCR511

Delivery:
150 in first quarter
250 in second quarter

4800 SCR610

Delivery:
2400 in each of first two quarters

C. Radio Receivers

Requested: 2,000

Offered: 2,000

Delivery:
500 in second quarter
750 in each of last 2 quarters

Additional items offered estimated to be undelivered on June 30, 1943 under Second Protocol: 430

Delivery:
20 HalliCrafter in 2nd quarter
10 RME-43 receivers in 2nd quarter
200 Bendix transmitters 2A-12B in first quarter
200 Bendix receivers in third quarter

ARMAMENT AND MILITARY EQUIPMENT, CONTINUEDD. Aircraft Radio Locators

Requested: 500

Offered: (Under consideration)

E. Ground Radio Locators

Requested: 240

Offered: (Under consideration)

F. Radio Altimeters

Requested: 500

Offered: (Under consideration)

G. Radio Beacons

Requested: 250

Offered: (Under consideration)

H. Radio Direction Finding Sets

Requested: 150

Offered: 150 SCR-551

Delivery:

50 in each of last three quarters

I. Radio Tubes

Requested: 2,400,000

Offered: 2,400,000

ARMAMENT AND MILITARY EQUIPMENT, CONTINUED

Delivery:

450,000 Metal Tubes in each of first two
quarters
475,000 Metal Tubes in each of second two
quarters
137,500 Glass Tubes in each quarter

J. Radio Measuring Equipment and Radio Parts

Requested: \$3,000,000

Offered: \$3,000,000

FIELD TELEPHONES

Requested: 100,000 Units

Offered: 100,000 Units EE-8A

TELETYPE APPARATUS

Requested: 500 Units

Offered: None

FIELD TELEPHONE AND TELEGRAPH CABLES

Requested: 186,000 miles

Offered: 186,000 miles (Field telephone wire type 110-B)

Delivery:

75,000 miles in each of first two quarters
18,000 miles in each of second two quarters

FIELD BATTERY CHARGING STATIONS

Requested: 4,000 Units

Offered: 4,000 - 1½ KW stations

Delivery:

1,500 in each of first two quarters
500 in each of second two quarters

ARMAMENT AND MILITARY EQUIPMENT, CONTINUED

SUBMARINE CABLE

Requested: 1,500 Km

Offered: 600 Km

MARINE CABLE

Requested: 1,200 Km

Offered: 1,200 Km

QUARTERMASTER GOODS

SOLE LEATHER

Requested: 20,160 Tons

Offered: 18,000 Tons

ARMY BOOTS

Requested: 3,600,000 Pairs

Offered: 3,600,000 Pairs

WOOLEN CLOTH

Requested: 18,000,000 Yards

Offered: 18,000,000 Yards

COTTON CLOTH

Requested: 25,000,000 Yards

Offered: 25,000,000 Yards

Additional offer of 1,045,000 yards
estimated to be undelivered on June 30,
1943 under Second Protocol.

SECRETQUARTERMASTER GOODS, CONTINUEDTARPAULIN

Requested: 3,000,000 Yards

Offered: 3,000,000 Yards

WEBBING

Requested: 6,000,000 Yards

Offered: 6,000,000 Yards

Additional offer of 6,000,000 yards
estimated to be undelivered on June 30,
1943 under Second Protocol.

MEDICAL SUPPLIESMEDICAL SUPPLIES

Requested: \$12,000,000

Offered: \$12,000,000

LOCOMOTIVES AND FLAT CARSLOCOMOTIVES

Requested: 2,000 to 3,000

Offered: 500 Minimum
(Up to 700 if possible)

Delivery:
To begin in third quarter.

RAILROAD FLAT CARS

Requested: 10,000

Offered: 10,000

Delivery:
2,400 in second quarter
3,800 in each of last two quarters.

NAVAL STORES

(Except as otherwise specified, amounts are to be provided in equal monthly installments as nearly as practicable.)

(Quantities offered are in addition to prior protocol commitments to U.S.S.R. undelivered on June 30, 1943. See page 23)

MINESWEEPERS

Requested: 22

Offered: None
(See additional offers below)

SUBMARINE CHASERS (110 feet)

Requested: 12

Offered: None
(12 are being produced on non-protocol Soviet Requisition with delivery scheduled for the last quarter of 1943)

SEA-GOING TUGS

Requested: 20

Offered: None
(15 are being produced on non-protocol Soviet Requisition for export after June 30, 1943)

5"/38 CALIBER DOUBLE PURPOSE DECK GUNS

Requested: 110

Offered: None
(It is estimated that 65 of 150 being produced under non-protocol Soviet Requisition will remain undelivered on June 30, 1943)

NAVAL STORES, CONTINUED3"/50 CALIBER DOUBLE PURPOSE DECK GUNS

Requested: 200
 Offered: 200
 Delivery in second 6 months

20 mm OERLIKON GUNS

Requested: 500
 Offered: 500
 Delivery in second 6 months

50 CALIBER TWIN MACHINE GUNS

Requested: 900
 Offered: 900 together with ammunition according
 to United States Standards.

Delivery:
 150 in each of first 2 quarters
 300 in each of last 2 quarters

5"/38 CALIBER AMMUNITION

Requested: 61,600 Rds.
 Offered: None
 (Ammunition is being furnished for 150 guns
 being produced under non-protocol Soviet
 Requisition)

3"/50 CALIBER AMMUNITION

Requested: 199,000 Rds.
 Offered: 199,000 Rds.

20 mm AMMUNITION

Requested: 2,500,000 Rds.
 Offered: 2,500,000 Rds.

NAVAL STORES, CONTINUEDMARINE ENGINES AND GENERATORS

Requested: 2,562

Offered: 606
(See additional offers below)BreakdownA. Marine Diesel Engines 1600 HP

Requested: 12 Units

Offered: 6 Units
(4 are to be produced on non-protocol
Soviet Requisition for export after
June 30, 1943)B. Marine Diesel Engines 1200 HP

Requested: 100 Units

Offered: 50 Units
Delivery in second 6 monthsC. Marine Diesel Engines 30 - 100 HP

Requested: 350 Units

Offered: 200 Units
Delivery in second 6 months
(500 are to be produced on non-protocol
Soviet Requisition for export after
June 30, 1943)
(See additional offers below)D. "Packard" Gas Engines 1200 HP

Requested: 400 Units

Offered: None
(500 are to be produced on non-protocol
Soviet Requisition for export after
June 30, 1943)

NAVAL STORES, CONTINUED

E. Marine Wooden Gas Engines 30 - 50 HP

Complete with gas products

Requested: 800 sets

Offered: None
(Experimental model being produced under
non-protocol Soviet Requisition)

F. Diesel Generators and Diesel Generator

Compressors from 9 to 120 KW

Requested: 600 Units

Offered: 50 Units
(Maximum of 15 to be over 100 KW Capacity)
(200 are to be produced on non-protocol
Soviet Requisition for export after
June 30, 1943)
(See additional offers below)

G. Generators - 1.5 to 4 KW

Diesel or Gasoline

Requested: 300 Units

Offered: 300 Units
(Gasoline) (Commercial types)

SALVAGE EQUIPMENT

Requested: 3,071 Units

Offered: 805 Units
(See additional offers below)

NAVAL STORES, CONTINUEDBreakdownA. Salvage Stations

Requested: 256 Units

Offered: 40 Units
(Depth not exceeding 200 feet;
recompression chambers excluded)
Delivery in second 6 months
(43 are to be produced on non-protocol
Soviet Requisition for export after
June 30, 1943)

B. Portable Air Compressors, Complete with Engines

Requested: 180 Units

Offered: 60 Units
Delivery 10 each month in second 6 months

C. Pontoons (Capacity 5 to 200 Tons)

Requested: 600

Offered: None
(Construction in U.S.S.R. recommended be-
cause of difficulties of export due to
size and weight)

D. Portable Water Pumps, Complete with Engines

Requested: 1,000 Units

Offered: 425 Units
(3 to 10 inch pumps)
Delivery in second 6 months

E. Underwater Electric Water Pumps

Requested: 100 Units

Offered: 100 Units
(Capacity not to exceed 200 G.P.M.)
Delivery in May and June 1944

NAVAL STORES, CONTINUEDF. Electric Welding and Cutting Apparatus

Requested: 120 Sets

Offered: 60 Sets

Delivery 10 sets each month in second 6 months

G. Electric and Pneumatic Underwater Tools

Requested: 400 Sets

Offered: 60 Sets

(Pneumatic) Delivery 10 sets each month in second 6 months

H. Portable Electric Stations For Underwater Lighting

Requested: 240 Sets

Offered: 60 Sets

(5 KW Generator and 5 Underwater Lights)
Delivery 10 sets each month in second 6 monthsI. Gas Cutting Apparatus

Requested: 120

Offered: None

(Same as Item F above)

J. Metal Detectors

Requested: 55

Offered: None

SCHOONERS, BARGES FOR OIL AND DRY CARGO, AND TUGS

Requested: 180

Offered: None

NAVAL STORES, CONTINUEDBreakdownA. For Caspian Sea (To be delivered in fabricated state for assembly on the coast of the Caspian Sea)

1. Steel seagoing standard tugs, with draft 10-11 feet, power capacity 900-1000 H.P.

Requested: 7
Offered: None

2. Steel self-propelled seagoing standard barges for oil, with draft not exceeding 12 feet, total cargo capacity 42,000 tons, cargo capacity of about 1,900 tons each.

