

Diary

Book 695

January 18-21, 1944

- A -

	Book	Page
Annual Assay Committee		
See Mint, Bureau of		
Assay Committee, Annual		
See Mint, Bureau of		

- C -

Canada		
War-Treasury correspondence concerning cancellation of certain contracts - 1/19/44.....	695	202
Navy-Treasury correspondence concerning cancellation of certain contracts - 1/26/44: See Book <u>696</u> , page 233		
Gold and dollar holdings as of November 30, 1943 - 1/19/44.....		203
a) Maritime Commission-Treasury correspondence concerning - 1/26/44: Book <u>696</u> , page 243		
Contracts - review of all now outstanding - 1/25/44: Book <u>696</u> , page 107		
Cincinnati, Ohio		
See Speeches by HMJr		
Comptroller of the Currency		
Interest Payments on Demand Deposits		
See also Book <u>689</u>		
Testimony of Comptroller before House Banking and Currency Committee discussed in Bell memorandum - 1/20/44.....		268
Conference; present: HMJr, Bell, Gaston, and Delano - 2/1/44: Book <u>699</u> , page 14		
a) Discussion of bill introduced by Representative Brown (Georgia) regarding Regulation "Q" of Federal Reserve Board		
Correspondence		
Mrs. Forbush's mail report - 1/21/44.....		314

- D -

Demand Deposits, Interest Payments on		
See Comptroller of the Currency		

- F -

Financing, Government		
Maturities on February 1 discussed by HMJr, Bell, Haas, Lindow, and Murphy - 1/19/44.....		119,184
a) Authorization by FDR - 1/21/44.....		313
b) Announcement - 1/24/44: See Book <u>696</u> , pages 36,38		
c) Subscription books closed - 1/26/44: Book <u>696</u> , page 257		
d) Final subscription and allotment figures - 2/1/44: Book <u>699</u> , page 84		

- F - (Continued)

	Book	Page
Financing, Government (Continued)		
Non-essential Expenditures, Joint Committee on Reduction of Penalty Mail: HMJr's attitude toward later returned by Committee) - 1/18/44.....	695	79
a) Second letter sent - 1/21/44.....		310
Frank, Aaron M. Telegraphs regrets - (January 14, 1944).....		309

- I -

Inflation		
Stuart, James L. (Sewickley, Pennsylvania), plan to curb sent to Treasury by Mrs. FDR - 1/18/44.....		86
Inter-American Financial and Economic Advisory Committee Ness, Norman T., to represent Treasury on - 1/19/44...		199
Interest Payments on Demand Deposits See Comptroller of the Currency		

- L -

Lehman, Herbert H. FDR brings him up to date on refugee work - 1/18/44...		104,106
Lend-Lease Purchases Report for January 18, 1944.....		95
"      "      "      "      25, 1944: See Book 596, page 113		
United Kingdom: Federal Reserve Bank of New York statement showing dollar disbursements, week ending January 5, 1944 - 1/18/44.....		97

- M -

Mint, Bureau of Annual Assay Committee as approved by FDR - 1/21/44...		302
Morgenthau, Henry, Jr. "Profile" article in <u>New Yorker</u> : Gaston to be mentioned prominently - HMJr's orders - 1/19/44.....		196

- N -

Ness, Norman T. See Inter-American Financial and Economic Advisory Committee <u>New Yorker</u> For "Profile" article see Morgenthau, Henry, Jr.		
---	--	--

- P -

Penalty Mail See Financing, Government: Non-essential Expenditures, Committee on Reduction of		
---	--	--

- R -

	Book	Page
Refugees (Jewish)		
License issued by Treasury to Joint Distribution Committee and license issued by Harrison to Riegner, of World Jewish Congress: Paul outlines plan to reconcile - 1/18/44.....	695	48

- S -

Sewickley Plan		
See Inflation		
Speeches by HMJr		
Cincinnati War Bond speech discussed by HMJr, Gaston, and Smith - 1/19/44.....		129
a) HMJr's notes for - 1/20/44.....		207
b) Press release.....		219
Stuart, James L. (Sewickley, Pennsylvania)		
See Inflation		

January 18, 1944  
9:45 a.m.

GROUP

Present: Mr. Beil  
Mr. Gaston  
Mr. Sullivan  
Mr. Blough  
Mr. Haas  
Mr. Thompson  
Mr. O'Connell  
Mr. Bernstein  
Mrs. Klotz

MR. GASTON: Were you in New York for this?

H.M.JR: Oh, yes, sure. (Referring to the broadcast which opened the Fourth War Loan Drive)

MR. GASTON: I thought you were going to do it here.

H.M.JR: You couldn't do a thing like that here. No, that was technically the most difficult program ever put on the air, with all those tie-ins, and everything else.

MR. SULLIVAN: It was well done.

MR. GASTON: It must have been.

H.M.JR: Never have been so many tie-ins, and the music, and everything.

MR. GASTON: Was Bing Crosby introduced at all?

H.M.JR: No, that is a new technique. They have never done it before.

- 2 -

MR. GASTON: I thought it was good.

H.M.JR: They rely on the time - and then you hear Bing Crosby talking.

MR. GASTON: Nobody said, "This is Bing Crosby," at all. He introduced Jinny Simms, and that was nice.

H.M.JR: The girls in the house thought he was right in the studio. That was all quite new.

MR. GASTON: But the unusual thing is not introducing him - not naming him at all.

H.M.JR: It was wonderful the way Nimitz came in. That was a live broadcast. The only thing that went wrong was very funny. It was the only time Paul Dudley got excited - everybody was excited. For each Governor they had a stand-in.

MR. GASTON: Yes, I heard the stand-in.

H.M.JR: When the Governor didn't come in right away, the stand-in began to talk.

MR. GASTON: There was a little double-talk there.

H.M.JR: I thought Paul Dudley was going to throw the whole music stand out.

MR. SULLIVAN: I thought that was some maladjustment in the hookup.

MRS. KLOTZ: Everybody thought that.

H.M.JR: I have never seen this stand-in business before.

MR. GASTON: I couldn't quite figure it. I wondered whether they had a record. They weren't

- 3 -

synchronized well enough to have been coming through two different - one chain feeding into the other. They weren't quite close enough for that.

H.M.JR: Must have been a terrific hookup.

I think the nicest compliment I had was from my Negro chauffeur, who met me at night at the airport. He said, "My wife said it was swell." He says - "Why, she says you are just as good as Frank Sinatra." (Laughter)

I said, "Does your wife like Frank Sinatra?"

"Oh, she is crazy about him."

MRS. KLOTZ: Then he swooned.

H.M.JR: I enjoyed it. Everybody was worried I was going to get so tired. I had the time of my life. Everybody knew his business. They knew what they had to do.

They didn't feel that the engineer was too good who did the mixing of the voices. I couldn't hear it, but they felt that Jimmy didn't come up enough.

MR. SULLIVAN: He did here, I thought.

MRS. KLOTZ: I thought it was my radio at home.

MR. GASTON: I don't think the mixing was good.

H.M.JR: They didn't feel that Jimmy came up enough.

MR. GASTON: Too much of a flatness and dead-level on the voices.

H.M.JR: They didn't feel that the fellow who did the noises was too good.

- 3 -

synchronized well enough to have been coming through two different - one chain feeding into the other. They weren't quite close enough for that.

H.M.JR: Must have been a terrific hookup.

I think the nicest compliment I had was from my Negro chauffeur, who met me at night at the airport. He said, "My wife said it was swell." He says - "Why, she says you are just as good as Frank Sinatra." (Laughter)

I said, "Does your wife like Frank Sinatra?"

"Oh, she is crazy about him."

MRS. KLOTZ: Then he swooned.

H.M.JR: I enjoyed it. Everybody was worried I was going to get so tired. I had the time of my life. Everybody knew his business. They knew what they had to do.

They didn't feel that the engineer was too good who did the mixing of the voices. I couldn't hear it, but they felt that Jimmy didn't come up enough.

MR. SULLIVAN: He did here, I thought.

MRS. KLOTZ: I thought it was my radio at home.

MR. GASTON: I don't think the mixing was good.

H.M.JR: They didn't feel that Jimmy came up enough.

MR. GASTON: Too much of a flatness and dead-level on the voices.

H.M.JR: They didn't feel that the fellow who did the noises was too good.



- 4 -

MR. GASTON: Did they actually have the jet-propelled plane, or did they use an air hose?

H.M.JR: That actually came from the island where the plane is. Some people liked that; I didn't care so much for that.

MRS. KLOTZ: It didn't mean anything.

MR. SULLIVAN: Not a thing.

MRS. KLOTZ: It could have been done right in the studio.

MR. SULLIVAN: I think if people had ever seen one of those planes and then heard it, it might mean something.

MR. BELL: I thought they were going to broadcast from the plane for awhile. That would have been good. But just to hear the engine didn't mean anything.

MR. GASTON: As far as the sound effect was concerned, it was just exactly the same as a fellow opening a steam valve and letting steam escape.

H.M.JR: Paul Dudley couldn't stand the noise any longer, so he turned on the music. After awhile he said, "My God," and he gave Broekman a signal.

MR. GASTON: Didn't wait for them to take off?

H.M.JR: No, he couldn't stand the noise.

MR. GASTON: They were just warming up the engines.

MR. BELL: Were they supposed to take off?

H.M.JR: Yes, but the director couldn't take it.

It was good fun.

- 5 -

MR. GASTON: There would have been much more of a burst of sound when they took off, I should think.

MRS. KLOTZ: I felt Admiral Nimitz was too long.

MR. SULLIVAN: He had a flat voice, too.

H.M.JR: Of course, the interesting thing is - you realize I never sold a bond through the whole program, and let Eisenhower do it.

MR. GASTON: I noticed that. °

H.M.JR: I was purely--

MRS. KLOTZ: Secretary of the Treasury.

H.M.JR: No, I wasn't; that was the point.

MR. GASTON: You were just Frank Sinatra. (Laughter)

MR. SULLIVAN: Maybe that wasn't Bing Crosby singing.

MR. GASTON: Maybe it wasn't. It was not identified.

H.M.JR: Henry wants me to do a musical, next time. Do you remember when we started three or four years ago and I went to that bankers' advertising club? Coolidge was walking ahead of me and turned to Young and said, "Do you know what the Treasury has done? Can you imagine the U.S. Treasury - they have got a song by a man named Irving Berlin, selling bonds!" He said, "Have you ever heard anything so disgusting?"

MR. BELL: Jeff Coolidge?

H.M.JR: Yes. He said, "Imagine sinking so low!" I wonder what he said last night?

MR. GASTON: I wanted to get one of those Frank Sinatra records and have them play it, because I suspect that this woman's account may have something in it. His voice may be pretty close to yours. (Laughter)

- 6 -

I am talking about his speaking voice. As I recall, it has about the same quality.

H.M.JR: Don't pull my leg. Old Man Tentacles, now.

MRS. KLOTZ: I have never heard him, so I don't know.

MR. GASTON: His speaking voice is a fairly heavy baritone voice, as I recall.

H.M.JR: What else have you got besides radio business?

MR. GASTON: Well, there are some men in town to visit you this morning.

H.M.JR: They tell me I am going on the Hill at eleven o'clock to sell some bonds. Right after this I can see some men. And if you two guys (Sullivan and Gaston) will be at lunch with me - with Hannegan-- I will work on this right after.

MR. GASTON: Three men are standing by.

H.M.JR: We will take them.

MRS. KLOTZ: This is your program. This is what you are supposed to be doing (hands the Secretary a letter concerning agenda at the Capitol).

H.M.JR: Well, I just go to Colonel Halsey's office at eleven and his secretary will tell me what to do.

MRS. KLOTZ: There is an attachment there. Then there is something for you to read.

H.M.JR: What do I do at the House of Representatives?

MR. BELL: This is all combined, as I understand it.

- 7 -

MRS. KLOTZ: They are coming over.

MR. BELL: It is all one group, so you only have to go one place.

H.M.JR: O.K.

MR. BELL: Fred may want to look at what you are going to say on that movietone.

MR. SULLIVAN: I understand that you had some conversations with the boys about approving liquor labels, and you said that you wanted to pass on each one, personally.

H.M.JR: No, I changed that.

MR. SULLIVAN: Well, is it all right for them to go ahead?

H.M.JR: I told Harold Graves - no, I released them. I forget - I gave them very explicit instructions.

MR. SULLIVAN: No label is to be approved which contains the word "imitation," I think, is one of the things. And no approval of concoctions of whisky that has rum rather than neutral spirits.

H.M.JR: That is right.

MR. SULLIVAN: They get about one hundred and fifty a day for approval.

H.M.JR: No, I only held it up one day.

MR. SULLIVAN: He wasn't quite--

H.M.JR: Who is "he"?

MR. SULLIVAN: Harold Graves.

- 8 -

H.M.JR: I repeated it four times.

MR. SULLIVAN: He thought it was, but he wasn't sure, so he asked me about it.

Yesterday Patman testified on a bill which would turn over--

H.M.JR: I read it and I have a note to take it up.