Requested: 22
Offered: None

3. Steel seagoing standard barges for dry cargo, with draft not exceeding 11 feet, total cargo capacity of 38,000 tons, cargo capacity of about 1,900 tons each.

Requested: 20
Offered: None

B. For Far East (To be delivered fully assembled)

1. Steel seagoing standard tugs, with draft 15-16 feet, power capacity 900-1000 H.P.

Requested: 3
Offered: None

2. Steel self-propelled seagoing standard barges for oil, with draft 15-16 feet, total cargo capacity of 6,000 tons.

Requested: 3
Offered: None

3. Steel self-propelled seagoing standard barges for dry cargo, with draft 15-16 feet, total cargo capacity of 10,000 tons.

Requested: 5
Offered: None

SECRETNAVAL STORES, CONTINUED

4. Wooden self-propelled seagoing standard schooners for dry cargo, with draft 15-16 feet, total cargo capacity of 120,000 tons, cargo capacity of about 1,000 tons each.

Requested: 120
Offered: None

ELECTRICAL EQUIPMENT

Requested: 1,965 Units and other electrical material
Offered: 1,040 Units and other electrical material

BreakdownA. Generators with Controllers 1.5 to 25 KW

Requested: 500

Offered: 295
(Not more than 20% to be of greater capacity than 15 KW)

B. Generators with Controllers 25 to 100 KW

Requested: 250

Offered: 100
(Not more than 25% to be of 75 KW capacity or greater)

C. Motor Generators with Controllers 1 to 10 KW

Requested: 100

Offered: 100

D. Motor Generators with Controllers 10 to 75 KW

Requested: 25

Offered: 25
(Not more than 10 units to be of 50 KW capacity or greater)

NAVAL STORES, CONTINUED

E. Electric Motor with Controllers 5 to 25 HP

Requested: 1,000

Offered: 500
(Not more than 20% to be of 15 HP capacity
or greater)

F. Electric Motors with Controllers 25 to 100 HP

Requested: 25

Offered: 20
(Not more than 45% to be of 75 HP or
greater)

G. Storage Batteries for Submarines

Requested: 65

Offered: None
(See additional offers below)
(In addition 65 are to be produced on non-
protocol Soviet Requisition)

H. Electric Instruments and Fixtures

Requested: \$1,000,000

Offered: \$ 100,000

NAVAL STORES, CONTINUED

ADDITIONAL OFFER OF ESTIMATED UNDELIVERED BALANCES AS
OF JUNE 30, 1943, IN SECOND PROTOCOL

(Offerings to be reduced by the amounts that are made
available prior to June 30, 1943)

ITEM	NUMBER
1. Minesweepers	10
2. Marine Diesel Engines and Spares (170-1100 HP)	254
3. Marine Diesel Engines and Spares (30-100 HP)	263
4. Marine Diesel Generators (25-300 KW)	800
5. Marine Gasoline Engines and Spares	90
6. Marine Pumps and Spares (95-230 V)	257
7. Electric Motors and Spares (110-220 V)	1,210
8. Turbo Generators (230 V)	10
9. Storage Batteries for Submarines	15
10. Electric Ventilating Sets	649
11. Scripps Engines	66
12. Air Tanks	15
13. Rotary and Changeover Switches	3,000
14. Potassium Tetraoxide	41,100 lbs.
15. Turbo Ventilators for Engine Room	8
16. Windlasses with motors	5
17. Auxiliary Equipment for Ships	10
18. Vertical Steam Boiler	10
19. Water Tight Junction Boxes	240
20. Jetting Equipment for Salvage Operations	20
21. Submarine Rescue Chamber	1
22. Towing Winches (220 V)	10

SHIPPING WEIGHT OF NON-PROTOCOL ITEMS BEING
PROCURED ON SOVIET REQUISITIONS

(All weights in Short Tons)

MISCELLANEOUS NAVAL STORES

Shipping Weight: 17,100

SECRETMETALS, CHEMICALS AND OTHER PRODUCTS

(All Weights in Short Tons)

(Except as otherwise specified, amounts to be provided in equal monthly installments as nearly as practicable.)

(The amounts offered below include quantities to be delivered during the Third Protocol Period against new orders and old orders undelivered June 30, 1943.)

DURALUMINUM AND ALUMINUM INGOTS

Requested: 80,640 tons

Offered: 35,760 tons
 18,000 tons to be supplied by other parties
 to the Protocol
 (Subject to revision upwards as circumstances
 permit)

MAGNESIUM METAL

Requested: 4,032 tons

Offered: 4,032 tons

NICKEL

Requested: 9,408 tons

Offered: 6,600 tons
 3,600 tons in pig nickel
 600 tons in monel scrap
 2,400 tons maximum contained in steel
 and various non-ferrous products
 1,800 tons in pig nickel to be supplied
 by other parties to the Protocol

MOLYBDENUM CONCENTRATES

Requested: 4,480 tons

Offered: 4,000 tons

METALS, CHEMICALS AND OTHER PRODUCTS, CONTINUEDCOPPER ELECTROLYTIC

Requested: 134,400 tons

Offered: 134,400 tons maximum

Copper in copper base alloys	75,264 tons maximum
Copper in bimetal	2,226 tons maximum
Copper in copper brass mill products	15,000 tons maximum
Copper in copper cable and wire	20,000 tons maximum
Copper in submarine cable	50 tons maximum
Copper in power and related cable	21,395 tons maximum
Copper in marine cable	465 tons maximum

ZINC (Slabs)

Requested: 13,440 tons

Offered: 13,440 tons

COBALT

Requested: 161 tons

Offered: 80.5 tons

To be provided in first six months
Other parties to the Protocol will supply
the balance of the request.

CADMIUM

Requested: 224 tons

Offered: To be supplied by other parties to the Protocol

METALS, CHEMICALS AND OTHER PRODUCTS, CONTINUED

COPPER BASE ALLOYS (Brass and Bronze)

Requested: 107,520 tons

Offered: 107,520 tons

COPPER GOODS AND TUBES (Copper brass mill)

Requested: 16,128 tons

Offered: 15,000 tons

COPPER CABLE AND WIRE

Requested: 33,600 tons (Uninsulated copper wire)

Offered: 20,000 tons

FERRO-ALLOYS

Requested: 21,504 tons

Offered: 14,784 tons

Ferrosilicon 9,408 tons

Ferrochrome 5,376 tons

Other parties to the Protocol will supply the balance of the request. U.S. supplies to include existing stocks available but unshipped on June 30, 1943.

NICHROME WIRE

Requested: 538 tons

Offered: 538 tons

SPECIAL ALLOYS WIRE

Requested: 269 tons

Offered: 269 tons

(Other than steel and alloys)
(Subject to specifications as to types, quantities and delivery schedules)

METALS, CHEMICALS AND OTHER PRODUCTS, CONTINUEDSTEEL AND STEEL PRODUCTS

Requested: 849,730 tons

Offered: *710,000 tons

BreakdownA. Carbon Steel

Requested: 735,127 tons

Offered: 595,397 tons

470,270 tons including rails and accessories and Arctic and fishing programs. (Subject to the condition that present steel stocks held on U.S.S.R. account in the United States will be reduced to 250,000 tons and subject to the further condition that adequate production facilities are available.)

11,120 tons copper clad strip

6,807 tons plain carbon tool steel and drill rod

11,200 tons bullet core, plain carbon

60,000 tons tin plate

36,000 tons miscellaneous carbon steel including bolts, nuts, rivets, and nails.

B. Alloy Steel

Requested: 114,603 tons

Offered: *114,603 tons

141 tons drill rods

96 tons high speed

45 tons alloy

10,674 tons tool steel

4,480 tons high speed

672 tons alloy X12

672 tons alloy X12M

3,382 tons other alloys

1,468 tons die blocks

METALS, CHEMICALS AND OTHER PRODUCTS, CONTINUEDB. Alloy Steel, Continued

10,898 tons cold drawn alloy bars
 1,120 tons steel grade 40XC
 1,120 tons steel grade 20X3
 1,008 tons steel grade 4134
 560 tons steel grade 27CG
 1,680 tons steel grade SAE 5140
 930 tons steel grade SAE 4140
 4,480 tons steel grade SAE 52100
 67,569 tons hot rolled aircraft bars
 515 tons steel grade EJI60
 1,344 tons steel grade EJI61
 2,688 tons steel grade 30CX10MA
 11,200 tons steel grade 52100
 3,360 tons steel grade SAE 9260
 5,600 tons steel grade 40 XC
 8,960 tons steel grade SAE 5140
 8,960 tons steel grade 20X3
 15,680 tons steel grade 38XMJUA
 302 tons steel grade CXB
 3,360 tons steel grade EJ 69 or
 SAE 5700
 5,600 tons steel grade SAE 5130
 2,671 tons stainless sheets
 336 tons stainless strip
 756 tons stainless bars
 6,563 tons wire
 470 tons steel grade BBX6
 370 tons steel grade BBX9
 504 tons steel grade BBX15
 1,344 tons chrome vanadium wire
 (ASTM 232)
 1,344 tons chrome moly wire (SAE4140)
 1,747 tons stainless wire
 784 tons alloy wire (silicon
 manganese)
 14,995 tons tubing
 * 994 tons stainless tubing
 8,625 tons 4-6% chrome tubing
 *5,376 tons hot rolled ball bearing
 tubing

* Plus undelivered balance as of
 June 30, 1943 of stainless tubing
 and hot rolled ball bearing tubing.