MR. SULLIVAN: ...to RFC - they called us up. I was with Dan about quarter past ten when we got the call. I talked with Hancock, who had some doubt as to our going up. I talked with Clayton, who said that he was very much against this, and Jones was, and Jones had already testified that the Treasury should handle consumers' commodities. Then I got hold of Patman. He said it wouldn't be necessary to be there that day, that the hearing would go on all week.

Some of the statements made at the hearing were pretty bad. We are getting a copy of the transcript this morning. Joe had Dave Speck up there. They were in the clear insofar as we know, on everything that they talked about. I will go up tomorrow or the next day.

H.M.JR: Last night's telegram on the front page said that Patman said how inefficient Procurement is, and so forth and so on.

MR. SULLIVAN: That is right.

MR. BELL: Making the same mistakes in this war as we made in the last.

H.M.JR: Who is going to see Patman?

MR. SULLIVAN: I am.

H.M.JR: Good. Today?

- 9 -

MR. SULLIVAN: As soon as I get all the facts - either today or tomorrow.

The idea, of course, is to throw all this to the RFC.

H.M.JR: You can't tell me the RFC isn't needing Patman to do this.

MR. SULLIVAN: I think Clayton is on the level, sir.

H.M.JR: He may be, but how about Jesse?

MR. SULLIVAN: I don't know.

MR. HAAS: He is in Texas, isn't he?

H.M.JR: Sure.

MR. SULLIVAN: There are telephone lines, of course.

MRS. KLOTZ: He broke his leg.

H.M.JR: Talking about breaking your leg--

MR. GASTON: Mine?

H.M.JR: Not yours.

Would you get hold of Langer's testimony yesterday and try to make head or tail out of what he said about Ickes? I read it in the Tribune. It looks as though Ickes was at the bottom of this Hopkins letter.

MR. GASTON: What he read was some letters appearing to indicate that a man named Briggs who worked over there in the Interior Department, as Assistant to the Secretary, had written some letters to a man named Phillips in Texas about this letter, and that he had gotten a copy of this letter, that he had given a copy to Ickes, and that Ickes kept it for sometime and finally gave it back to him. The inference is--

- 10 -

H.M.JR: What is the inference?

MR. GASTON: That Briggs dug up this letter, Briggs in Interior.

H.M.JR: That is what I got, but it was so garbled.

MR. GASTON: But what it suggested to me was the possibility that this man Briggs may be the author of the thing. But this is Sparks' defense that Langer was making.

H.M.JR: Have you read Langer's testimony?

MR. GASTON: No, just the story in the morning paper.

H.M.JR: Would you mind sending for it?

MR. GASTON: I will get ahold of it.

MR. O'CONNELL: Was it on the Floor of the Senate?

MR. GASTON: Yes.

MR. O'CONNELL: I will get you yesterday's Congressional Record.

H.M.JR: It looks awfully "phoney."

MR. GASTON: Ickes says, "Of course, I know Briggs, but I never heard of any such letter. I know none of these other people."

H.M.JR: I would hate to have that happen in my office.

MR. GASTON: Nothing from Briggs as to whether - that is the next. The newspapermen should be on that today, to sweat out this fellow Briggs.

- 11 -

H.M.JR: Sounds awfully dirty to me, knowing how Ickes hates Hopkins. I told the President the other day that he ought to follow the Russian custom from now on. We open all Cabinet meetings with vodka. Each Cabinet Member drinks a toast. By that time we ought to have a good Cabinet meeting.

MR. SULLIVAN: At least a frank discussion.

MRS. KLOTZ: Some of them will take their hair down.

MR. SULLIVAN: I sent you a report on the Disposition of Surplus Materials. The form of the report is pretty bad, but I sent it to you anyway. I have changed that, and I think you will be able to get, at a glance, just what is going on, which you will get every two weeks.

H.M.JR: Right.

MR. SULLIVAN: That is all I have, sir, except that I have heard from Stewart Berkshire. He is down in Miami running that show. He has got twenty-four men down there.

H.M.JR: Any pay dirt?

MR. SULLIVAN: Yes, nine cases where they are sure of indictment right now. There will be many more - suspension of wholesalers.

H.M.JR: Can't help the question coming in your mind, what the hell does Berkshire and his gang do the other three hundred and sixty-four days of the year.

MR. SULLIVAN: No comment.

H.M.JR: O.K.



- 12 -

MR. O'CONNELL: As I started to say a little while ago, there was a meeting - it is probably still going on in Senator George's office - on renegotiation.

H.M. JR: Paul tried to tell me last night. I am just in the mood - I can't get out of my mood, today. Anything as dull as renegotiation--

MR. O'CONNELL: I don't blame you at all. I think we are all getting a little sick of it.

MR. SULLIVAN: Frankie doesn't like it either.

MR. O'CONNELL: But Randolph and Mr. Gaston and I talked a bit about it after he tried to talk with you. We then called the people in the War Department and Navy and tried to make it as clear as we could that as far as we were concerned we did not think there should be a cut-off date - the cut-off date having been adopted by the Senate Finance Committee yesterday. It isn't entirely clear what they did adopt, but under the amendment, the statute will terminate the first of January of next year, with the President having power to extend it for six months thereafter.

H.M. JR: When will it terminate?

MR. O'CONNELL: The first of January of next year. It is not clear whether they mean that any contracts let after January 1 would not be subject to renegotiation, or whether they mean that no business done after January 1, 1943 - I think they mean the latter. Of course, it is important. George says it is a detail.

H.M. JR: The thing is, no contract let after the first of January. That is what it should be.

MR. O'CONNELL: That is more logical than the other, but when George was asked which he meant he said that was a detail yet to be worked out. The purpose of the meeting this morning is to discuss the

- 13 -

amendments which the Senate Finance Committee has so far adopted to the bill.

George has been trying and has been relatively successful, it seems to me, as far as making the moves is concerned, to get us pretty much committed one way or another on the cut-off date before he has to make any concessions with respect to the major items in controversy.

The thing that we all agreed on was that it was a very undesirable thing to do and one of the reasons we were supposed to be holding the line and refusing to make any concessions to Senator George with respect to a cut-off date.

The difficulty has been, there have been so many people from five or six agencies, and every one of them conceiving himself to be a pretty good practical politician.

Half of them talk to Senator George, and I think the results have been we haven't fared as well as we should.

The meeting this morning is for the purpose of discussing the other amendments. We rather hope that all the agencies there will take the position that we are not willing to make any concessions with respect to the major items in controversy. Now, what will happen, I don't know.

H.M.JR: We will see.

MR. O'CONNELL: A week or so ago, I remember that you said that you had not yet seen one businessman who was willing to say he was in favor of renegotiation. There is a very good letter in your mail which a friend of yours sent to Senator George. I think it would be worth your reading. It will come to you this morning with a suggested reply. It came to me yesterday.

- 14 -

H.M.JR: Give him the Congressional Medal.

MR. O'CONNELL: There aren't very many.

MR. SULLIVAN: I wondered where Johnson stands on this?

MR. O'CONNELL: That is all I have.

MR. HAAS: I haven't anything.

H.M.JR: That was a very interesting report.

MR. HAAS: Thank you. We have some more.

H.M.JR: It was very encouraging. I marked up the price of my apple orchard by fifty percent after reading it.

MR. HAAS: I got interested in it myself.

MRS. KLOTZ: It is a good business to go into.

H.M.JR: Are you going to plant apple trees?

MR. HAAS: I have four dwarf ones.

H.M.JR: It is interesting how little the Department of Agriculture in any State does on the marketing problem. It is all reserve, all on how to make two apples grow where one grew before, but very little about how to market them.

MR. HAAS: Very little. That is a much more recent development. They have a Marketing Division.

H.M.JR: Is there some one fellow who follows apples?

MR. HAAS: There is one fellow over there who specialized on that in the outlook aspect of it. Then, of course, there is quite a staff over there on the marketing grades, and so forth.

- 15 -

H.M.JR: But on the outlook?

MR. HAAS: There is one man.

H.M.JR: You might have him over. Will you remind me?

MR. HAAS: All right.

MR. BLOUGH: I have nothing.

H.M.JR: I didn't see it, but Smith said there was a good editorial in the Times yesterday blaming the Congress because the blanks are so complicated, the tax forms. Did you see it?

MR. BLOUGH: I read the Times, but I don't recall seeing it.

H.M.JR: It doesn't sound like the New York Times to me, but you had better have a look at it.

MR. BLOUGH: I will.

You saw the editorial on the State Department in the Post yesterday, I hope. It is a classic.

MR. GASTON: It is a column editorial entitled "Lo! The Mouse." The mountain has brought forth a mouse.

MRS. KLOTZ: It is one of the best I have ever read.

MR. BLOUGH: I was thinking when you were talking about Mr. Coolidge and the Irving Berlin song--I was thinking about the State Department's broadcast and what the Washington Post thought about it.

H.M.JR: I am sorry I didn't hear you. Bell interrupted you.

MR. BLOUGH: When you were talking about Jefferson Coolidge and his views on selling war bonds I had to think of that State Department broadcast. You know, they have a broadcast each week now, "The Department of State Speaks." It sounds like the Alka Seltzer program or something like that. It is really quite jazzy.

- 16 -

H.M.JR: The thing that my son Henry commented on to me last night is, he said, "You know, nobody is interested any more in a public speech." He says this technique which we have been using here is so much better. You get your propaganda over. He says everybody is going to have to do it.

Smith made the suggestion--and you might think about it--of taking from a positive side the various things--the New Deal should begin with the bank holiday and have a cavalcade of the last ten years.

MR. GASTON: Yes.

H.M.JR: Because of these holy walls and shadows of all Republicans around me, I shouldn't say this, but having the National Democratic Committee doing a cavalcade of the last ten years--

MR. GASTON: Yes.

H.M.JR: Give that to Hannegan at lunch today in case they should decide to select him.

MR. SULLIVAN: That is a good one.

H.M.JR: How far did we get, as far as apples?

MR. BLOUGH: I don't think there is anything sufficiently important in the tax field to cause you any worry-- what you don't already know about.

MR. SULLIVAN: Is there any hope?

MR. BLOUGH: Or any hope either. (Laughter)

H.M.JR: Is White here?

MR. BERNSTEIN: No, sir, he was called over to the War Department to a meeting in Mr. McCloy's office. He will be back shortly.

H.M.JR: Incidentally, in the room here, it is very interesting, when McCloy was talking to me--we were doing

- 17 -

this currency, and the President refused to let the words "Republique Francaise" go on the currency, tying up with non-recognition of the Committee.

McCloy said, "You know, the thing that bothers me, in the first place, Hull is coming around towards the recognition. The Army wants it. They have got to get it. After all, when men land in France, they want to be treated as friends and not enemies." He said, "I am going to prophesy that in the not too distant future Churchill will make up with DeGaulle," which he did, "and it is going to leave the President high and dry all by himself," which is exactly what has happened. That was about a week or ten days ago, and when McCloy and I went to see him, McCloy did a beautiful job on the President. When we went over the other day, Paul, Peble, and I, he started right in.

"Why," he said, "Henry wants 'Republique Francaise' on this. How do we know we are not going to have an emperor?"

I had good luck and I got him down to the business of what we wanted to see him on. At the meeting we did put on the words, "Liberty, Equality and Fraternity." So that is now legitimate.

MR. GASTON: We haven't picked out our candidate for emperor, have we?

H.M.JR: Yes, the Duc de Paris, direct descendant of Napoleon.

MR. SULLIVAN: Now sing that song: "The legitimate daughter of an illegitimate son of the illegitimate nephew of Napoleon"!

MR. BLOUGH: "Of Thee I Sing."

H.M.JR: I thought it was, "Fifty Million Frenchmen Can't be Wrong."

Incidentally, McCloy also told me that it was the

- 18 -

Duc de Paris' gang who shot Darlan.

MR. GASTON: Somebody said that on the radio the other day.

H.M.JR: You pick up little tidbits here and there as you go around.

Also, while we are gossiping, this Captain really took the part of a rampant New Dealer. He said that Clare Luce's speech in Los Angeles was one of the vilest things that anybody ever listened to. She tried to say up and down and around that the President of the United States was responsible for unpreparedness. She said, "You mothers and wives, if you lose your sons you have just one place to blame - the President of the United States."

So I said, "Well, maybe God in His wrath will descend on her." The next day her daughter died. Terrible.

Incidentally, the Vice President of NEC is also a great movie-goer. He said, "Oh, boy, am I going to get a call from the Republican National Committee tomorrow on this speech!" He says, "Don't think we don't know what you are doing."

MR. GASTON: That is on the new Bill of Rights?

H.M.JR: The whole business. He said they were going to call him up the first thing in the morning. He said, "I am kind of fed up on it, too."

MR. GASTON: Who is this?

H.M.JR: Smith knows him. He is rampant. He says we will get a call. Oh, boy!

MR. GASTON: Niles Trammell?

H.M.JR: No. It was very amusing. It will be un-American and sabotage to the bond program--anybody who criticizes. I will get it from the McCormick press.