SECRETMETALS, CHEMICALS AND OTHER PRODUCTS, CONTINUEDOTHER MATERIALS INCLUDING STEEL CHAINS, ANCHORS, SCREWS, OTHER METALS
AND THEIR PRODUCTS AND NITROCELLULOSE BASE

Requested: \$10,000,000

Offered: \$ 5,000,000

(Subject to specifications as to types,
quantities, and delivery schedules.)(Subject to revision upwards if circumstances
permit)PETROLEUM PRODUCTS

Requested: 564,480

(120,000 tons of which to be delivered
from U.K. stocks in Iran and to be
replaced to U.K. by U.S.)

Offered: 564,480 tons

(120,000 tons of which to be delivered for U.S.
account from U.K. stocks at Abadan and to
be replaced to U.K. by U.S.)(Dependent upon ability to provide type of
product requested)PHENOL

Requested: 13,440 tons

Offered: 12,000 tons

ETHYLENE GLYCOL

Requested: 3,360 tons

Offered: 3,360 tons

METHANOL

Requested: 6,720 tons

Offered: 6,720 tons

SECRETMETALS, CHEMICALS AND OTHER PRODUCTS, CONTINUEDUROTOPINE

Requested: 6,720 tons

Offered: 6,720 tons

GLYCERINE

Requested: 6,720 tons

Offered: 6,720 tons
3,360 in first six months
3,360 tentative in second six monthsCAUSTIC SODA

Requested: 40,320 tons

Offered: 40,320 tons

ETHYL ALCOHOL

Requested: 107,520 tons

Offered: 107,520 tons

ACETONE

Requested: 6,720 tons

Offered: 6,720 tons

OTHER CHEMICALS

Requested: 12,096 tons

Offered: 12,096 tons
(Other than items specifically mentioned
and subject to specifications as to types,
quantities, and delivery schedules.)

SECRETMETALS, CHEMICALS AND OTHER PRODUCTS, CONTINUEDTIRES, TUBES AND OTHER RUBBER PRODUCTS (Containing 36,000 tons of rubber)

Requested: 40,320 tons

Offered: 40,320 tons
 (Rubber or its equivalent)
 (In addition to rubber and rubber products
 supplied with planes and other military
 vehicles)
 20,160 tons in first six months
 20,160 tons tentative in second six months

PARCHMENT PAPER

Requested: 1,680 tons

Offered: 1,680 tons

CONDENSOR PAPER

Requested: 146 tons

Offered: 146 tons

CIGARETTE PAPER

Requested: 336 tons

Offered: 336 tons

SHEET FIBER

Requested: 1,680 tons

Offered: 1,000 tons

METALLIC CLOTH AND SCREEN

Requested: 200,000 square meters

Offered: \$1,000,000

SECRET

INDUSTRIAL EQUIPMENT
(All Weights in Short Tons)

Requests of the U.S.S.R. for industrial equipment, as listed below, total approximately \$700,000,000. These requests are in excess of quantities of previously approved orders remaining undelivered from factories on June 30, 1943 estimated at \$373,000,000. The amounts "offered" below, totaling approximately \$454,000,000 represent the total amounts of both old and new orders to be delivered from factories during the Third Protocol period providing new orders placed by the U.S.S.R. contain specifications, delivery schedules, and supplies acceptable to the United States.

In addition to the offerings listed below there will remain available to the U.S.S.R. delivered from factories but unexported as of June 30, 1943, equipment estimated at \$78,000,000.

In order to insure the constant flow of industrial equipment required for the U.S.S.R. war program, the United States will consider the approval of orders totaling not in excess of \$300,000,000 for delivery after June 30, 1944. These orders will be considered in addition to the quantities specified for delivery during the Third Protocol period provided that lists of all equipment and projects be submitted to the United States for review and consideration and provided that, after review, it is found possible to incorporate such equipment and projects into United States production schedules.

HARD ALLOYS, CUTTING AND MEASURING TOOLS

Requested:	\$21,000,000
	\$ 3,000,000 Hard Alloys and Cutting Tools
	\$18,000,000 Cutting and Measuring Tools
Offered:	\$21,000,000
	\$ 3,000,000 Cemented Carbide Tips and Blanks
	\$2,444,000 New Orders
	\$ 556,000 Old Orders undelivered on June 30, 1943. (Estimated)
	\$15,000,000 Cutting Tools
	\$13,200,000 New Orders
	\$ 1,800,000 Old Orders undelivered on June 30, 1943. (Estimated)
	\$ 3,000,000 Measuring Tools
	\$1,700,000 New Orders
	\$1,300,000 Old Orders undelivered on June 30, 1943. (Estimated)

SECRETINDUSTRIAL EQUIPMENT, CONTINUEDABRASIVES

Requested: 6,136 Tons

Offered: 4,000 Tons Abrasive Grain
 3,600 Tons New Orders
 400 Tons Old Orders undelivered on
 June 30, 1943. (Estimated)

\$4,000,000 Abrasive Products
 \$2,300,000 New Orders
 \$1,700,000 Old Orders undelivered on
 June 30, 1943. (Estimated)

GRAPHITE ELECTRODES AND OTHER GRAPHITE PRODUCTS

Requested: 7,448 Tons

Offered: 8,568 Tons
 5,757 Tons Graphite Electrodes New Orders
 1,691 Tons Other Graphite Goods
 1,409 Tons New Orders (subject to
 specifications as to types,
 quantities and delivery
 schedules)
 282 Tons Old Orders undelivered on
 June 30, 1943. (Estimated)
 1,120 Tons Graphite Powder New Orders

BEARINGS, BALLS AND ROLLS

Requested: 33,000,000 pieces
 5,000,000 Bearings
 28,000,000 Balls and Rolls

Offered: \$15,000,000 anti-friction bearings, including
 balls and rolls, to be supplied
 from old orders undelivered on
 June 30, 1943.

MACHINE TOOLS

Requested: \$228,621,550 (24,000 units)

Offered: \$120,000,000
 \$ 10,000,000 New Orders
 \$110,000,000 Old Orders undelivered on
 June 30, 1943. (Estimated)

INDUSTRIAL EQUIPMENT, CONTINUEDPRESSES, FORGING AND ROLLING MILL EQUIPMENT

Requested: \$82,000,000

Offered: \$48,000,000

\$16,000,000 Rolling Mills and Equipment
 \$11,000,000 New Orders production of which
 will begin in 3rd quarter.
 \$ 5,000,000 Old Orders undelivered on
 June 30, 1943. (Estimated)
 \$30,000,000 Presses, Forges, Hammers and
 Related Equipment to be supplied
 from old orders undelivered on
 June 30, 1943. (Estimated)
 \$ 2,000,000 Wire Drawing Equipment
 \$1,000,000 New Orders
 \$1,000,000 Old Orders undelivered on
 June 30, 1943. (Estimated)

ELECTRIC FURNACES

Requested: \$12,000,000 (600 units)

Offered: \$12,000,000

\$10,000,000 New Orders
 \$ 2,000,000 Old Orders undelivered on
 June 30, 1943. (Estimated)

INDUSTRIAL PLANTS AND DESALTING UNITS

Requested: 12 plants and desalting units

Offered: As listed below

BreakdownI. SYNTHETIC RUBBER AND ALCOHOL PLANTS

Requested: 6

1 Butadiene Plant 20,000 ton capacity
 1 Styrene Plant with 7,000 ton annual capacity
 1 Buna S Plant with 25,000 ton annual capacity
 1 Neoprene Plant with 10,000 ton annual capacity
 1 Butyl Rubber Plant with 3,000 ton annual capacity
 1 Synthetic Alcohol Plant with 20,000 ton annual
 capacity

Offered: None
 (To be considered at a later date)

INDUSTRIAL EQUIPMENT, CONTINUED

II. CORD AND CHAFER PLANT

Requested: 1 with daily capacity of 47 tons of cord and 8 tons of chaffer.

Offered: None

III. TOLUENE PLANT

Requested: 1 with annual capacity of 20,000 - 30,000 tons

Offered: None

IV. CATALYTIC CRACKING UNITS

Requested: 2, each with annual capacity of 100,000 tons.

Offered: Under Study

V. CATALYST PLANT

Requested: 1 to produce catalyst for Houdry Units

Offered: Under Study

VI. PETRECO DESALTING UNITS

Requested: Sufficient for lubrication oil plant and refinery plants ordered in 1942.

Offered: Under Study

VII. PHENOL PLANT

Requested: 1

Offered: None

AIRPLANE PROPELLER PLANT

Requested: 1 with annual capacity of 75,000 hollow blade propellers

Offered: Under Study

INDUSTRIAL EQUIPMENT, CONTINUEDVARIOUS INDUSTRIAL EQUIPMENT

Requested: \$132,000,000

Offered: \$132,000,000

\$12,500,000 Excavators to be supplied from old orders undelivered June 30, 1943.

\$ 2,000,000 Truck and Tractor Cranes

\$20,000,000 Other Cranes, including portal, locomotive, floating, overhead and gantry cranes, trolleys for overhead cranes, monorail systems, etc.

Supply of the above two offerings for cranes will consist of \$7,600,000 new orders and \$14,400,000 old orders undelivered on June 30, 1943. (Estimated)

\$ 9,000,000 Compressors, gas blowers, exhausters, and fans.

\$3,500,000 New Orders

\$5,500,000 Old Orders undelivered on June 30, 1943. (Estimated)

\$ 8,000,000 Pumps

\$4,000,000 New Orders

\$4,000,000 Old Orders undelivered on June 30, 1943. (Estimated)

\$10,000,000 Mining Equipment, Ore Dressing Handling and Transporting Equipment to be supplied from old orders undelivered on June 30, 1943. (Estimated)

\$10,000,000 Equipment for Blast, Hearth and Coke Furnaces.

\$2,700,000 New Orders

\$7,300,000 Old Orders undelivered on June 30, 1943. (Estimated)

\$ 4,000,000 Welding Equipment

\$1,200,000 New Orders

\$2,800,000 Old Orders undelivered on June 30, 1943. (Estimated)

\$ 3,000,000 Valves and Fittings

\$ 200,000 New Orders

\$2,800,000 Old Orders undelivered on June 30, 1943. (Estimated)

INDUSTRIAL EQUIPMENT, CONTINUEDVARIOUS INDUSTRIAL EQUIPMENT, CONTINUED

\$ 5,000,000 Pneumatic Tools
 \$4,100,000 New Orders
 \$ 900,000 Old Orders undelivered on
 June 30, 1943. (Estimated)
 \$12,000,000 Automatic Block Signal System
 from old orders undelivered on
 June 30, 1943. (Offering re-
 presents 3,000 KM. Priority
 ratings to be assigned will be
 equivalent to those granted similar
 equipment being supplied domestic
 consumers.)
 \$36,500,000 Auxiliary Industrial Equipment
 to be supplied from Old Orders
 undelivered on June 30, 1943.
 In addition to the above offer
 for auxiliary industrial equip-
 ment there will remain unde-
 livered on old orders on
 June 30, 1943 quantities esti-
 mated at \$64,000,000. It is
 requested that these orders be
 examined carefully in order that
 those no longer urgently needed
 may be cancelled. Such orders
 as are uncanceled will be
 allowed to remain in production
 under present priority ratings
 and will be made available when
 completed.

POWER EQUIPMENT, INCLUDING EQUIPMENT AND BOILERS FOR EXISTING PLANTS

Requested: \$135,000,000
 Offered: \$ 75,000,000
 \$57,000,000 New Orders
 \$18,000,000 Old Orders undelivered on
 June 30, 1943. (Estimated)

ELECTRIC POWER CABLE

Requested: 12,000 KM
 Offered: 12,000 KM

INDUSTRIAL EQUIPMENT, CONTINUED

CONTROL INSTRUMENTS AND TESTING MACHINES

(Precision Measuring and Testing Machines and Instruments)

Requested: \$2,000,000

Offered: \$1,700,000

\$840,000 New Orders

\$860,000 Old Orders undelivered on
June 30, 1943.

(Estimated)

EMERGENCY EQUIPMENT

Requested: \$60,000,000

Offered: \$25,000,000 Urgent emergency equipment

STOCKPILES

(All Weights in Short Tons)

It is estimated that there will remain unexported as of June 30, 1943 the following:

Metals, Chemicals and Other Products

Stockpile: 617,000 tons

Shipping Weight: 662,000

Industrial Equipment

Stockpile: 107,000 tons

Shipping Weight: 108,000

FOOD PRODUCTS

(Equal Monthly Installments)

(All Weights in Short Tons)

(The amounts offered below include quantities to be delivered during the Third Protocol Period)

WHEAT, FLOUR, CEREALS, RICE AND BEANS

Requested: 1,680,000 tons

Offered: *1,180,000 tons
 *473,280 tons wheat
 293,440 tons flour
 179,200 tons cereals
 49,280 tons rice
 151,200 tons beans
 33,600 tons peas

* Other parties to the protocol will supply the balance of the request.

SUGAR

Requested: 436,800 tons

Offered: 436,800 tons
 112,000 tons United States Mainland
 324,800 tons other sources

The possibilities of supplying a larger proportion from the United States Mainland are being studied.

CANNED MEATS

Requested: 470,400 tons

Offered: 224,000 tons

MEAT PRODUCTS (CURED AND SMOKED MEATS)

Requested: 0

Offered: 20,000 tons

FOOD PRODUCTS, CONTINUED
(Equal Monthly Installments)
(All Weights in Short Tons)

(The amounts offered below include quantities to be delivered during the Third Protocol Period)

ANIMAL FATS AND FAT CUTS

Requested: 246,400 tons
Offered: 327,200 tons
288,000 tons animal fats and fat cuts
39,200 tons butter

VEGETABLE OIL AND PRODUCTS INCLUDING SHORTENING AND MARGARINE

Requested: 280,000 tons
Offered: 225,000 tons

CONCENTRATES

Requested: 178,080 tons
Offered: 252,000 tons
17,920 tons dry skim milk
8,960 tons dry whole milk
39,200 tons dried eggs
13,440 tons sweetened condensed milk
28,000 tons dehydrated vegetables
26,880 tons dehydrated soups and cereals
89,600 tons soya products
16,800 tons cheese
5,600 tons tomato paste
5,600 tons concentrated juices

SOAP

Requested: 22,400 tons
Offered: 11,200 tons

September 27, 1943.

Dear Mr. Geer:

It was good of you to comply with my request in regard to the extra copies of the article "The World Bank Proposals". These have reached us safely and I shall see that they are distributed to key offices in the Treasury.

I also want to thank you for sending me congratulations upon the progress of the bond-selling campaign. I appreciated your word of comment upon the course of the past few weeks.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. William D. Geer,
General Manager, FORTUNE,
Time & Life Building,
Rockefeller Center,
New York, New York.

GEF/abs

FORTUNE

TIME & LIFE BUILDING
ROCKEFELLER CENTER
NEW YORK

EXECUTIVE OFFICES

September 13, 1943

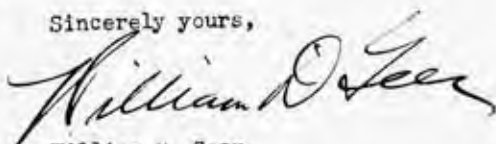
The Honorable Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.

Dear Mr. Secretary:

Let me thank you for your interest in our August article "The World Bank Proposals." I am delighted to know that you can use extra copies of it in the Treasury Department and I hope that the six we sent you last week arrived promptly.

And may I take this opportunity to express my congratulations to you on the magnificent progress of the bond-selling program since the time I had the privilege of discussing it with you.

Sincerely yours,



William D. Geer
General Manager

WDG bw

THE WORLD BANK PROPOSALS

BANCOR OR UNITAS? IS THE INTERNATIONAL GOLD STANDARD OUTMODED?

IT IS plain beyond peradventure that money after the war has got to be, everywhere and always, what it is supposed to be. We must be able to buy things with it, without much change in its value from day to day and month to month; and this must be true whether we want to buy at home or abroad—in the latter case with only the slight formality as regards exchange that the nearest bank can attend to in five minutes. Assured monetary stability of this kind has been lacking for nearly thirty years, and the world has been in turmoil. Instability has not been the cause of the trouble; indeed it has been more a symptom than a cause; but it is the kind of symptom that aggravates the cause and prevents a cure. We can be certain, therefore, that a sound and reliable monetary system, operating all over the earth, is one of the elementary conditions for achieving the peaceful and prosperous world we are fighting for.

No argument for currency stability is required. Likewise such stability is known to be an indispensable condition for dealing with the problems that will arise immediately after the fighting stops. And since monetary arrangements are matters of considerable complexity and will require a good deal of time for working out, this particular problem of the postwar world (along with certain others) must be tackled now, without waiting for the war to end.

PROPOSED: A NEW WORLD INSTITUTION

Already two essentially similar plans to bring about what will be required have been drawn up, one by John Maynard Keynes

(Baron Keynes of Tilton) in Great Britain, the other by Henry White in the U.S. The British scheme is in essay form and presented with the literary skill to be expected from its famous author, while the American plan is full of technical detail and much harder to read. Both have been made public by the Treasuries of the respective countries, with the statement that they are not formal proposals but only suggestions for further discussion. And discussion is in fact going on at a lively rate, some of it friendly, some hostile, some of a highly valuable and constructive nature.* Countersuggestions and other schemes less ambitious have been advanced, notably that of MM. André Leloir and Hervé Alphand, of France; and no doubt still others will be forthcoming.

Notwithstanding considerable differences in technical detail, the British and American plans are alike both in their sweeping character and in the kind of machinery required to carry them out. There are a few differences in practical operation (e.g., those having to do with voting control) that could be made in any political issues; but with a modicum of goodwill on both sides, it is to be expected that full agreement on all fundamental matters could be reached without difficulty.

Under either plan, something in the nature of a world bank would come into being. The British plan envisages regional

*Especially noteworthy is the article "Currency Stabilization" in the July issue of Foreign Affairs, by John H. Williams of Harvard, Vice President of the Federal Reserve Bank of New York. See also the forthcoming "Two Plans for International Monetary Stabilization" in the autumn, 1943, issue of the Yale Review by Jacob Viner of Yale and the University of Chicago.

THE KEYNES PLAN

- 1) An international institution is created: the *International Clearing Union*—to operate without capital of its own. The new institution is intended only to supplement existing arrangements, which (including gold) will continue as before.
- 2) A new international accounting currency is invented: *BANCOR*, the value of which is not definitely tied to gold.
- 3) Value of the currencies of all participating countries is fixed in terms of *Bancor*; controlled changes are to be authorized later if trade and other conditions necessitate.
- 4) Debts and credits are arranged in *Bancor*, analogous to loans and deposits, for treasuries or central banks of countries to compensate short-term fluctuations in their international accounts and thus to maintain stability of the value of their currencies in relation one to another.
- 5) Recommendations and penalties are provided for countries holding up and maintaining excessive balances of either debits or credits.
- 6) Recommendations and help are provided for both creditor and debtor countries to remove the underlying causes of currency instability.
- 7) Special measures are suggested to deal with the large volume of blocked balances expected to exist after the war.
- 8) Accompanying the plan are recommendations for an additional new institution to facilitate long-term capital investments in underdeveloped countries, to increase productivity and raise living standards.



agreements within the worldwide arrangement; but there appears to be no intention under either plan to permit the development of the sort of blocs that might lead to recurrence of the vicious trade rivalries of the thirties. In each scheme, for accounting purposes, an international currency unit is established: *Bancor* in the British plan, *Unitas* in the American. In both plans it is taken for granted that the international gold standard of the past will not, in and of itself, be adequate to maintain currency stability in the future.