- 19 -

MR. BERNSTEIN: I have nothing.

MR. BELL: You can clear this refunding of two billion two hundred million in certificates in ten seconds if you want to. Everybody has agreed. The Federal Reserve Board--

H.M.JR: Three o'clock this afternoon, if you will-- can you wait that long?

MR. BELL: No. Well, yes, I can wait that long. I just think really there is nothing to it.

H.M.JR: All right, we will do it right now.

MR. BELL: There are just two billion two hundred million dollars in certificates maturing February 1 to roll over.

H.M.JR: Do you mind trying to turn a somersault? It seems so undignified for two billion dollars. It is not good radio technique. The audience won't understand.

MR. BELL: The question is whether we should just refund it into a year's certificate or give it a shorter date in order to take it off that February 1 maturity in view of the fact that you will have a rather heavy maturity on the certificate offered in the drive.

H.M.JR: What year?

MR. BELL: '45.

H.M.JR: I should worry.

MR. SULLIVAN: I hope you do.

H.M.JR: I should worry.

MR. BELL: Well, we have all agreed, the Treasury, the Federal Reserve Board, and the Federal Reserve Bank of New York, that we should offer the same certificate.



- 20 -

H.M.JR: Call me up in February.

MR. GASTON: Go on, Dan, we are listening.

MR. BELL: I've got one vote, anyhow, that we should offer the certificate in the drive to refund this certificate maturing.

H.M.JR: In the drive?

MR. BELL: Yes.

H.M.JR: Oh, don't do that.

MRS. KLOTZ: You had better do it at three o'clock.

MR. BELL: I think you have to. You can't offer another certificate, because it falls on the same date, and it sort of muddies the water to offer a different certificate.

MR. GASTON: You mean, offer the same certificate that is in the drive for the roll-over certificate?

MR. BELL: That is right.

H.M.JR: What is the one in the drive?

MR. BELL: A seven-eighths, one-year certificate.

H.M.JR: What is that for?

MR. BELL: February 1, '45.

H.M.JR: I thought you didn't want that.

MR. BELL: I said the question was as to whether we should offer a shorter certificate to get off of that maturity date.

H.M.JR: If you do this plus the one you think you will get in the drive, how much?

- 21 -

MR. BELL: We might have as much as seven or eight billion dollars in maturity.

H.M.JR: That would be a nice present to give Mr. Smith, wouldn't it?

MR. BELL: It certainly would.

H.M.JR: A seven billion dollar obligation in ten days. That is too much, Dan.

MR. BELL: Well, it sort of muddies the water to do it any other way.

H.M.JR: Let's muddy it.

MR. BELL: No, I was in favor of a six-months certificate, but I have come around.

H.M.JR: Dan, you are just a New Dealer, you don't want to muddy the water. That is an awful thing, really.

MR. BELL: Well, we are getting used to it.

H.M.JR: What certificate do you have now?

MR. BELL: About a billion, two.

H.M.JR: I won't go along.

MR. HAAS: It will take, Mr. Secretary, about eight months to get accustomed to those figures.

H.M.JR: I am not going to do it. It is too much.

MR. BELL: I think it is the best out of the lot.

H.M.JR: Give me some other lots. We will put them in a hat. Come back at three o'clock and bring your gang in here.

MR. BELL: We have an all-day meeting at the Board today. George and I both should be there. The bankers are in town discussing this termination.

- 22 -

H.M.JR: Why do you have to do it today?

MR. BELL: You said it was the only day you would have.

H.M.JR: I am not going to Cincinnati until tomorrow night. I will see you at nine-thirty tomorrow morning, and be fresh as a rose, without any thorns. Is that all right?

MR. BELL: Yes. The only reason I brought it up this morning is, you said you wouldn't have any other time.

H.M.JR: I will see you at nine-thirty tomorrow morning. I don't like seven billion dollars.

MRS. KLOTZ: Eight.

MR. BELL: If this war goes on a couple of years we will like it, I think. Senator Byrd wants to rush in a report on penalty mail. He is favor of legislation to require all of the departments to get appropriations to pay for the penalty mail.

MR. GASTON: In Congress?

MR. BELL: No, not in Congress, and he excludes the Treasury and one or two others during the war, but we would have the problem after the war, and we are writing him that we are not in favor of it at this time. It requires a lot of study and analysis before we can go along with it.

(Mr. Bell handed the Secretary a letter to Senator Byrd, dated January 18, which the Secretary signed.)

MR. GASTON: That is too bad, Dan, I am on record as being in favor of it, no penalty mail whatever.

MR. BELL: Well, I am not sure it won't cost you more in the long run.

- 23 -

MR. THOMPSON: It costs ten times what you save.

MR. BELL: That is all.

H.M.JR: Now, Mr. Thompson, the automobile expert. I didn't know Pehle covered up for Paul. Paul never got there.

MR. O'CONNELL: I thought you knew that.

H.M.JR: Paul told me himself.

MR. THOMPSON: Mr. Sullivan was to bring Paul.

H.M.JR: Who handles this (Referring to memorandum on Mr. Bouck, dated January 17, 1944)?

MR. THOMPSON: Supervision? Bouck handles it.

H.M.JR: I mean the supervision.

MR. THOMPSON: Yes.

H.M.JR: I tell you what I would do, I would put on three cars until there is another investigation; then I would go back to two.

MR. THOMPSON: Two just can't handle it.

H.M.JR: Paul says he wants to see that report.

MR. THOMPSON: This one?

H.M.JR: Yes. You might show it to Pehle, too. Paul says he definitely wants to see it.

MR. THOMPSON: Paul ties up one of the cars nearly all the time.

MR. O'CONNELL: The arrangement was, when Mr. Paul was going to the Hill every day he would have a car for the purpose of getting down and back, but an awful lot of times we can't get Mr. Paul's car for Mr. Paul. So

- 24 -

Mr. Paul's car, so-called, is not tied up with Mr. Paul all the time. It is used to take Harry White to the War Department, and it is used to take Mr. Haas' people some times.

MR. THOMPSON: You can't let the car stand idle. But it is supposed to be available for him, and he is supposed to let them know when he is going to the Capitol. You can't handle it with two cars.

MRS. KLOTZ: Not with three.

MR. THOMPSON: Not with three.

MR. SULLIVAN: Does that report say this is the first time in six months Gaston and I have used the car coming in from the house?

MR. THOMPSON: It says you use your own cars regularly.

H.M.JR: Anyway, Paul wants to see it. Pehle wants to see it, too. Pehle got there.

MRS. KLOTZ: It was just a stroke of luck that he got there. He had to have somebody take him down.

H.M.JR: It would have been a calamity.

MR. GASTON: You know, if the car had gotten Pehle and gotten him down there at eight o'clock, he still had plenty of time after that to go and get somebody else. I understood Pehle was to be there at eight o'clock, wasn't he?

H.M.JR: At two minutes of eight he got word that there would be no car.

MR. GASTON: It was to pick him up at eight.

MRS. KLOTZ: The reason he didn't know before is that he had been using the telephone working on this thing from seven-thirty on, and they couldn't get through to him.

- 25 -

H.M.JR: Well, anyway, it would have actually been a calamity. Put on a third car. Is Bouck the best man to handle this?

MRS. KLOTZ: I don't think so.

Now, if Mr. Pehle had said, "I am asking for the car at the Secretary's suggestion," he would have gotten one. Because he didn't say that, you see, knowing that Mr. Smith works close to you, he had the preference of the car, which is crazy.

MR. GASTON: The order for the car for Pehle should have been given through Norman Thompson's office with a definite statement that it was imperative.

MR. THOMPSON: At night you can't handle it, except by telephone.

H.M.JR: Does Smith come in every morning with a car?

MR. THOMPSON: He drives his own. The bad weather caused the trouble yesterday morning.

H.M.JR: I tell you what to do--

MR. THOMPSON: At night time the calls come to the switchboard and are relayed to the garage where twenty-four hour service is maintained.

MRS. KLOTZ: This is going to happen again.

H.M.JR: Have you any suggestion?

MRS. KLOTZ: I haven't really thought about it.

H.M.JR: Norman, think about it. Have you any suggestions?

MR. THOMPSON: Well, the garage and the operators have instructions to give the preference to the staff, and three or four calls come in for the two cars. It is

- 26 -

a question of which of the staff is going to get it. If they say you want the man and it is very important, they will give him the preference. Pehle just phoned in and asked for a car. Well, Smith had phoned, and they gave it to him because they knew he was going to New York. I can't understand why Pehle didn't use his own car. He drives in every morning.

MR. SULLIVAN: It was awful out yesterday morning. I think that is why. And John lives way out beyond me.

MRS. KLOTZ: No, he couldn't.

H.M.JR: Supposing you kind of review it yourself.

MR. THOMPSON: I think if he puts three cars on it is all right.

H.M.JR: Put three cars on; I will take the responsibility.

MR. THOMPSON: We opened the cafeteria this morning with one hundred and three people at breakfast.

H.M.JR: I thought I was going to be there and cut a ribbon or something.

MR. THOMPSON: You can do that at eleven-thirty at lunch time. You won't be here. I would have suggested you go down.

H.M.JR: Are there private rooms?

MR. GASTON: There are three private rooms and a big dining room. You won't be here at eleven-thirty, will you? You might like to go down there before or after. Go down and get a cup of coffee and go through the lines.

H.M.JR: Supposing when I come back from the Hill I go downstairs?

- 27 -

MR. GASTON: That is a good idea.

MR. SULLIVAN: I think all the staff ought to show up, too, either for lunch today or tomorrow.



## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE

January 18, 1944

TO Secretary Morgenthau  
FROM Randolph Paul

Bob LaFollette wanted you to know that he did not appear for the picture this morning at 11 o'clock because he was tied up on the renegotiation situation.



January 18, 1944  
12:22 p.m.

Operator: Go ahead.

HMJr: Hello.

Randolph

Paul: I wanted to take about three minutes to tell you about the renegotiation picture whenever you could.

HMJr: Yes.

P: You're not free now a minute, are you?

HMJr: Yes, you could do it right now.

P: So, shall I come down to your office?

HMJr: Would you mind?

P: I think that's better.

HMJr: You -- you want to come in?

P: Well, I think it's easier -- it's better to do it that way.

HMJr: Okay.

P: I'll be right down.

January 18, 1944

When I saw Doughton today, he said, "Who pays Paul but the government, and he has no right to make all these speeches attacking Congress."

January 18, 1944  
2:05 p.m.

Operator: Judge Rosenman.

HM Jr: All right.

Judge  
Rosenman: Hello?

HM Jr: Hello, Sam.

R: How are you?

HM Jr: Oh, I'm all right.

R: While you were calling me, I was over with your  
colleague, Secretary Hull.

HM Jr: Oh, yes.

R: He - he is agreeable to this. I don't think he is  
very enthusiastic, but he says it's okay.

HM Jr: Yes.

R: Now I also told him that the President would like  
Ed to handle it over there.

HM Jr: Yes.

R: I haven't seen Stimson. I can clear this with Stimson  
on the phone. I have already sent a copy of it over  
to Budget for them to look at.

HM Jr: Yes.

R: And now the only suggestion that Hull made was how -  
what would be the relationship of this new group  
with that Intergovernmental Committee on which the  
United States is represented.

HM Jr: Yeah.

R: And I'm not quite clear on that myself, so I was going  
to call you. He suggested that we ought to put a  
phrase in here that says the War Refugee Board should  
cooperate with other agencies, groups and individuals  
engaged in refugee relief. I can't see any harm in that,  
can you?

- HM Jr: Well, I don't offhand, but do you mind if I put it up to my boys?
- R: Sure. Well, you see there is an Intergovernmental Committee, and we intimate in this Order and in the publicity that we're going to ask other governments to join with us.
- HM Jr: Yeah.
- R: Now where does that leave this Committee that hasn't done a darned thing, but has an office in London and is supposed to represent all the United Nations? Is this a crack them?
- HM Jr: Now what's the easiest way for you to work - have Pehle come over to see you or how?
- R: Oh, no, just have him call me.
- HM Jr: Just have him call you?
- R: Yeah.
- HM Jr: My first blush is - I can't see but what that's all right.
- R: Yes. It is - it is going to raise that question, Henry - what's going to be the relationship? Here we have an Intergovernmental Committee on which the United States is represented, and here all of a sudden the President sets up his own.
- HM Jr: Well ....
- R: I think the answer is that this thing here will cooperate with this Intergovernmental Committee. As a matter of fact, it ought to take it away from them.
- HM Jr: That's right.
- R: But you see there's one further step. We have in here - in the Executive Order provision that we get other nations to cooperate with us. Now how does this overlap that Committee?

HM Jr: Well ....

R: I hope that they'll say that this is the end of the Committee because that Committee's a joke.

HM Jr: Yeah, well the way I interpret it - that suggestion you make is all right, and that other Committee can just be abolished.

R: Just gradually forgotten about.

HM Jr: Yeah.

R: But we ought to have some provision that this Board should cooperate with all the other agencies.