Before committing himself to any such plan—even before thinking through the technical intricacies of Dr. White or surrendering to the persuasive eloquence of Baron Keynes—the American of goodwill is likely to demand answers to one big question and to a number of lesser ones that are nevertheless of more than passing importance.

SOME QUESTIONS

First of all, do we need a great new world institution, with all the difficulties of international management and control that would be involved in the plans now being considered? We had once what seemed a remarkably good arrangement, in the international gold standard; so why not reestablish this? It appeared to work well in the past, automatically and impersonally; so why try to substitute something that will be subject to all the weaknesses of fallible human beings?

Can one of the proposed plans—or one derived and perfected from the ideas underlying them—be counted upon to do all that is needed to maintain stability among the currencies of the world? And if not, what else will be required?

Is not the adoption of any scheme of this kind putting the cart before the horse? Must there not be achieved, first, a sound economic and fiscal condition in at least the principal participating countries, before we try to solve the problem of stabilizing currencies all over the world?

How much would participation in such a plan cost us—in material values and in surrender of what many sincere people will be sure to call our sovereignty?

To get straight on the most important of these questions, whether we really need a new international institution or not, will require an analysis of the part played by gold in the present monetary arrangements of the world—a thumbnail sketch of the history of money and banking and some clarification of just what kind of thing money is today.

MONEY AND GOLD

As anybody who has ever thought about it knows, money consists nowadays not only of coin and of the various kinds of paper currency, but also of demand deposit balances at the banks. How the idea of money was first hit upon, how everything that was for sale came to be priced in terms of some one thing that was considered equally valuable everywhere, how finally gold came to be thought the best thing for the purpose—all this history we can skip. The modern story begins when, sometime toward the end of the middle ages, people began to use pieces of paper as the equivalent of coin. Certain goldsmiths who hammered or molded the metal into the forms desired would issue and give receipts to those leaving gold with them. These receipts, if the goldsmith was believed to be reliable, came to be used as money instead of the gold itself, circulating freely wherever the issuer was known and trusted.

As time went on, the successors of the goldsmiths became bankers. They would issue notes for more gold than was actually in their possession, using this paper money to make loans. They felt safe in doing so, because they were fairly sure that no more than a fraction of all the notes in circulation would ever be presented at any one time for redemption in gold itself. Occasionally they guessed wrong, or their ambition ran

(Continued on page 164)

THE WHITE-MORGENTHAU PLAN

- 1) An international institution is created: the *United and Associated Nations Stabilization Fund*—to start off with \$5 billion of capital, of which half is to be paid in. The new institution is intended only to supplement existing arrangements, which (including gold) will continue as before.
- 2) A new international accounting currency is invented: *UNITAS*, the value of which is permanently fixed in gold.
- 3) Value of the currencies of all participating countries is fixed in terms of *Unitas*; controlled changes are to be authorized later if trade and other conditions necessitate.
- 4) Purchases and sales of currencies are made for the account of treasuries or central banks, the foreign currency being paid for in the money of the country purchasing it; with the effect of building up debits and credits in *Unitas*, analogous to loans and deposits.
- 5) Penalties are provided against excessive or continued debits, with recommendations for use of excessive credit balances.
- 6) Recommendations are made for removal of the underlying causes of currency instability.
- 7) Specific provisions are made to deal with the large volume of blocked balances expected to exist at the end of the war—gradual liquidation over a period of twenty years.
- 8) Implied is the need for new arrangements to facilitate long-term capital investments in underdeveloped countries.



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In Plomb's complete line of supreme quality hand tools for all industries, the socket and attachment group alone includes hundreds of kinds and sizes. Equally complete—equally outstanding in quality—are all other types of tools that bear the famous Plomb name.

Their excellence has made them the choice of professional mechanics—has resulted in such gigantic demand that 36 separate factories operate night and day to fill war needs. Thus, Plomb tools in ever-increasing volume are available thru dependable dealers all over the country to help make weapons faster and better—and to maintain those weapons at peak efficiency.

In addition, if you need special tools for special war needs consult Plomb. And remember, for regular tools call the Plomb dealer in your neighborhood.

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Fine Hand Tools **ARMY NAVY** for All Industries



PLOMB TOOL COMPANY
LOS ANGELES CALIFORNIA

The World Bank Proposals

[Continued from page 139]

away with their judgment. And in such cases there was a bank failure; but by and large the scheme worked well.

It was not long before somebody had the common-sense idea of letting people draw orders on their bankers and using these as money. Such pieces of paper were known as bills of exchange, letters of credit, drafts, and the like. Finally the business was systematized. Instead of each man who drew an order depending solely on the bank's belief that he was good for the amount, the custom was adopted of having him make a deposit against which he could draw checks. But the deposit could be made not only by putting money in the bank, but equally well by arranging for a loan or a line of credit. The bank felt perfectly safe in making the loan (or permitting an overdraft against the line of credit, as in England), not out of any cash it actually had but merely by agreeing to honor the checks when they came in. Just as in the case of the banker-goldsmiths, the bank knew that only a small proportion of the checks would have to be paid in cash. People would usually deposit them again somewhere in a bank to their own accounts, then draw checks, and these in turn would be deposited. Any one bank would need to keep only enough currency on hand to pay the checks for which cash was demanded; for banks would commonly honor checks on each other and straighten out the accounts later through clearinghouse operations.

THE MAGIC OF COMMERCIAL BANKING

On the basis of these simple principles, there has come into being the modern commercial-banking procedure. It is one of the most marvelous inventions of all time, although it is in reality a result of evolution rather than invention. It provides an instrument wherewith the money supply of any particular country, and of all countries collectively, can be made to correspond automatically with the exact amount required for any level of production and distribution of goods and services that is attainable.

To illustrate the process in one country, imagine a manufacturer buying raw materials, hiring workers, and doing the other things needful to produce and sell goods. If he does not have money enough on hand to meet bills and payrolls before selling and getting paid for the goods—which is often the case—he goes to the bank and arranges for a loan. The wholesaler who buys and later resells those goods probably does the same. And so does the retailer. All along the line, the banks stand ready to increase the amount of money (in the form of demand deposits resulting from loans) just as much as required; and so long as the process continues normally, they can do so with safety. The money supply increases *pari passu* with the value of the goods in production and on their way to the ultimate consumers or users.

When these particular goods are finished and marketed, the loans are in due course repaid. The money created in the production and marketing process is thus in effect canceled (wiped out of existence, just as it was brought into existence, by book-keeping). But meanwhile new production is started and the sequence of creation and cancellation of money is repeated over and over, being in fact continuous and overlapping. And so are the similar processes throughout any economic system possessed of the facilities of modern commercial banking. All the myriad operations of producing and marketing, whether of goods or of services, are automatically supplied with as much money as needed. And this money is sound because it is backed

[Continued on page 166]



"Will we have long to wait, Steward?"

"No, sir, just a few minutes. We've got an extra heavy load this trip, including a lot of soldiers and sailors. And as you probably know, a large part of the railroad's dining car equipment is being used on troop trains."

"I guess we civilians haven't any kick about that, it's up to all of us to put the war effort first."

KEEP ON BUYING WAR BONDS AND STAMPS
Remember, there's no let-up, no time-out, for our fighting men

SEABOARD RAILWAY

WORKS
FOR
VICTORY



The World Bank Proposals

[Continued from page 164]

up in effect by the hypothecation of equivalent values in goods and services. The amount goes up or down with the level of economic activity, and is not limited by anything but that level—unless by the gold supply.

For back of all this, until recent years, was supposed to be a reserve of gold. The minimum amount in each gold-standard country was fixed by law or custom, and if the supply ran short there could be no more money or equivalent credit created, no matter what the need for it. Everybody could feel sure, therefore, that if he ever wanted to, he could exchange not only the paper money in his possession, but the checks and drafts and the bank deposit balances as well, for actual gold. Ordinarily very few demands for the metal were made for internal use, simply because the paper equivalents of it were more convenient to handle. Moreover, as time went on various ingenious schemes were devised to increase the amount of credit that could be justified by a given amount of metallic reserve. And thus a moderate quantity of gold would go a long way toward meeting the monetary requirements of most countries. But at least this moderate amount had to be always on hand, else there would be trouble. (Omitted here, because irrelevant for present purposes, is the tedious and involved story of reserves other than gold, government borrowing from banks, the development of central banking, and so on.)

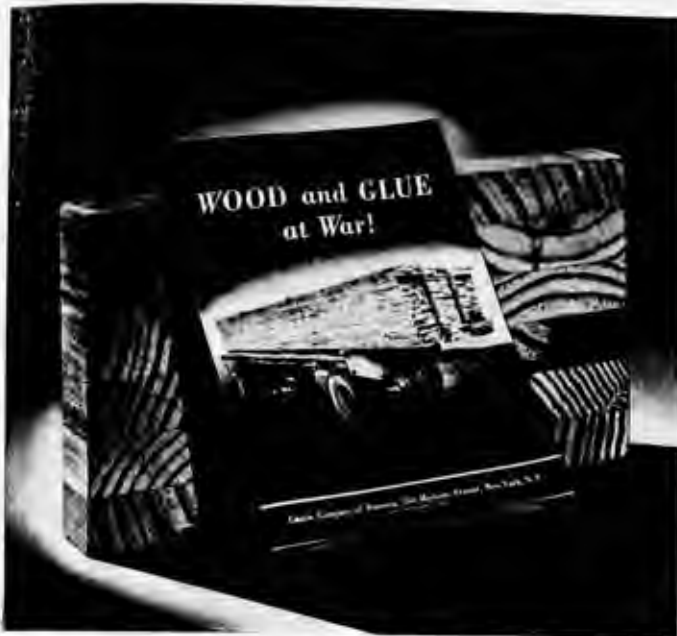
INTERNATIONAL GOLD

Internationally, with gold as the ultimate basis of all monetary transactions, the commercial-banking procedure has been a little more complicated but in principle the same as in a single country. It has served admirably, for considerable periods at least, to keep the international money supply in line with the needs of international trade. So long as gold was known to be always obtainable in exchange for claims expressed in terms of it, the actual metal was not often demanded. Moderate quantities of gold did, however, sometimes move from one country to another. And in such cases there came into play the famous international gold standard. Let us see, briefly, just how the machinery worked, using for convenience the device of the college textbooks.

Somebody in America, say John Smith of New York, sold a bill of goods to Jean Duval in Paris, receiving payment in francs. But Smith had no use for francs, being interested only in dollars. Meanwhile Jacques Laroche of Paris had made a sale of something costing the same to James Patterson in New York, receiving payment in dollars—for which Laroche had no more use than Smith had for francs. Obviously a deal was in order; either Smith and Patterson in New York, or Duval and Laroche in Paris, could get together and straighten the thing out at once by swapping. But it was not always easy for the parties at interest to find each other; and of course the amounts of the sales seldom matched exactly. Since thousands of such transactions were going on every day, not only in dollars and francs but in all the different currencies of the world, there was an obvious need for central markets where the accounts could be promptly cleared to everybody's satisfaction. Such markets were in fact established, principally in London, and they performed for many years an indispensable function for the trade of the world.

If all international transactions were everywhere in perfect balance—i.e., if the total needs in each country for the moneys of all other countries were exactly equal to the needs of all

[Continued on page 168]



"BUSINESS OPPORTUNITY"

We believe this to be of great import to executives, engineers, and designers who have never used wood as a basic production material.

This belief is based upon the recent development of plastic resin glues, the full commercial value of which is still to be realized.

These glues have changed wood so that, today, it presents more features and advantages, simultaneously, than many structural materials have to offer. Yet, despite the amazing physical changes in wood, it retains all

of its inherent properties including "warmth" to the touch and inborn richness of appearance.

We ask you to consider your problem in terms of plain wood, which now can be impregnated, compressed, laminated, stabilized, molded or bent—completely proofed against water, heat, vibration, and mold—made so strong and durable that its applications are almost endless.

Regardless of what you make or plan to make, find out what industry's newest raw material can do for you.



Do it with "imagination" wood and glue!

Write for this free book! Shows actual cases; outlines new developments in adhesives; describes technical literature that may help you. It is a **MUST** book for designing and engineering departments. Vital • Stimulating • Definitely worth reading!

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The World Bank Proposals

[Continued from page 166]

other countries for its money—the rates of exchange would of course remain stable. It rarely happened, however, that such a nice balance was realized. The people of one country, for example, would be buying from abroad more than they were selling to the rest of the world; and so there might be more of this particular country's money in the exchange market than was wanted just then by the people of all the other countries combined. Various measures could be taken by the "deficit country" to deal with the condition of unbalance. Its merchants or banks or its central bank might obtain from somewhere in another country a loan, for a few days or weeks or for a much longer period; and of course there might be services rendered abroad, such as shipping or insurance or the like, which would help to restore the balance. But such measures might be too difficult or costly. And so the excessive supply of this deficit country's money might then go on being offered in the market for what it would bring, until its price fell lower and lower.

But the gold standard was there to enable somebody to say, "Whoa! Wait a minute." Anybody who wanted to, as we have seen, could change his money into actual gold. And with this gold he could buy the currency of any other country at the price fixed in that country by law or custom. All he had to do was to pay the cost of delivering the metal (freight, insurance, etc.) to the country whose money he wanted to buy. Thus no currency could as a practical matter rise above or fall below its standard price by more than about the cost of delivering the right amount of gold. For if it did, traders could make profits by buying gold and delivering it. The limits of these margins of rise or fall in the exchange value of a gold-standard currency, therefore, came to be known as its gold points.

HOLD THAT GOLD!

And what was supposed to happen in the country whose gold might thus be drained away? Plenty; for the loss of gold was looked upon as so dangerous that if not checked it might become disastrous. Measures of increasing severity were to be taken until the loss of gold was stopped or reversed. First, the interest rate on money borrowed from the central bank was raised a little. This was expected to cause a rise in interest rates elsewhere in the country, and so to discourage borrowing, either for domestic business or for the purpose of paying for imports. It might also cause people or banks in other countries to exchange some of their money for that of the deficit country, in order to profit by the higher interest rates or to buy bargains in securities. Thus pressure might be created for gold to move in the opposite direction. If this first increase of the central-bank rate did not produce the desired results, another, and still another and another would be tried.

If perchance the commercial banks were so well supplied with reserves that they could go on lending at rates unrelated to those demanded by the central bank, open-market operations (especially in the U.S. and England) might be resorted to. That is, the central bank would proceed to mop up the other banks' reserves by selling them securities (usually government bonds) for which they had to pay with their reserve funds, at prices they could not afford to refuse. After this the other banks might have to borrow from the central bank, and in any case they could be counted upon either to charge higher rates for loans to their customers or to restrict credit.

All this was to be deliberately calculated and done for

[Continued on page 170]

BLUEPRINTS OF VICTORY

now flow from Boards which
conceived America's Industrial Leadership



To design engineers, accustomed to overcoming mechanical obstacles in their stride, the Axis was just another problem for them to lick.

So they reached into their bag of tricks...the old American "know-how"...and came up with a thousand nightmares for the Axis dream.

And in designing these mighty weapons they naturally called on one of their chief stocks in trade—dependable Hyatt Roller Bearings, to help them in the job.

For that reason, you'll find Hyatt Roller Bearings built into the tools of fighting as well as farming, into tanks as well as trucks, into ships as well as machine shops, into warplanes as well as war workers' cars...carrying on their uninterrupted fight against friction and wear, making possible better design and, of course, the better performance which goes with it.

Hyatt Bearings Division, General Motors Corporation,
Harrison, N. J.

HYATT BEARINGS



GENERAL MOTORS

HYATT ROLLER BEARINGS

The World Bank Proposals

[Continued from page 168]

the purpose primarily of putting the gold-losing country into a position to increase its exports and cut down on its imports, and thus to check or reverse the flow of gold. The loss of gold was at least presumptive evidence that the country had been living beyond its means internationally (although the loss might have resulted from something else—e.g., capital movements, or speculation). And inasmuch as this loss would also force a reduction of the domestic money supply, harsh sacrifices were demanded, at least temporarily, for the sake of financial health later on. Incomes and prices were to be forced down. When prices fell, foreigners would want to buy more of the country's goods; and when incomes were reduced, the people at home could not afford to buy so much, either of imported articles or of domestic goods, which might then be sold abroad. The time had come for tightening the belt, putting the financial house in order, getting into a sound position, and so on. If necessary the country was to be inflicted with severe depression and unemployment, for no matter how disastrous the other economic consequences, the gold supply had to be preserved and restored.

PRACTICE IS THEORY

Now the sequence of events just described has always been for the most part pure theory. In practice no country has ever carried it grimly to its logical conclusion. It subordinated internal economic policies to the uncertainties of international finance. And it made a country's money supply dependent not only on the accidents of gold discovery and the technological progress of the mining industry, but on that country's ability to get and keep gold as well. Financial history during the past five hundred years, in fact, has been made dramatic chiefly by gold discoveries, by inventions to improve the efficiency of gold mining, and by violent international movements of gold—accompanied by desperate measures to prevent them.

Following the voyages of Columbus in the fifteenth and sixteenth centuries, gold discoveries in America increased the money supply of Europe and ushered in an era of prosperity until then unexampled. More recently, in Australia, in California, in Russia, in Alaska, and in South Africa, the discovery of gold in each instance had similar results, extending largely throughout the world. Development of the cyanide process in 1887, whereby the cost of gold extraction was greatly reduced, had the same effect.

In between times, however, the money supply in various countries would run short. And then hard times would set in, as in America during the years before the gold rush to the Yukon at the end of the nineteenth century—even though apparently there was available everything required for prosperity but gold. After the outbreak of war in 1914, the disruption of world trade caused wide-spread suspension of the international standard. And since then no modern government has dared to cause the suffering that rigorous adherence to gold, internally, would have entailed in time of severe depression.

There are two principal reasons why so many countries have set so much store by the gold standard, for such long periods of time. In the first place, until recent years only a handful of people have understood what a powerful instrument the commercial-banking procedure is. Most of those who did—and this is the second and more important reason—were afraid of it. The "sound-money" men knew that the procedure could

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The World Bank Proposals

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be used to create not only just enough money for the needs of trade but also a great deal more than enough, so much that calamitous inflation and widespread financial disorder might ensue. They were convinced that men's judgment could not be trusted to use so potent a mechanism as commercial banking without the impersonal restraints of the gold standard.