HM Jr: Did you have any trouble with them?

R: With him?

HM Jr: Yeah.

R: No. Of course, I told him the President would like to do it if it is agreeable with him.

HM Jr: Yeah.

R: Then Stettinius had lunch with the President, and they had a chance to talk about this alone, and Stettinius was very strong for it.

HM Jr: Have you talked to Stettinius since then?

R: No, he's coming in here at 2:45.

HM Jr: I see.

R: He has got to come over here any way, and I - he probably will be sent for by Hull. Hull wanted to send for Breck Long, but I told him I didn't think that would be helpful.

HM Jr: Well, I think you did a swell job, Sam.

- 4 -

- R: Well, I don't know. I just - I still have to clear with Stimson. I think I will call him now and do that on the phone.
- HM Jr: Well, I've sent for my men. I will just talk to them for a few minutes and then have them call you.
- R: All right.
- HM Jr: In the next fifteen or twenty minutes.
- R: Okay. Have them call before 2:45 because Stettinius ought to be here then.
- HM Jr: That's the deadline.
- Now let me ask you - say that Stimson goes along, when will he get this out?
- R: Well, I'm crowding Budget. As soon as I get this okayed with that addition, I will take it in. I still have to go through the formality of Justice, but that won't take long. I'll try to have the President sign it tomorrow.
- HM Jr: Wonderful.
- R: If I can. The President hasn't seen the Order yet - he didn't look at it. He said, "Show it to Hull first." Hull read it.
- HM Jr: How was the President when you talked to him about it?
- R: All right. He just wants to make sure that he doesn't step on the State Department's toes too much.
- HM Jr: (laughs) Did you see the editorial in yesterday's Post about the State Department?
- R: Not very hot, was it?
- HM Jr: No. Well, I .....

- 5 -

R: The only - I think Ed is 100% right - Ed, you know, is trying to get new blood in there, and only the President can do that.

HM Jr: Yeah. Well, I'm glad that Ed evidently pushed it on with the President.

R: No question about it.

HM Jr: Well, it would be wonderful if we would get it tomorrow, but I'm leaving town tomorrow by five o'clock, and I would love to get it settled before I leave.

R: Now are you alone there?

HM Jr: Yes.

R: Ed told me that when they talked about Executive Director - I didn't get this from the President but from Ed - that the President raised the question about whether a Treasury man should be on it.

HM Jr: Yeah.

R: A fellow who is on the Treasury. Now I think, Henry, that before - I think there ought to be a meeting of you three men before you finally try to pick a man. Now Stettinius asked me to try to check on Finletter - not as an Executive Secretary, but as the fellow over there to really have this in hand. I asked Randy Paul to do it, and Paul gave me some ....

HM Jr: Who wanted Finletter?

R: Stettinius.

HM Jr: No, I don't want Finletter.

R: Yes.

HM Jr: No, I don't want Finletter.

R: To handle it over there. He's no good?



- 6 -

HM Jr: You mean as Secretary of this Committee?

R: No, not as Executive Director, but in the State Department to be the contact fellow.

HM Jr: Well, that I don't know - I would have to talk to my people.

R: And I don't know - Stettinius may have him in mind for Executive Director.

HM Jr: Well, that's out.

R: He's no good?

HM Jr: No.

R: Well, that's - that's that. That's the important thing, Henry, whom we get.

HM Jr: Yeah - yeah.

R: And Pehle would be a damned good fellow.

HM Jr: Yes. You can't do better than Pehle.

R: Yes. Well, all right. I'll be working on this this afternoon.

HM Jr: Right.

R: If we can't do it tomorrow, it isn't fatal, is it?

HM Jr: No.

R: But I am going to try to do it if I can.

HM Jr: Well, every day is - you know.

R: Well, you have your boys think about this Intergovernmental Committee.

HM Jr: I'll do that.

- 7 -

R: I think that this - this solution is okay.  
HM Jr: I'll have one of them call you before 2:45.  
R: Okay.  
HM Jr: Thank you.  
R: Goodbye.

January 18, 1944  
2:15 p.m.

JEWISH EVACUATION

Present: Mr. Paul  
Mr. DuBois  
Mr. Luxford  
Mr. White  
Mr. Pehle  
Mrs. Klotz

H.M.JR: The point is this: I think that Pehle ought to call him up. If Pehle wants to run over, he could.

MR. LUXFORD: If he wants to, we could put in there, particularly that committee.

H.M.JR: No, no, because this thing should be rubbed out.

MR. LUXFORD: All right.

H.M.JR: He didn't ask for it.

MR. PAUL: Don't start that.

H.M.JR: That answers him. He just didn't see it. But he has gotten by Hull. He also told Hull that the President wanted Stettinius to carry the burden, but now they are fussing. They want this man, Finletter. There is something in my head not so good about him.

MR. LUXFORD: Is he going to be in State, working under Stettinius?

H.M.JR: Yes.

MR. DuBOIS: Not suggesting him as Executive Director?

- 2 -

H.M.JR: No. Finletter's wife is a grand person. If he puts his wife on - she is the daughter of Damrosch.

MR. PAUL: I know her. I moved her out of my house in order to move in. I met her that way.

H.M.JR: She calls a spade a spade. She is a New Dealer; she is all right. But somebody or other - I think Herbert Feis, or somebody--

MR. LUXFORD: We worked with Finletter a good deal on this North African matter.

MR. PAUL: I consulted Luxford and Pehle and Harry White about Finletter. Harry White consulted some of the fellows who were in his room at the time I talked to him on the phone. I don't know who they were. I gave him this report on Finletter; that for Executive Director, no good; for a person working under Stettinius, if you had to have a person in the State Department, he was about as good as you could get. I will show you just what I said to Sam, if you want, on that.

H.M.JR: No, I don't have to.

MR. LUXFORD: He is a hard-hitting man, but the only query in all of our minds is, would he hit hard for this?

MR. PAUL: We were unable to find out anything about his attitude toward the Jewish problem.

MR. DuBOIS: I doubt if you can fully trust him. I have seen him operate.

MR. PAUL: As White says, you have to talk in terms of your alternative; what else will you get out of the State Department?

- 3 -

MR. DuBOIS: On the Tunisian issue, I was told that he fought the right way. Meitzer told me that.

MR. LUXFORD: If you want a driver, though, for State--

H.M.JR: Well, the President evidently told Stettinius that he wasn't so sure we couldn't have a Treasury man in this position.

Well, we are over the only hurdle that worried me - really worried me - and that is Hull. And Sam seems to think he will get this thing through tomorrow. He is really pushing.

MR. LUXFORD: We are pushing, too - going ahead on the theory as if John was appointed.

H.M.JR: That is all to the good, but we have got to get this thing cleared. I can see where we are going to have trouble with getting Pehle. Now, I have got an alternative for Pehle, see, and that is Professor Chamberlain, with the understanding--

MRS. KLOTZ: Oh!

H.M.JR: Now, wait a minute - don't all shake your heads.

MR. PAUL: I am not.

MR. LUXFORD: I know him.

H.M.JR: I know him. I brought him down here and I set this whole thing - Foreign Funds - up. And Pehle as his assistant. And he will just drop in here one or two days a week. I mean, Pehle will be his assistant - why not?

MR. LUXFORD: I work daily in these meetings on Foreign Funds Control - policy meetings with Professor Chamberlain. He hasn't got the punch it takes. Now, that is the real distinction.

- 4 -

H.M.JR: I know he hasn't.

MR. LUXFORD: Then give Pehle a title so he can use that punch.

H.M.JR: Now look, boys - I am over tired, so let's stop. Victory is in sight, so don't start pushing me around.

(Mr. White entered the conference.)

H.M.JR: The thing is in sight and I don't want to be pushed around. Now, Mr. Hull has approved the thing. I have just talked to Rosenman. I don't mean to be rude.

MR. LUXFORD: I understand.

(Mr. Pehle entered the conference.)

H.M.JR: I am just a little over tired.

MR. LUXFORD: I got it in!

MR. PAUL: Greek meets Greek, today.

H.M.JR: Save your pushing for somebody else than me.

Anyway, we are by Hull. You (Pehle) have got to call Rosenman before two-forty-five, when Stettinius comes. And the point that Rosenman is fussing about is that the only objection Hull made - he said, "How about this thing cutting across this Inter-Departmental Committee in Washington?"

These boys (DuBois and Luxford) read this thing to me and it seems the paragraph takes care of it.

MR. LUXFORD: We wanted the words in here that we would cooperate with them.

- 5 -

MR. PEHLE: We have them in there.

H.M.JR: Now, somebody suggested we mention the Inter-Departmental Committee in London. I think that would be a great mistake.

MR. LUXFORD: It is in.

H.M.JR: Now we are having trouble about you (Pehle) which doesn't surprise me. But maybe - I think our best hope is to get you in there through Stettinius, because Stettinius described you, then I named you. Do you want me to put in the record what he said?

He said what he wanted was some tough son of a bitch. I said there was one right here. Excuse me, ladies. But that is what he said he wanted. Now we will fight for you up to the bitter end.

MR. PEHLE: Don't let that hold up getting this thing.

H.M.JR: Oh, no, no. The President will sign this thing. I don't see why you have to be named in the publicity. Where is that publicity?

MRS. KLOTZ: They have a more recent one.

H.M.JR: Finletter is to help Stettinius in his office. Now, I don't know Finletter.

MR. WHITE: If Finletter is to be the Executive Director--

H.M.JR: I didn't say that - if you fellows would listen - I said to help Stettinius in his office. Now, I want to know - they are quoting you, Harry.

MR. WHITE: I don't think he is all right.

- 6 -

H.M.JR: That is the impression.

MR. PAUL: No, they didn't quote Harry.

MRS. KLOTZ: Harry said, "What other alternative have you got?"

MR. PAUL: The way I quoted you is to say that you have to think of these things in terms of alternatives, and I quoted the other people when I said that for the State Department, it is probably about as good as you can get.

H.M.JR: Harry is pretty good at expressing his own thoughts.

MR. PAUL: I am only correcting the record.

H.M.JR: I have been rude today. I have apologized to you all once. I will apologize when you go out of the room. I have had a terrific day and I have let everything drop.

MR. LUXFORD: You did a pretty good job for Jimmy last night.

MR. WHITE: That puts what I have got in my right hand in a bad way (points to correspondence).

H.M.JR: Look at this mail! I have an hour's mail to do. I have the Collector of Internal Revenue, the Commissioner - I am just in an impossible spot. Did you mention Pehle in this thing?

MR. LUXFORD: The last paragraph.

MR. PAUL: I talked to Rosenman about it.

H.M.JR: Now, did any of you hear my broadcast?



- 7 -

MR. WHITE: I heard your broadcast. You are developing quite a radio voice.

H.M.JR: Did Mrs. White hear it? Did she object to my reference to the Russians?

MR. WHITE: I sat up at that point. I thought your enthusiasm seemed to be at its high point at that remark.

H.M.JR: I want you to know there was a little argument about that, so I cleared it up with the President. And the great State Department - they had a correction, too. They said take out the word, "yellow."

MR. PEHLE: You mean the Japanese?

H.M.JR: Yes. And the fact they let us bring in the Yugoslav Partisans.

MR. WHITE: This business of using the word "yellow" has been done before, and it is bad.

H.M.JR: In fact, it was out before the State Department caught it. But that was good fun last night.

MR. PEHLE: Good job.

H.M.JR: And, incidentally, this fellow Jimmy, a captain, is a rip-raring, snorting New Dealer, too, which didn't make it any worse.

Now, speaking of Finletter - you fellows "no like" Finletter?

MR. WHITE: The other fellows like him better than I do. I think he is a hard man, very difficult man, and when he wants to be, he is dictatorial. I would be most surprised if his sympathies were of a character that would make him helpful, but in that I have nothing to go on except a general impression and background.

- 8 -

H.M.JR: I have got a man for you.

MR. PEHLE: For State?

H.M.JR: Yes.

MR. LUXFORD: In State?

H.M.JR: No, of State, but not in State - John Wiley.

MR. LUXFORD: Oh, no.

MRS. KLOTZ: No, everybody is down on him.

MR. PEHLE: I think he stinks.

MR. LUXFORD: I would bet Finletter ten to one over that man.

MR. PEHLE: Excuse my language.

MRS. KLOTZ: That is all right.

H.M.JR: How will I ever get my own way around here?

MRS. KLOTZ: You always do.

H.M.JR: I don't. All right, listen, we don't have to settle that.

MR. WHITE: Donald Hiss is out?

H.M.JR: Not that I know of.

MR. WHITE: He would be tops.

H.M.JR: Tell him that. Is Hiss a Jew?

MR. PEHLE: No.

- 9 -

H.M.JR: That is too bad.

MR. WHITE: If you said it is surprising, I would understand, but - too bad--

H.M.JR: I was having my picture taken, but the speaker was so disagreeable to everybody, so finally, coming down in the car, he said, "Whose idea was that, anyway, to have them make me go up and have my picture taken by a news reel?" Ted said, "It was mine."