Something like this, it will be recalled, was the climate of opinion about money, more or less throughout the world, until the war of 1914-18. Since then all sorts of things have happened. Among other things, Great Britain, usually thought of as the inventor of the international standard, went off gold in 1914; got back on, through a strenuous effort and subsequent sacrifices, in 1925; and went off again, this time probably for keeps, in 1931.

OUTGROWING THE GOLD FETISH

Never again may any advanced industrial country be expected to submit to the strait-jacketing of anything so easy to break out of as the gold standard. And if important countries are off gold internally, the standard will not function externally.

Even in its heyday the international standard had to be extensively managed by the bankers of London. They utilized short-term credits and the other devices of modern commercial banking to maintain equilibrium in international financial transactions. Other institutions arranged long-term loans or investments when normal trade did not result in restoration of a state of balance. Actually there was seldom occasion for any considerable movement of gold. And the international standard worked very well, on the whole, simply because nothing much was demanded of it. When severe strains came it broke down. Countries losing their gold supply stopped gold payments; although even so most of the world's supply has since piled up in the U.S.

And yet, it is important to remember, the procedure associated with the international gold standard remains valid. For it is in essence the commercial-banking procedure. It has been used successfully and safely since 1931 by Great Britain and a number of other countries without even the pretense of a gold standard. It is the procedure, in fact, that must be utilized in the future, but without the strangulating effects of dependence on the quantity and location of the world's gold supply. Full international use must be made of it hereafter, much as the British bankers used it in the nineteenth century, although it will be of necessity more comprehensive as well as more formal than in the past. And above all it must be made to function safely and well, whether the various countries have any gold or not. For it must be used in full awareness of the precept that what matters is not possession of gold but the production and distribution of the goods and services needed for enrichment of the life of mankind.

British bankers, for obvious reasons, cannot be expected in future to assume sole responsibility for the operation of a worldwide commercial-banking system. Indeed it is unlikely that any single country could hope to assume such responsibility again—not even the U.S. A new arrangement, free of the gold fetish but still based on the procedure associated with the old gold standard, will be indispensable in any case.

Very well then, it is in order to inquire: If we must have a new arrangement, just what could we count upon it to do? If more will be required to solve the world's economic problems,

[Continued on page 174]



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The World Bank Proposals

[Continued from page 173]

is not the monetary scheme getting the cart before the horse? What will quiet the fears of those who used to rely on gold's impersonality? And anyhow, what would participation in such an arrangement be likely to cost the U.S.?

HOW THE NEW SCHEME MIGHT WORK

As starting point for trying to answer these questions, let us imagine for a moment that a new institution based on the best scheme that can be devised is in actual operation—calling it for convenience the "World Bank," (deliberately ignoring the differences between the British and American and other schemes on the assumption that they will be ironed out).

Along with a number of other countries sufficient to give promise of successful inauguration of the plan, the principal United Nations have agreed upon the original charter or other legal instrument required—with some kind of world court, perhaps the one that now exists or some modification or adaptation of it, having jurisdiction. It is understood, moreover, that these nations are to stay united and that the most powerful of them will give the new institution their full support. In addition to containing the necessary rules and regulations, the basic agreement includes the rates of exchange to be established provisionally among the currencies of all participating countries. These are expressed in terms of *Bancor* or *Unitas* (unless, as is devoutly to be hoped, a better name is invented). They will in all probability have to be subject to some readjustment later on, but they must be fixed at least temporarily before the World Bank can commence business.

The mechanism thus established is supplementary to existing international monetary arrangements. Banks and traders as well as governments will go on operating as in the past, the central banks or treasuries making use of the new institution only when the existing arrangements prove inadequate to maintain stability of the exchanges. Even metallic gold may continue to play a considerable role, especially in countries that produce it and in the various undeveloped areas of the earth. In fact, the American plan (no doubt with the hoard of gold buried in the ground at Fort Knox in mind) gives it a place of considerable prominence. Gold will continue to be used much as in the past, as long as any country wants it badly enough to exchange really valuable goods and services for it. But any country that so desires can ignore its existence as far as monetary arrangements are concerned.

At the start the World Bank may or may not have a supply of capital. If it has, as suggested in the American plan, it buys and sells the currencies of the participating countries and in effect receives deposits from and makes loans to the central banks or treasuries (rather than individual customers). The transactions take place in accordance with modern commercial-banking procedure, and all credits or debits are expressed in the international currency. If the institution starts with no capital, as in the British scheme, it also in effect makes loans and creates deposits, setting up debit balances through "overdrafts" against some countries and corresponding credit balances in favor of others. The two methods of procedure actually come to the same thing in the end.

Each participating country has been assigned a quota that forms the basis and sets the limits for the amount it is permitted to borrow. The loans—and this is a matter of crucial importance—are of short term, being intended only to rectify

[Continued on page 176]



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The World Bank Proposals

[Continued from page 174]

a temporary condition of imbalance in a country's financial relations with the rest of the world. Each such credit transaction is for the sole purpose of providing a period of time in which the underlying causes of the condition of imbalance can be dealt with.

This matter of extending credit to the countries wishing to borrow is manifestly the thing that in actual operation will determine the success or failure of the World Bank. Something to take the place of the total but automatic (and theoretical) action of the old gold standard must be used effectively; else some countries might find it easy to go on indefinitely living beyond their means internationally at the expense of others. Consequently the basic agreement not only places a limit upon the amount that any country can borrow, but provides certain penalties for overborrowing and for prolonged indebtedness as well. Furthermore, the World Bank may recommend to the chronically borrowing country such measures as are deemed necessary (short of slavery to gold) to correct the underlying causes of its deficit position. If the recommendations are not followed, the country in question may be denied further use of the World Bank's facilities; and as a last resort it may be in effect expelled from membership in the institution. As nearly as it can be done at all, these provisions will have to allay the fears of those who are reluctant to abandon gold.

But the corrective measures are not limited to the borrowers only. Countries that constantly build up and maintain unduly large credit balances are also urged to make use of them, and recommendations are made as to just how. Under the British plan an interest charge, increasing as the amount of the balance goes up, is made for credit balances as well as for debit balances. Under either plan it is expected that constant pressure will be applied at all times to the participating countries, creditor as well as debtor, to keep their international financial accounts in reasonable equilibrium.

The World Bank itself is not empowered to correct the fundamental causes of imbalance. It calls attention to them; and out of the knowledge of world conditions at its disposal it indicates the measures required. But application of such measures is a matter for the participating countries themselves and probably for another kind of international institution dealing with long-term loans and investments.

MUCH MORE IS REQUIRED

In the presentation of both the British and the American schemes, it is recognized that the new institution will not be all that is required to solve the world's economic problems. The British plan goes into some detail in describing what else will be needed. The American plan clearly implies substantially the same. Among the other things required, the principal ones are:

1) Measures for immediate relief and reconstruction after the war. Probably these will involve large financial outlays that must be outright gifts, perhaps through the technique of lend-lease. Possibly they might take the form of loans; but if so, these would be of such long term that they would not be suitable for the World Bank. They would merely "freeze it up" before it got well started.

2) Some arrangement to minimize fluctuations in the prices of international commodities.

3) A new arrangement or institution for making long-term

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capital loans or investments in undeveloped countries. This may be required in the case of some of the countries that tend to be chronically in debt to the World Bank. If they are to get into a position where they can maintain a balanced condition undisturbed, they will have to be helped initially to develop their resources and increase their productivity. Otherwise, either their standard of living will have to come down or in one way or another their population will have to be reduced.

4) Greater freedom of international trade. It is clear beyond question that those countries that tend to be always in a strong creditor position, and to build up excessive credit balances at the World Bank, must permit the debtor countries to pay their debts. And we in the U.S. especially must understand that this, as a matter of hard fact, can be done only in goods or services rather than money. Consequently, import restrictions must be removed and tariff barriers throughout the world must be lowered, as rapidly as the necessary accompanying adjustments in the several countries can be made.

5) Parallel antidepression policies in the principal participating countries. This will be indispensable, particularly for the U.S., whose internal economy is so important internationally that uncoordinated action at home would be quite certain to have repercussions all over the world.

THE CART AND THE HORSE

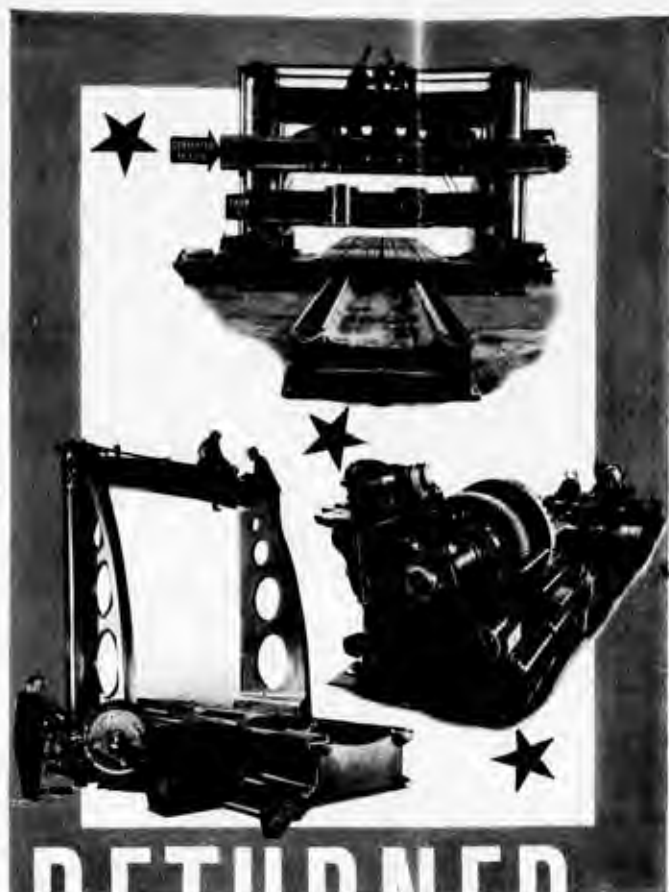
It has been strongly argued, since the American and British plans were announced, that attainment of exchange stability will be impossible until many other things are accomplished. Not only the conditions outlined above, but also a high degree of internal economic stability and fiscal and financial soundness for the participating countries, have been urged as prerequisites for the World Bank. This, of course, brings us back to the question of the cart and the horse.

Now the fact appears to be that all these various things have got to be accomplished before there is economic health in the world. And until there is economic health in the world, no arrangement for stability of international exchanges can be expected to operate successfully for long. But it is equally clear that without exchange stability these other conditions cannot be fulfilled. Indeed the whole problem might be envisaged as a circle that threatens to become vicious, unless somebody has the courage and imagination to lay hold of it somewhere and break it. Actually the cart-and-horse figure of speech is irrelevant; for it is impossible to know for sure from time to time just which is the motive force and which the thing to be moved. At the very start, however, the exchanges must be stabilized, even if only temporarily; although this must be done in full certainty that they will not remain stable if the underlying causes of instability are allowed to develop and are not within a fairly short time removed.

WOULD IT COST US MONEY?

What would setting up and participating in the World Bank cost us? In material terms, if the plan is successful, it will cost us nothing. On the contrary, in the course of time it may be expected to bring us very large benefits. If it should prove to be a failure, we might lose a good deal of money—or rather the claims to money due us for exported goods and services—just as we have already lost enormous sums during the past

[Continued on page 180]



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The World Bank Proposals

(Continued from page 179)

three decades, to Germany and Latin America, for example. Certainly there are risks in any sort of financial arrangements involving credit. The important question now is, what are the chances of success or failure of the proposed World Bank?

Most important of the dangers of failure, as regards our own possible losses, is in connection with the credit balances we are likely to build up in the early years of the Bank's operation. Whatever the long-run prospects, it is highly probable that for some period following the war the U.S. will have a large excess of exports over imports of goods and services. If so, we shall be tending to build up unwieldy credit balances of Bancor or Unitas. This state of affairs, it should be remembered, would not differ essentially from our position during the past quarter of a century. But there is a technical difference that might become very important, especially if the World Bank does most of the international banking business. In the past foreign balances were scattered and few people knew where they were and how much they amounted to. If they were in the World Bank, all of them would be lumped together in one place and expressed in terms of one currency. The facts as to the position of every country would be made public periodically, and consequently everybody who had any interest in the matter would be warned of the developing problem.

Not only would the World Bank recommend measures whereby the credit balances might be utilized; it could also, through its knowledge of economic and financial conditions all over the world, indicate just where the most promising opportunities for sound use were to be found. Such use, in addition to payment for increased imports of goods or services from some part of the world wishing to sell, might of course consist of lending or investing the funds at long term in some country where the transaction would be of benefit to everybody concerned. In consideration of all these possible benefits, therefore, it seems fair to say that the risks of material loss through participation by the U.S. in the new institution would be substantially less than they would be if we tried to continue on the prewar basis. In any event we shall lose our foreign balances unless we permit foreign countries to pay them in goods or services. And so in reality the success or failure of the new institution will be largely up to us.

AND SOVEREIGNTY?

The only other cost to us of the World Bank, then, would be in terms of giving up some of our freedom of action. This is the old troublesome question of sovereignty, which just now, because of the tendency to muddleheaded and parochial thinking on the subject, is one of the gravest dangers threatening the future peace and prosperity of the world.

In all association and intercourse among men and nations, certain fundamental rules have to be worked out and adhered to. To call this a surrender of sovereignty does not make very good sense. It is true, of course, that no individual or group or nation should ever be asked to submit to limitations of freedom of action except when necessary to avoid impairing the freedom of others or causing general disorder. But in such cases the voluntary surrender by everybody of some freedom is nothing more than the common-sense avoidance of anarchy. To insist otherwise would be tantamount to arguing for complete irresponsibility of behavior in an overcrowded world—of the sort that could only go on producing the kind of chaos we have had for thirty years.

SEP 27 1943

My dear Senator:

In response to your request of September 20, 1943, two copies of the latest draft of the tentative proposal for an International Stabilization Fund are enclosed.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Pat McCarran,
United States Senate.

Enclosure

SP/Kim
9/29/43

WALTER H. HALL, JR., CHAIRMAN
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United States Senate

COMMITTEE ON APPROPRIATIONS

September 20, 1943

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

My dear Mr. Secretary:

I shall appreciate it very much if you will furnish me at your convenience with two copies of the full text of the latest draft of the Treasury Department's proposed plan for postwar international currency stabilization.

Thanking you in advance for your kindness in this matter, I am,

Sincerely,
Tat M. Carran

RECEIVED
SEP 21 1943
U.S. SENATE
COMM. ON APPROPRIATIONS
RICHARD C. CARROLL

TRANSLATION

MINISTRY OF FINANCE AND PUBLIC CREDIT

Mexico.

September 27, 1943.

Excellency:

It was a great pleasure for me to receive the courteous note which you sent me under date of September 14, and I am pleased to express to you my gratitude for the enclosure, which you found it convenient to send me, consisting of the revised draft of the initial proposal relating to the International Stabilization Fund, a document which contains the suggestions formulated respectively by the technical experts designated by the Treasury Department of the United States Government and by those designated by the Ministry of Finance of the Mexican Government, Messrs. Espinosa de los Monteros^{and} Gomez, as well as the suggestions proposed by experts of other countries.

I thank you cordially for the expressions of opinion in the note to which I am replying, and I wish to state to Your Excellency that my Government is giving careful consideration to the revised draft of the initial proposal relating to the International Stabilization Fund. I promise to communicate with you later on this matter. I note that Your Excellency intends to keep me informed of whatever occurs in connection with the proposals relative to international monetary cooperation, for which I also am grateful.

Sincerely, I remain, etc.,

(Signed) Eduardo Suarez.

His Excellency, Henry Morgenthau,
Secretary of the Treasury of the
United States of America,
Washington, D. C., U.S.A.

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Information received up to 10 a.m. 27th September '43.

1. NAVAL

Convoy from Middle East containing personnel of 8th Indian Division arrived Taranto 24th. Port of Salerno reopened and 2 coasters are discharging. Port party arrived Bari 23rd and found port in good order. Italian authorities co-operating. 2 destroyers patrolled off Corfu on 25th/26th to stop enemy supplies. 19 survivors of an Italian torpedo boat were picked up.

CORSICA

A British tank landing ship with tanks and two ships with stores for the French Army arrived at Ajaccio on 25th.

DODECANESE

During an air raid on Leros yesterday morning a Greek Destroyer was sunk and one of H.M. Destroyers was hit. 2 further raids in afternoon when the British Destroyer was again hit.

2. MILITARYITALY

On 26th further advances by 5th Army towards Avellino were delayed by broken bridges. Lilli and Teora on road about 15 miles east of Avellino have been captured. By evening forward patrols of 78th Division were 2 miles south of Manfredonia on the coast and a similar distance from Foggia. By evening 25th Canadian Reconnaissance elements reached River Ofanto south west of Canosa and other Canadians were in touch with the enemy at Rionero.

CORSICA

Germans have been compelled to leave Bonifacio and Porto Vecchio in the south and Murato in the North.

DODECANESE

Patrols on 25th reported no Germans in the Islands of Piskopi, Khalkhia or Alimnia north west of Rhodes.

RUSSIA

See D.D.M.I's telegram to Military Attache.

3. AIR OPERATIONS.WESTERN FRONT

26th. Escorted Fortresses dropped 104 tons with good effect on Junkers Aircraft-Assembly Factory at Rheims. Three crashed, one crew saved.

10 Mustangs, 2 missing; attacked transportation targets in Northern France.

26th/27th. Aircraft despatched, Duisburg 4, Cologne 3, Aachen 3, Leaflets Northern France 4, Intruders 3. (One enemy aircraft destroyed over Holland)

Italy. 24th (additional) Medium and fighter bombers dropped 153 tons on road and railway junctions in the Naples area and on 25th dropped 337 tons on similar objectives.

24th/25th. Wellingtons bombed small craft at Leghorn, dropping 107 tons.

25th. Fortresses dropped 269 tons at Bologna 35 tons at Bolzano, 15 tons at Verona.

In all above operations enemy casualties 3.1.0. Allied 10.1.4, -- but some bombers may yet come in.

Corsica, 24th. 20 Beaufighters intercepted a further 44 enemy transport aircraft. Enemy casualties 7.2.4(all JU 52). Ours 3 missing. Mitchells hit with 75 M.M. shells a large escorted transport off the east coast. Others dropped 54 tons on Bastia Airfield.

Dodecanese. 25th. Beaufighters bombed a destroyer aground off southern point of Rhodes starting fires in the ship which appeared badly damaged.