I said, "You are wrong; it was mine." I said, "I thought you wanted somebody to take the blame."

MR. PAUL: LaFollette told me specially to tell you he was sorry he couldn't be there, but he was tied up on some very important stage of the renegotiation.

H.M.JR: Thank you. Donald Hiss (to Pehle) - give him that as a suggestion. He can fight fire with fire. If they can't get Pehle, supposing for Executive Secretary - would Hiss - if he can't get Pehle through?

MR. LUXFORD: No.

H.M.JR: All right.

MR. LUXFORD: He is not the fighter.

H.M.JR: Now, I want one answer at a time.

You (Pehle) - what about Professor Chamberlain to use as his assistant?

MR. PEHLE: I have used the word.

MR. WHITE: May I enforce that?

MR. PEHLE: Mr. Secretary, you are very wrong about that guy. He has a foot and a half in the grave.

MR. WHITE: And the other half on a banana peel.

- 10 -

H.M.JR: He picked you.

MR. PEHLE: No, he didn't.

H.M.JR: Who did?

MR. PEHLE: I hope you did. I was here long before "Chips" was around.

H.M.JR: Well, listen, go back to somebody's office, see, and if you want a room to work in, take the room with Gamble's name on it, right down here.

MR. PEHLE: Whose name?

MRS. KLOTZ: I didn't get a chance to talk to you. The room that they are holding for Dan Bell, can't he use that temporarily?

H.M.JR: I have a better room. (Over phone, the Secretary asks Mr. Thompson about a room for Mr. Pehle)

Room 290, temporarily. Mr. Pehle has it.

MR. WHITE: As an alternative, Abramson is the best alternative.

MR. PEHLE: I checked on him. He is a private in the Army, but he is a private in the Army working for O.S.S. and J.D.C. and he is tops.

H.M.JR: Just remember this, gentlemen, while you are all so frank and modest and retiring with me, and so forth and so on, we got by Mr. Hull.

MRS. KLOTZ: You have got to get Pehle.

H.M.JR: (To Pehle) Get this thing straightened out. Go down there and call the Judge now.

MR. PEHLE: Yes, sir.

H.M.JR: All right.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE JAN 18 1944

to Secretary Morgenthau

from Randolph Paul

In order to remove the differences now existing between the license issued by us to the JDC and the license issued by Minister Harrison to Riegner of the World Jewish Congress, we propose, with your approval, to arrange for the revocation of Riegner's license and to issue in its place a new license to the World Jewish Congress under the same terms as the license to the JDC.

This new license would permit the World Jewish Congress to carry on relief activities as well as evacuation operations and would clarify the procedure to be followed by Riegner in connection with the acquisition of the necessary local currency. One difference between the two licenses would remain, however. The JDC license permits operations costing up to approximately \$600,000 for a six months' period beginning January 1, 1944, and the World Jewish Congress license would permit up to \$100,000 to be used for the same period. These amounts were specified by the respective organizations.



Approved:



Cable to Bern

Please transmit promptly to Dr. Diegnor, representative of the World Jewish Congress, Geneva, Switzerland, the following which is text of a license which has been issued by the Treasury Department to the World Jewish Congress: (Text of license begins):

"1. In order to arrange for the evacuation to places of safety of persons in France and Rumania whose lives are in imminent danger and, pending possible evacuation, to sustain and safeguard the lives of such persons, your representative in Switzerland (including such agents as he may appoint) is hereby licensed notwithstanding the provisions of General Ruling No. 11 to communicate with persons in France and Rumania in any manner he deems necessary or expedient and to take all other appropriate action, including the payment to persons in France of French francs and the payment to persons in Rumania of Rumanian lei for goods and services. The necessary French franc and Rumanian lei funds to finance such operations may be obtained by either of the following two methods:

(a) The first method is the purchase of French francs or Rumanian lei from persons in Switzerland who your representative, after consulting with the United States Legation in Bern when feasible, is reasonably certain have held such French francs since prior to the fall of France or have held such Rumanian lei since prior to October 10, 1940, or have since acquired such francs or lei in such manner as has not benefited the enemy. The sellers of such francs or lei may be reimbursed therefor in Swiss francs at the prevailing unofficial rates of exchange in Switzerland for French francs and Rumanian lei.

(b) The second method is the acquisition of French francs from persons in France or elsewhere and of Rumanian lei from persons in Rumania or elsewhere for which reimbursement will not be made until after the war. In order to insure reimbursement after the war to the persons supplying such francs or lei, blocked accounts may be established on your books in the United States, or in a bank in the United States or a bank in Switzerland. No payments may be made from any such blocked account without the specific approval of the Treasury Department and no assignments may be made of any interest in such blocked account without such approval.

2. The total amount of dollars or Swiss francs paid out or set up in blocked accounts or otherwise obligated under the terms of this license shall not exceed 428,000 Swiss francs, or the dollar equivalent thereof, during the six months' period beginning January 1, 1944.

3. Your representative should keep the American Legation in Switzerland fully informed with respect to the financial transactions

effected under this license. In so far as feasible your representatives should make certain that the persons from whom the French francs or Rumanian lei are purchased are acceptable to the Legation. Your representative should satisfy himself that payments to such persons will not benefit the enemy.

4. Periodic reports with regard to any operations engaged in under this license should be filed with the Treasury Department by your representative through the United States Legation in Bern. (Ibid of text of license).

In view of the issuance of the foregoing license by the Treasury you are requested to revoke immediately the license which you issued to Mr. Wagner in accordance with our JIGG of December 18, 1943.

It is to be noted that the new license issued by Treasury removes the differences between the JIG and World Jewish Congress licenses which were pointed out to you in our personal cable to you No. \_\_\_\_\_ of January 5, 1944.

It also clarifies the procedure to be followed by Wagner in connection with the acquisition of French francs and Rumanian lei for use in relief and evacuation operations in France and Rumania. He should also be advised that the Treasury will consider requests to increase the total amount of dollars or Swiss francs specified in paragraph (2) of the license.

The operations permitted by the new license have the approval of the Department and of the Treasury.

January 18, 1944  
5:00 p.m.

CHINA LOANS

Present: Mr. White  
Mr. Friedman

H.M.JR: Harry, I haven't had a chance to read this cable. I glanced at it. It is just commercial; I read that much. (Refers to cable of January 16, 1944, from the Generalissimo to the President)

You or Friedman could give me the points.

MR. WHITE: What he is, in effect, informing the President, both directly in his telegram, and through the Ambassador in the Ambassador's own dispatch, is that he turns down flatly the suggestions, and says that there are only two alternatives open to him; one, that we buy all the currency we need, and that they supply none. They are supplying some, now, after March first, at the official rate of five cents. That is one alternative.

The other alternative is that they get a billion-dollar loan now. That is a very drastic cable; it is a very tough cable.

H.M.JR: Have you got the Eric Severeid article?

MR. WHITE: Somebody just mentioned that to me. I haven't seen it. Luxford has mentioned it to me.

MR. FRIEDMAN: In the New Republic, I think it was.

H.M.JR: No, I don't think so.



- 2 -

MR. WHITE: Luxford told me the gist of it. he said that State Department refused to permit its publication, and it presumably was an exposé of the complete failure of the Chinese Government to undertake any effective steps in the war measure.

H.M.JR: Supposing we call their bluff?

MR. WHITE: I think the cards are mostly in his hands, Mr. Secretary, unfortunately.

H.M.JR: Well, the billion-dollar loan is out.

MR. WHITE: Well, unfortunately, the alternative may cost us more.

H.M.JR: Take it from me, I am not going up on the Hill - if you don't mind my using some language - and ask the bastards for anything. They are just a bunch of crooks, and I won't go up and ask for one nickel. Have you read this book by this Miss Sues, that somebody sent me, that has just come out of China, called "Shark's Fins and Millet"?

M.. WHITE: No.

H.M.JR: Get it? She is a Pole. For two years she handled the public relations for Madame Chiang Kai-shek. She says what we have always known, that he has financed himself through opium. The Farmers' Bank in Shanghai - he turned over the suppression of opium to the number one gangster in Shanghai.

MR. WHITE: What is this fellow's name?

H.M.JR: Tu Yueh.

MR. FRIEDMAN: Tu Yueh Seng.

H.M.JR: That is enough for me.

MR. WHITE: It is very powerful in the whole of China.

- 3 -

H.M.JR: Harry, I am not going up on the Hill to ask for a loan.

MR. WHITE: No, but I think that this is the unfortunate alternative we are faced with, that clearly, on economic grounds, from the Treasury's point of view, a loan is not warranted under any circumstances.

If, on political grounds, the President wants to make a loan, it will have to be considered exclusively on political grounds.

H.M.JR: He is not going to do it. Now look, supposing we tell them to go jump in the Yangtze River.

MR. WHITE: This is the position we are in--

H.M.JR: Now listen to me a minute, will you? And we go ahead and operate on the black market. And I send a million dollars' worth of gold in jewelers' bars every day to General Somervell. And we take our own soldiers and begin to buy the stuff and build these fields. What are they going to do about it?

MR. WHITE: They can stop that very quickly, because if you had to buy only a million now and then you could operate. But you have to spend in the first few months, twenty million dollars, and probably later more, and all he has got to do is to declare the black market illegal and he can - well, he can go as far as he likes. He can shoot as many Chinese as he likes.

H.M.JR: Who is he going to shoot? What is he going to use?

MR. WHITE: Those big operations would have to involve big people. You can't do it in the market.

H.M.JR: He is going to shoot whom?

MR. WHITE: Chinese. He has cut their heads off on less than that on this black market.

- 4 -

H.M.JR: Recently?

MR. WHITE: It was within six months. But more than that, the trouble is that the operations are so large, Mr. Secretary, that it would have to involve banks.

H.M.JR: Well, listen, the first thing to do is to find out from a military standpoint whether we can do this thing in some other way. Now, maybe we don't need them. By God--

MR. WHITE: I sympathize with your reactions. We went through just the same thing in the office.

H.M.JR: The first thing I would do is to send for General Somervell and ask him what you can do without them.

MR. WHITE: General Clay said that he has got some cards up his sleeve. I told him that I didn't think he was going to get anywhere. He said he has some cards himself that he might be able to play.

H.M.JR: Well, I am going to get hold of Somervell.

MR. WHITE: It is going to be a conference. You are not going to discuss it over the phone, I assume.

(The Secretary speaks with General Somervell over White House phone, as follows:)

Hello, General.

Morgenthau.

Thank you.

Have you seen this copy of the cable from Chiang Kai-shek to the President?

Yes.

- 5 -

Well, it is a beaut!

Well, I tell you, I think I have an extra copy. If not, I will have one made.

Now he is holding a pistol to our head--

What I would like to know, I would like to have a conference with you and anybody from the General Staff, and if we don't come through with a loan - I mean, have you any cards we can play?

I am mad as hell.

I can't go up on the Hill and ask for a billion dollars' worth of loan. I can't do it with sincerity and confidence, and I can't get away with it.

So the question gets down to a military question. Is this something that I have got to stomach and vomit and take it, or have you got some way to wiggle out and do something else?

I will save you that. I will send it to your office. You don't have to send over for it.

Now, I will hold three o'clock tomorrow unless you have a conference--

And then if somebody else wants to come--

Now, if the Army tells me that we have just got to, well, that is something else. But I hope you are not going to.

Well, if you and whoever the appropriate officers are, would come at three o'clock and just give me the low-down - three o'clock.

You can leave this office in five minutes.

Thank you. (End of conversation)

- 6 -

H.M.JR: Send that thing over.

MR. WHITE: We haven't copies

H.M.JR: Yes, there is a copy there.

MR. WHITE: No, two different cables.

H.M.JR: Two different cables?

MR. WHITE: May I suggest you read these before three o'clock?

H.M.JR: Yes, but you have the thing photostated.

MR. WHITE: I started to make copies. I have about one page done.

H.M.JR: Send it over by Secret Service. Get them to me at the house tonight. The man can take it to Somervell and then return it to me.

MR. WHITE: Secret Service man.

There is also a letter from Adler, if you will read it tonight--

H.M.JR: Tonight.

He says the situation is the other way around. He thinks we can hold a pistol to their head.

MR. WHITE: Well, if they can it is military; it is not any other way. He has got us in the corner, unless--

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



DEPARTMENT OF STATE  
WASHINGTON

January 18, 1944.

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits paraphrases of two telegrams, dated January 16, 1944, from the American Ambassador at Chungking, which transmit the text of a reply by the President of China to a recent telegram from the President of the United States and the American Ambassador's report and comment on the conversation in which he received the message from the President of China.

Enclosure:

From American Ambassador,  
Chungking, China, January 16,  
1944, telegrams in paraphrase.



STRICTLY CONFIDENTIAL

PARAPHRASE

Ambassador Gauss in a telegram of January 16, 1944 addressed to the Secretary of State, reports that at the request of President Chiang he and Mr. Acheson called on the Generalissimo. The only other person present was Madame Chiang, who acted as interpreter. President Chiang asked the Ambassador to communicate the following telegram to the President in reply to the President's message:

I have received your recent telegram forwarded through Ambassador Gauss and am happy that you have recovered from your indisposition. I appreciate the fact that you have been endeavoring to find a solution to the economic problems of China even during your illness.

To my mind the proposals made by the Treasury Department are not those of one allied nation to another but rather are in the nature of a commercial transaction. If put into practice these proposals would not increase China's economic strength in the prosecution of the war. On the contrary the impairment of the Chinese people's confidence in fapi would only add to her economic difficulties. I would not make this urgent appeal to you were it not for the fact that we are entering a most critical stage. I have reached the following conclusions after giving mature consideration to the future perilous economic situation in this war theater:

(1) An out and out loan of one billion dollars from the United States would enable us partly to meet the deficit of the coming war budget and also through reciprocal aid to meet a part of American military expenses in China, such as the repair and construction of airfields and necessary installations, the feeding of American troops and the transportation of war materials, et cetera.

(2) If it is the opinion of the Treasury Department that it is not able to accept the above proposal I suggest that such expenditures as are incurred by United States forces in China should be borne by the American Government. The Central Bank of China will facilitate exchange at the official rate of US\$1 equals 20 yuan. The rate is unalterable in as much as we cannot afford to shake the confidence of the people in fapi, which is a stabilizing factor amidst a world of uncertainty brought about by the vicissitudes of war. It is only thus that we can directly maintain the credit of fapi and indirectly save China from economic collapse. Such

collapse

collapse would seriously affect the whole military position of the Allies because of China's inability to continue resistance for any considerable length of time.

The second of these proposals is outright help which the Chinese people and army would appreciate and when it is considered that the United States has been feeding even British and Russian civilians this would be entirely in accordance with the Allied strategy of pooling resources. As an example, I might point out here that following the battle of Changteh 300,000 houses in that area were left in ruins and less than 10 buildings still remain. In this respect the people of China have suffered incalculable losses since the commencement of our war of resistance seven years ago. Our sacrifice in men and materials both civil and military is convincing proof of our willingness to give all that we are and everything that we have to the Allied cause. One of the crack units of China, 57th Division, has been entirely sacrificed.

I felt keenly when I saw you in Cairo that with your vision and wisdom you completely comprehended the critical situation which now faces this country and that you were eager to extend to our people every means of practical help in order to enable them to march forward shoulder to shoulder with the American people to common victory. I was so encouraged that I hastened to reassure the Chinese people of the solidarity and strength of our united efforts. I still feel sure that as leader of the Allied nations you will do all in your power to help China to continue her resistance and to do her full part in the global war. You realize, I am sure, that I will do all in my power to rally the support of the Chinese nation to bring about speedy victory and that I have even gone to the length of delaying the reopening of the Burma route so that essential amphibious equipment might be diverted to the European theater, thereby disappointing all classes of my countrymen who still bear in their memories the sear of the defeat suffered in the last Burma campaign as a result of which China lost large quantities of men and equipment through no fault of her own.

In the event that the Treasury Department feels unable to agree to either of the above two proposals then China will be compelled to pursue the only course open to her, namely, to continue resistance against our common enemy Japan with all her available strength and for as long as possible, thus in a way discharging her responsibilities as a member of the United Nations. In that eventuality she would have

to permit



-3-

to permit her wartime economy and finances to follow the natural course of events. In such a case the Chinese Government would have no means at its disposal to meet the requirements of United States forces in China and consequently the American Army in China would have to depend upon itself to execute any and all of its projects, for to our great regret we would be placed inevitably in a position in which we could not make any further material or financial contribution, including the construction of works for military use. Signed Chiang Kai-shek.

PARAPHRASE

In a telegram dated January 16, 1944 to the Secretary of State Ambassador Gauss stated that in handing to him the message for the President Generalissimo Chiang Kai-shek speaking as United Nations' Commander-in-Chief in the China theater commented orally as follows:

The Generalissimo requested that the Ambassador inform the Departments of State, Treasury and War that China would not be asking for anything were it not for the critical military and economic situation because China has pride in helping herself and in being self-sufficient; that the Generalissimo assured the Ambassador that any financial or material assistance rendered China by the United States would not be hoarded for post-war purposes; that China would not take advantage of any situation to profit thereby and that China is neither a petty chief nor a robber baron. The Generalissimo said China had not asked for assistance last year or the year before. But the situation now is very much worse than a year ago and the cost of assisting American forces in China has become such a great strain that China is unable to keep up such assistance and that if the Treasury Department cannot help China financially the American Army in China will have to depend on itself after March 1. The Generalissimo said that the United States forces have six weeks to make preparations and that after March 1 China could not be of material or financial assistance in connection with any project the American forces might have in mind. The Ambassador inquired whether this meant China would be unable to cooperate militarily with United States forces in China. The Generalissimo replied that what he meant was that after March 1 American forces must look after themselves. Mr. Atcheson said he assumed this meant that the American forces must finance themselves and also make necessary arrangements for the purchase of supplies, construction materials and labor. The Generalissimo replied in the affirmative and said that China would of course continue to fight as long as she could and that as indicated in the latter part of his message to the Press she will carry on until the inevitable military and economic collapse and then will do the best possible under existing circumstances. Generalissimo Chiang said that within the past two weeks he had approved requests of United States Army headquarters that China undertake airfield projects which would cost the enormous sum of 13 billion dollars and that China

simply

simply could not finance such projects. (Madam Chiang said as an interesting sidelight that every American soldier in China cost the Chinese Government three hundred Chinese dollars per day; that there are several thousand American soldiers and that a great increase in the number of these is contemplated. She said furthermore that at the current cost of military \_\_\_\_\_ 300 Chinese dollars would feed a Chinese soldier for a month; that after March 1 the United States Army would also have to feed its own soldiers and that the United States will have to depend upon itself. Madam Chiang said that date of March first was an implementation of the Generalissimo's statement set forth in the last paragraph of his message to the President.)

The Ambassador stated that it was his impression that it is the view of American economists that no amount of American money to the credit of China in the United States could remedy China's economic and financial situation any more than would be the case if our entire output of machineguns were hypothecated to China but remained in the United States. The Generalissimo replied that American economists know American economy and world economy in general but do not understand Chinese economy or Chinese psychology, the latter having a great deal to do with the situation in China. The Generalissimo said that the exchange rate is absolutely unalterable; that a maintenance of fapi is necessary to maintain public confidence; that a loan even though the actual cash remained in the United States would be regarded by the Chinese people as a reserve for fapi.

In reply to Mr. Atcheson's inquiry the Generalissimo said that the question of the Commission proposed by Mr. Morgenthau was covered in that section of his message referring to the Treasury's proposals. Mr. Atcheson pointed out that this was a suggestion made by the President. The Generalissimo replied that the Commission would be acting under directions of the Treasury and along the lines of the proposals made by the Treasury.

The Ambassador reported further that after his return to the Embassy Madam Chiang telephoned him to say that if the Commission planned to discuss the proposals made by the Treasury there was no use in its coming but if it was sent out to discuss the two proposals made by the Generalissimo it would be welcome. Among various arguments

advanced

advanced by Madam Chiang was one to the effect that the expenditures of the United States forces in China amounting to approximately US\$20,000,000 per month could not be dumped on the black market in a day and that dumping of even US\$1,000,000 would swiftly and extensively lower the black market rate.

The Ambassador added that his comments would follow.

The Ambassador reported that while the Generalissimo rejected the suggestion of sending a commission to China to confer on the proposals made by the Treasury, he has not closed the door entirely to such a commission provided it comes to discuss the Generalissimo's proposals, namely, a loan or assumption by our Army of all expenses incurred by it in the China theater without financial or material assistance from the Chinese Government.

The Ambassador stated that if he knew of any possible means which the United States could utilize to provide aid to China at this time either to transform her contribution to the general war effort into something affirmative or to support the present economic situation which continues rapidly to deteriorate he would heartily advocate it. The Ambassador said he would at all times prefer to see us operate in China without Chinese aid; that we could completely justify our heavy expenditures in China on the basis of spiraling prices which China must also meet in her own operations; but to be compelled to increase these heavy expenditures another five times because of the unrealistic attitude on the exchange rate creates a situation which might readily lead to a charge of exploitation and react unfavorably for China if it became known in the United States.

The Ambassador said that since he had not been informed in regard to commitments or military and other plans he could not suggest how far if at all pressure might be brought to bear upon China, but expressed the opinion that, however unpleasant these developments may be, and however unfortunate it may be that disagreement with China over ~~many~~ matters should have arisen, we should maintain a firm position declining to be coerced by petulant gestures or threats.

The Ambassador concluded his message by stating that the conversation held the preceding evening was calm and friendly on both sides and that the Generalissimo and Madame Chiang were most cordial throughout.

# UNITED STATES OF AMERICA

64

## $\frac{7}{8}$ PERCENT TREASURY CERTIFICATES OF INDEBTEDNESS OF SERIES A-1945

Dated and bearing interest from February 1, 1944

Due February 1, 1945

1944  
Department Circular No. 721  
Fiscal Service  
Bureau of the Public Debt

TREASURY DEPARTMENT,  
OFFICE OF THE SECRETARY,  
Washington, January 18, 1944.

### I. OFFERING OF CERTIFICATES

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions, at par and accrued interest, from the people of the United States for certificates of indebtedness of the United States, designated  $\frac{7}{8}$  percent Treasury Certificates of Indebtedness of Series A-1945. These certificates will not be available for subscription, for their own account, by commercial banks, which are defined for this purpose as banks accepting demand deposits. The amount of the offering is not specifically limited.

### II. DESCRIPTION OF CERTIFICATES

1. The certificates will be dated February 1, 1944, and will bear interest from that date at the rate of  $\frac{7}{8}$  percent per annum, payable semiannually on August 1, 1944, and February 1, 1945. They will mature February 1, 1945, and will not be subject to call for redemption prior to maturity.

2. The income derived from the certificates shall be subject to all Federal taxes, now or hereafter imposed. The certificates shall be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

3. The certificates will be acceptable to secure deposits of public moneys. They will not be acceptable in payment of taxes.

4. Bearer certificates with interest coupons attached will be issued in denominations of \$1,000, \$5,000, \$10,000, \$100,000 and \$1,000,000. The certificates will not be issued in registered form.

5. The certificates will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States certificates.

### III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington. Commercial banks are requested not to purchase and subscribers are requested not to trade in the securities allotted hereunder until after February 15, 1944. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Others than banking institutions will not be permitted to enter subscriptions except for their own account. Subscriptions must be accompanied by payment in full for the amount of certificates applied for.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of certificates applied for, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subject to these reservations, all subscriptions will be allotted in full. Allotment notices will be sent out promptly upon allotment.

### IV. PAYMENT

1. Payment at par and accrued interest, if any, for certificates allotted hereunder must be made on or before February 1, 1944, or on later allotment. One day's accrued interest is \$0.024 per \$1,000. Any qualified depository will be permitted to make payment by credit for certificates allotted to its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified by the Federal Reserve Bank of its District.

### V. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve Banks of the respective Districts, to issue allotment notices, to receive payment for certificates allotted, to make delivery of certificates on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive certificates.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

HENRY MORGENTHAU, JR.,  
Secretary of the Treasury.

**UNITED STATES OF AMERICA**  
**2 1/4 PERCENT TREASURY BONDS OF 1956-59**

Dated and bearing interest from February 1, 1944

Due September 15, 1959

REDEEMABLE AT THE OPTION OF THE UNITED STATES AT PAR AND ACCRUED INTEREST ON AND  
 AFTER SEPTEMBER 15, 1956

Interest payable March 15 and September 15

1944  
 Department Circular No. 729  
 Fiscal Service  
 Bureau of the Public Debt

TREASURY DEPARTMENT,  
 OFFICE OF THE SECRETARY,  
 Washington, January 18, 1944.

**I. OFFERING OF BONDS**

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions, at par and accrued interest, from the people of the United States for bonds of the United States, designated 2 1/4 percent Treasury Bonds of 1956-59. The amount of the offering is not specifically limited.

2. These bonds will not be available for subscription, for their own account, by commercial banks, which are defined for this purpose as banks accepting demand deposits, except as follows: a commercial bank holding savings deposits as defined in Regulation Q of the Board of Governors of the Federal Reserve System may subscribe to the bonds offered hereunder, to the 2 1/2 percent Treasury Bonds of 1965-70 offered simultaneously herewith under Treasury Department Circular No. 729, and to Series F-1944 and Series G-1944 United States Savings Bonds under Treasury Department Circular No. 654, Second Revision, but the amount of such subscriptions shall not exceed, in the aggregate, 10 percent of the savings deposits as shown on the bank's books as of the date of the most recent call statement required by the supervising authorities prior to the date of subscription for such bonds, or \$200,000, whichever is less. No such bank shall hold more than \$100,000 (issue price) of Series F and Series G Savings Bonds (Series 1944), combined.

**II. DESCRIPTION OF BONDS**

1. The bonds will be dated February 1, 1944, and will bear interest from that date at the rate of 2 1/4 percent per annum, payable on a semiannual basis on September 15, 1944, and thereafter on March 15 and September 15 in each year until the principal amount becomes payable. They will mature September 15, 1959, but may be redeemed at the option of the United States on and after September 15, 1956, in whole or in part, at par and accrued interest, on any interest day or days, on 4 months' notice of redemption given in such manner as the Secretary of the Treasury shall prescribe. In case of partial redemption the bonds to be redeemed will be determined by such method as may be prescribed by the Secretary of the Treasury. From the date of redemption designated in any such notice, interest on the bonds called for redemption shall cease.

2. The income derived from the bonds shall be subject to all Federal taxes, now or hereafter imposed. The bonds shall be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

3. The bonds will be acceptable to secure deposits of public moneys. They will not be entitled to any privilege of conversion.

4. Bearer bonds with interest coupons attached, and bonds registered as to principal and interest, will be issued in denominations of \$500, \$1,000, \$5,000, \$10,000, \$100,000 and \$1,000,000. Provision will be made for the interchange of bonds of different denominations and of coupon and registered bonds, and for the transfer of registered bonds, under rules and regulations prescribed by the Secretary of the Treasury. Except as provided in Section I of this circular, these bonds may not, before September 15, 1946, be transferred to or be held by commercial banks, which are defined for this purpose as banks accepting demand deposits; however, the bonds may be pledged as collateral for loans, including loans by commercial banks, but any such bank acquiring such bonds before September 15, 1946, because of the failure of such loans to be paid at maturity will be required to dispose of them in the same manner as they dispose of other assets not eligible to be owned by banks.

5. Any bonds issued hereunder which upon the death of the owner constitute part of his estate, will be redeemed at the option of the duly constituted representatives of the deceased owner's estate, at par and accrued interest to date of payment, Provided:

(a) that the bonds were actually owned by the decedent at the time of his death; and

(b) that the Secretary of the Treasury be authorized to apply the entire proceeds of redemption to the payment of Federal estate taxes.

Registered bonds submitted for redemption hereunder must be duly assigned to "The Secretary of the Treasury for redemption, the proceeds to be paid to the Collector of Internal Revenue at \_\_\_\_\_ for credit on Federal estate taxes due from estate of \_\_\_\_\_." Owing to the periodic closing of the transfer books and the impossibility of stopping payment of interest to the registered owner during the closed period, registered bonds received after the closing of the books for payment during such closed period will be paid only at par with a deduction of interest from the date of payment to the next interest payment date; bonds received during the closed period for payment at a date after the books reopen will be paid at par plus accrued interest from the reopening of the books to the date of payment. In either case checks for the full six months' interest due on the last day of the closed period will be forwarded to the owner in due course. All bonds submitted must be accompanied by Form PD 1782,<sup>2</sup> properly completed, signed and sworn to, and by a certificate of the appointment of the personal representatives, under seal of the court, dated not more than six months prior to the submission of the bonds, which shall show that at the date thereof the appointment was still in force and effect. Upon payment of the bonds appropriate memorandum receipt will be forwarded to the representatives, which will be followed in due course by formal receipt from the Collector of Internal Revenue.

6. Except as provided in the preceding paragraphs, the bonds will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States bonds.

### III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington. Subscribers are requested not to trade in the securities allotted hereunder until after February 15, 1944. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Others than banking institutions will not be permitted to enter subscriptions except for their own account. Subscriptions must be accompanied by payment in full for the amount of bonds applied for.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of bonds applied for, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subject to these reservations, and to the limitations on commercial bank subscriptions prescribed in Section I of this circular, all subscriptions will be allotted in full. Allotment notices will be sent out promptly upon allotment.

### IV. PAYMENT

1. Payment at par and accrued interest, if any, for bonds allotted hereunder must be made on or before February 1, 1944, or on later allotment. One day's accrued interest is \$0.062 per \$1,000. Any qualified depository will be permitted to make payment by credit for bonds allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified by the Federal Reserve Bank of its District.

### V. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve Banks of the respective Districts, to issue allotment notices, to receive payment for bonds allotted, to make delivery of bonds on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive bonds.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

**HENRY MORGENTHAU, JR.,**  
*Secretary of the Treasury.*

<sup>1</sup>An exact half-year's interest is computed for each full half-year period irrespective of the actual number of days in the half year. For a fractional part of any half year, computation is on the basis of the actual number of days in such half year.

<sup>2</sup>The transfer books are closed from February 16 to March 15, and from August 16 to September 15 (both dates inclusive) in each year.

<sup>3</sup>Copies of Form PD 1782 may be obtained from any Federal Reserve Bank or from the Treasury Department, Washington, D. C.

*Miss Chauncey*  
285 66

**UNITED STATES OF AMERICA**  
**2½ PERCENT TREASURY BONDS OF 1965-70**

Dated and bearing interest from February 1, 1944 Due March 15, 1970  
REDEEMABLE AT THE OPTION OF THE UNITED STATES AT PAR AND ACCRUED INTEREST ON AND  
AFTER MARCH 15, 1965

Interest payable March 15 and September 15

1944  
Department Circular No. 729  
Fiscal Service  
Bureau of the Public Debt

TREASURY DEPARTMENT,  
OFFICE OF THE SECRETARY,  
Washington, January 18, 1944.

**I. OFFERING OF BONDS**

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions, at par and accrued interest, from the people of the United States for bonds of the United States, designated 2½ percent Treasury Bonds of 1965-70. The amount of the offering is not specifically limited.

2. These bonds will not be available for subscription, for their own account, by commercial banks, which are defined for this purpose as banks accepting demand deposits, except as follows: a commercial bank holding savings deposits as defined in Regulation Q of the Board of Governors of the Federal Reserve System may subscribe to the bonds offered hereunder, to the 2½ percent Treasury Bonds of 1956-59 offered simultaneously herewith under Treasury Department Circular No. 730, and to Series F-1944 and Series G-1944 United States Savings Bonds under Treasury Department Circular No. 654, Second Revision, but the amount of such subscriptions shall not exceed, in the aggregate, 10 percent of the savings deposits as shown on the bank's books as of the date of the most recent call statement required by the supervising authorities prior to the date of subscription for such bonds, or \$200,000, whichever is less. No such bank shall hold more than \$100,000 (issue price) of Series F and Series G Savings Bonds (Series 1944), combined.

**II. DESCRIPTION OF BONDS**

1. The bonds will be dated February 1, 1944, and will bear interest from that date at the rate of 2½ percent per annum, payable on a semiannual basis on September 15, 1944, and thereafter on March 15 and September 15 in each year until the principal amount becomes payable. They will mature March 15, 1970, but may be redeemed at the option of the United States on and after March 15, 1965, in whole or in part, at par and accrued interest, on any interest day or days, on 4 months' notice of redemption given in such manner as the Secretary of the Treasury shall prescribe. In case of partial redemption the bonds to be redeemed will be determined by such method as may be prescribed by the Secretary of the Treasury. From the date of redemption designated in any such notice, interest on the bonds called for redemption shall cease.

2. The income derived from the bonds shall be subject to all Federal taxes, now or hereafter imposed. The bonds shall be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

3. The bonds will be acceptable to secure deposits of public moneys. They will not be entitled to any privilege of conversion.

4. Bearer bonds with interest coupons attached, and bonds registered as to principal and interest, will be issued in denominations of \$500, \$1,000, \$5,000, \$10,000, \$100,000 and \$1,000,000. Provision will be made for the interchange of bonds of different denominations and of coupon and registered bonds, and for the transfer of registered bonds, under rules and regulations prescribed by the Secretary of the Treasury. Except as provided in Section I of this circular, these bonds may not, before February 1, 1954, be transferred to or be held by commercial banks, which are defined for this purpose as banks accepting demand deposits; however, the bonds may be pledged as collateral for loans, including loans by commercial banks, but any such bank acquiring such bonds before February 1, 1954, because of the failure of such loans to be paid at maturity will be required to dispose of them in the same manner as they dispose of other assets not eligible to be owned by banks.



5. Any bonds issued hereunder which upon the death of the owner constitute part of his estate, will be redeemed at the option of the duly constituted representatives of the deceased owner's estate, at par and accrued interest to date of payment, Provided:

- (a) that the bonds were actually owned by the decedent at the time of his death; and
- (b) that the Secretary of the Treasury be authorized to apply the entire proceeds of redemption to the payment of Federal estate taxes.

Registered bonds submitted for redemption hereunder must be duly assigned to "The Secretary of the Treasury for redemption, the proceeds to be paid to the Collector of Internal Revenue at \_\_\_\_\_ for credit on Federal estate taxes due from estate of \_\_\_\_\_." Owing to the periodic closing of the transfer books and the impossibility of stopping payment of interest to the registered owner during the closed period, registered bonds received after the closing of the books for payment during such closed period will be paid only at par with a deduction of interest from the date of payment to the next interest payment date; bonds received during the closed period for payment at a date after the books reopen will be paid at par plus accrued interest from the reopening of the books to the date of payment. In either case checks for the full six months' interest due on the last day of the closed period will be forwarded to the owner in due course. All bonds submitted must be accompanied by Form PD 1782,<sup>3</sup> properly completed, signed and sworn to, and by a certificate of the appointment of the personal representatives, under seal of the court, dated not more than six months prior to the submission of the bonds, which shall show that at the date thereof the appointment was still in force and effect. Upon payment of the bonds appropriate memorandum receipt will be forwarded to the representatives, which will be followed in due course by formal receipt from the Collector of Internal Revenue.

6. Except as provided in the preceding paragraphs, the bonds will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States bonds.

### III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington. Subscribers are requested not to trade in the securities allotted hereunder until after February 15, 1944. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Others than banking institutions will not be permitted to enter subscriptions except for their own account. Subscriptions must be accompanied by payment in full for the amount of bonds applied for.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of bonds applied for, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subject to these reservations, and to the limitations on commercial bank subscriptions prescribed in Section I of this circular, all subscriptions will be allotted in full. Allotment notices will be sent out promptly upon allotment.

### IV. PAYMENT

1. Payment at par and accrued interest, if any, for bonds allotted hereunder must be made on or before February 1, 1944, or on later allotment. One day's accrued interest is \$0.069 per \$1,000. Any qualified depository will be permitted to make payment by credit for bonds allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified by the Federal Reserve Bank of its District.

### V. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve Banks of the respective Districts, to issue allotment notices, to receive payment for bonds allotted, to make delivery of bonds on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive bonds.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

HENRY MORGENTHAU, JR.

Secretary of the Treasury.

<sup>1</sup> An exact half-year's interest is computed for each full half-year period irrespective of the actual number of days in the half year. For a fractional part of any half year, computation is on the basis of the actual number of days in such half year.

<sup>2</sup> The transfer books are closed from February 16 to March 15, and from August 16 to September 15 (both dates inclusive) in each year.

<sup>3</sup> Copies of Form PD 1782 may be obtained from any Federal Reserve Bank or from the Treasury Department, Washington, D. C.

IMMEDIATE RELEASE

JANUARY 18, 1944

The Fourth War Loan Drive is an opportunity to demonstrate the power of democracy in action. It is the personal business of every American to see that this drive succeeds.

Our most difficult military operations are ahead of us -- not behind us. Until we have actually occupied Berlin and Tokyo, we cannot indulge for a moment in the pleasant day-dream that the war is almost over.

Our troops must have overpowering superiority in every kind of weapon and fighting equipment -- in the air, on the sea, under the sea and on land. That is the quickest way to achieve victory -- and the least costly in human life and sorrow.

During the Fourth War Loan Drive all of us will have an opportunity to do our share in shortening the war and causing the unconditional surrender of the enemy. Every dollar invested in War Bonds is an addition to our offensive power, a contribution to our future happiness and security. Let's all Back the Attack!

FRANKLIN D. ROOSEVELT

- - -

January 18, 1944

Gentlemen:

Your War Bond windows, dramatizing as they do the activities of "Our Boys Throughout the World", are a most unusual and valuable contribution to the success of the 4th War Loan.

These three dimensional window displays cannot help but bring home to all who view them the sacrifices and hardships being endured by our men in the Service. From my own personal observations in the battle zones I can attest to accuracy of the heart-stirring scenes you portray.

It is my hope that this inspiring exhibit of "Our Boys Throughout the World" will serve as a model to retailers all across the land, and I commend Mandel Brothers for providing an opportunity to the people of Chicago to see with their own eyes what it takes to "Back the Attack".

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mandel Brothers  
Chicago, Illinois

HM:mes

○ This appeared in the World Telegram  
on January 18th.

TREASURY DEPARTMENT

70

INTER OFFICE COMMUNICATION

DATE

TO Mr. Smith

FROM Mr. Shaeffer *C.P.D.*

The attached editorial is appearing in today's "New York World-Telegram." The boss will probably need a new hat after he reads it.

MORGENTHAU, BONDS AND LORD'S PRAYER

We've been plenty critical of the fiscal policies of Henry Morgenthau, Jr. But we want to say here that he's tops as a salesman of War Bonds.

As an organizer of a radio program and as a personal performer thereon--acting as he did Monday night in the role of impresario--no figure in public life is more effective; no professional actor, or orator, he has the voice and the poise, the manner and dignity it takes. He conducted the opening of the nation-wide bond drive in a way to put Orson Welles in the shadows.

This being, however, in the nature of a theatrical review, we have a suggestion to make. One of the most impressive of the features, which included across-the-ocean talks by General Eisenhower and Admiral Nimitz and songs by the great John Charles Thomas, was reading of the Lord's Prayer. Had we been handling the performance we would have selected the optional version available of one portion of that Scriptural masterpiece.

"Forgive us our debts as we forgive our debtors," is the way the radio program had it.

"Forgive our trespasses as we forgive those who trespass against us," is the Biblical alternative.

All things considered in the Treasury record for the last decade, why drag in the mention of debts when it could be avoided!

JAN 18 1944

Dear Mr. Lerner:

I want you to know how much I appreciate your help on our War Bond broadcast.

A number of changes were made on the script during the last day, and we departed from the original quite considerably. However, the part that you provided helped us settle upon the way in which we finally treated it.

Sincerely,

(signed) H. Morgenthau, Jr.

Mr. Max Lerner  
PM Editorial Department  
27 Sixth Avenue  
New York, New York

FS:mlf



TREASURY DEPARTMENT

74

INTER OFFICE COMMUNICATION

DATE

January 18, 1944

TO Mrs. Klotz

FROM Fred Smith *FS*

The "We the People" broadcast from Bridgeport has been moved back to January 30 from February 6.

The Cincinnati speech remains January 20, which is Thursday. You should remind the Secretary of this, because he keeps speaking of Wednesday being the day.

These are the only engagements he has booked at the moment aside from the closed-circuit telephone conversation (Wednesday, January 19) at 11:00 a.m.

*Let Mrs. Klotz*

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE  
January 18, 1944

TO Secretary Morgenthau

FROM Fred Smith (FS)

*[Handwritten mark]*

You wanted me to remind you to talk to John Sullivan about the surplus property disposal bill now before Congress.

January 18, 1944.

Dear Mr. Dingus:

In behalf of Secretary Morgenthau I wish to acknowledge your letter of January 17th, and to thank you for your thoughtfulness in forwarding a copy of H. R. 3873.

Sincerely yours,

~~Witnessed~~ John L. Hallinan

Mr. Wallace E. Dingus,  
Clerk,  
Committee on Banking and Currency,  
House of Representatives.

JLS:kb

SEVENTH CONGRESS

**HOUSE OF REPRESENTATIVES**

COMMITTEE ON BANKING AND CURRENCY

WASHINGTON

January 17, 1944

JEROME P. WELCHOFF, MICH.  
 CHARLES L. GIFFORD, MICH.  
 FRED L. GRANTFORD, MICH.  
 RALPH A. GANNELE, N. Y.  
 ROBERT W. HEAL, N. A.  
 HERBIE SUNDLER, ILL.  
 FREDERICK C. SMITH, OHIO  
 JOHN C. HANSEL, PA.  
 THOMAS ROLPH, CALIF.  
 HENRY G. TALLE, IOWA  
 S. J. MORRISWICK, CONN.

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

Dear Mr. Morgenthau:

The Hon. Brent Spence, Chairman of the House Committee on Banking and Currency, has directed me to advise you that this Committee is beginning hearings this morning on H. R. 3873, introduced by Mr. Patman which provides for amending the Reconstruction Finance Corporation Act, as amended, to provide for the sale or other disposition of surplus property of the United States.

This bill would establish a board, a member of which is to be the Secretary of the Treasury, Secretary of War, and Secretary of the Navy. If you should desire to submit yours views on this pending legislation, please contact Chairman Spence.

For your convenience I am enclosing a copy of H. R. 3873.

Yours sincerely,  
*Wallace E. Dingus*  
Clerk

78TH CONGRESS  
1ST SESSION

# H. R. 3873

---

## IN THE HOUSE OF REPRESENTATIVES

DECEMBER 18, 1943

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

---

## A BILL

To amend the Reconstruction Finance Corporation Act by adding a new title thereto relating to the sale or other disposition of surplus property of the United States.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*  
3 That the Reconstruction Finance Corporation Act, as  
4 amended, is amended by inserting "TITLE I", immediately  
5 before the first section thereof, by striking out the word  
6 "Act" wherever it appears therein as a reference to such  
7 Act (except in the short title of such Act), and inserting  
8 in lieu thereof the word "title", and by adding at the end  
9 of such Act, as amended, the following new title:

## "TITLE II

## "SHORT TITLE

1 "SEC. 201. This title may be cited as the 'Surplus Prop-  
2 erty Act of 1943'.

## "DEFINITIONS

3 "SEC. 202. As used in this title—

4 "(1) The term 'property' means any supplies, materials,  
5 or equipment, including real estate and improvements thereon,  
6 or tangible property owned by the United States, or by any  
7 corporation owned or controlled by the United States, which  
8 is under the jurisdiction or control of any governmental  
9 agency.

10 "(2) The term 'surplus property' means any property  
11 which has been declared to the central agency handling  
12 surplus property to be surplus to the function, activity, or  
13 project in connection with which it was acquired or accrued.

14 "(3) The term 'Government agency' means any execu-  
15 tive department of the Government or any administrative  
16 units or subdivision thereof, any independent agency in the  
17 executive branch of the Government, and any corporation  
18 owned or controlled by the United States.

## "SURPLUS PROPERTY POLICY BOARD

19 "SEC. 203. (a) There is hereby established a Surplus  
20 Property Board (referred to in this title as "the Board"),  
21 which shall consist of the Chairman of the Board of Directors

1 of the Defense Supplies Corporation who shall be the Chair-  
2 man thereof, the Secretary of War, the Secretary of the  
3 Navy, the Secretary of the Treasury, and three individuals  
4 to be appointed by the President, by and with the advice  
5 and consent of the Senate. The three individuals so ap-  
6 pointed shall be businessmen who have had at least five  
7 years' experience in the business of the retail sale and dis-  
8 tribution of merchandise.

9 "(b) The Board (1) shall determine and prescribe  
10 the methods to be used by governmental agencies in making  
11 and maintaining inventories of property, and (2) shall de-  
12 termine the surplus property under the jurisdiction of the  
13 various governmental agencies that should be sold or leased,  
14 and shall inform the Reconstruction Finance Corporation as  
15 to every such determination.

## "DUTIES OF GOVERNMENTAL AGENCIES

16 "SEC. 204. Every governmental agency (1) shall make  
17 and maintain accurate uniform inventories, in accordance with  
18 methods determined and prescribed by the Board, of property  
19 under its jurisdiction; (2) shall cooperate with the Board for  
20 purposes of determining which of the property under its  
21 jurisdiction is surplus property; and (3) shall cooperate with  
22 the Reconstruction Finance Corporation in connection with  
23 the sale or lease of surplus property pursuant to the provisions  
24 of this title.  
25

1 "DUTIES OF THE RECONSTRUCTION FINANCE CORPORATION

2 "SEC. 205. (a) Surplus property which the Board has  
3 determined should be sold or leased shall be sold or leased by  
4 the Reconstruction Finance Corporation in a manner con-  
5 sistent with the provisions of this section.

6 "(b) The Corporation shall appoint an advisory com-  
7 mittee for each class of property which is to be sold or leased.  
8 The members of such advisory committee shall be appointed  
9 from among persons who, by reason of their business experi-  
10 ence, are familiar with the handling and marketing of such  
11 class of property, or similar property. It shall be the duty of  
12 the Corporation, in selling or leasing surplus property, to  
13 consult with the appropriate advisory committee or commit-  
14 tees so appointed as to the price, time, method, and manner  
15 of disposing of such property.

16 "(c) In the sale or lease of surplus property pursuant to  
17 this title, the Reconstruction Finance Corporation shall, so far  
18 as practicable, be governed by the following considerations:

19 "(1) Distribution of such property should be through  
20 established trade channels.

21 "(2) The acquisition of large quantities of such property  
22 for speculative purposes should not be permitted.

23 "(3) The prices at which any particular property or  
24 class of property is sold or leased should be uniform.

25 "(4) Such property should be sold or leased at prices

1 low enough to facilitate the disposition thereof, but high  
2 enough to enable the United States to secure a fair return  
3 therefor.

4 "(5) The sale or lease of such property should be at  
5 a rate which will not unduly disrupt trade and commerce.

6 "(6) The sale or lease of such property should take  
7 into consideration the need for facilitating and encouraging  
8 the establishment in the various communities in the several  
9 States by members of the armed forces of the United States  
10 upon their discharge or release from active duty, as well as  
11 by others, of small business enterprises and with a view to  
12 strengthening small business enterprises.

13 "(d) The sale or lease of surplus property shall be in  
14 accordance with such regulations as the Board shall pre-  
15 scribe regarding the times, places, quantities, and terms and  
16 conditions of the proposed disposition of such property; and  
17 such regulations shall require advertising for competitive  
18 bids except in such cases and with respect to such property  
19 as the Board determines that sales or leases by competitive  
20 bids would be contrary to the public interest.

21 "EXCLUSIVE METHOD OF DISPOSING OF SURPLUS PROPERTY

22 "SEC. 206. No surplus property shall be sold, leased, or  
23 disposed of otherwise than in accordance with the provisions  
24 of this title, except that where provisions of law are in force  
25 specifically authorizing the sale or other disposition of any

1 particular property or class of property, such property or  
 2 class of property may be sold or otherwise disposed of in  
 3 accordance with such provisions of law if the Board approves  
 4 such action as being consistent with the public interest.

5 "TRANSFERS BETWEEN GOVERNMENTAL AGENCIES

6 "SEC. 207. Notwithstanding any other provisions of this  
 7 title, governmental agencies shall make the fullest practicable  
 8 utilization of surplus property in order to avoid waste and  
 9 unnecessary expense, and for such purposes surplus prop-  
 10 erty may be transferred from one governmental agency to  
 11 another, in lieu of its sale or lease pursuant to the provisions  
 12 of this title. Such transfers shall be made subject to such  
 13 regulations as the Board shall prescribe.

14 "DISPOSITION OF NONSALABLE PROPERTY

15 "SEC. 208. Notwithstanding any other provision of this  
 16 title, surplus property which is not salable, or which for  
 17 any other reason it is impracticable to transfer, sell, or lease  
 18 as provided in this title, shall be repaired, rehabilitated,  
 19 donated, destroyed, or disposed of in accordance with such  
 20 regulations as the Board shall prescribe.

21 "PROCEEDS FROM SALE OR LEASE OF SURPLUS PROPERTY

22 "SEC. 209. All proceeds from the sale or lease of surplus  
 23 property under this title shall be deposited and covered into  
 24 the Treasury as miscellaneous receipts.

"MISCELLANEOUS

1  
 2 "SEC. 210. (a) The Board is authorized to appoint and  
 3 fix the compensation, subject to the civil-service laws and  
 4 the Classification Act of 1923, as amended, of such em-  
 5 ployees as may be necessary for the performance by the  
 6 Board of its functions under this title.

7 "(b) Each member of the Board appointed thereto by  
 8 the President, by and with the advice and consent of the  
 9 Senate, and each member of any advisory committee ap-  
 10 pointed by the Reconstruction Finance Corporation under  
 11 this title, shall be paid compensation at the rate of \$  
 12 per diem when actually engaged in the performance of his  
 13 duties under this title, and shall be allowed necessary travel-  
 14 ing expenses and subsistence expenses (not in excess of  
 15 \$ per day) incurred when absent from his place of  
 16 residence in connection with the performance of such duties."



(This letter was returned by the Byrd  
Committee. See letter of 1/21 which re-  
placed this.)

JAN 13 1944

My dear Mr. Chairman:

Reference is made to the proposed additional report of the Joint Committee on Reduction of Nonessential Federal Expenditures with respect to penalty mail, which you forwarded with your letter of January 13, 1944 for comment, suggestions and approval.

There are undoubtedly some classes of penalty mail which could be curtailed or entirely eliminated without adversely affecting the Government's operations. With respect to mail of this character I am in accord with the Committee's views that some savings could be realized through the establishment of more effective controls.

However, I am not prepared at this time, without detailed analysis and study of all the factors involved, to agree with the recommendation that the penalty mail privileges of the departments and agencies of the Federal Government be abolished, as such, and that the Congress enact legislation which would provide that the departments and agencies reimburse the Post Office Department at regular postage rates or upon a cost ascertainment basis. It is conceivable that additional costs might be imposed which would far outweigh any economies that could be achieved by reduced mailings. It would seem, therefore, that before any far-reaching change of this character is effected, there should be a very thorough investigation made to determine whether such change would in fact result in economies to the Government as a whole, and for this reason I believe an opportunity should be accorded the several departments and agencies to submit their views on the proposal.

I am not in agreement with recommendation No. 7 that the Post Office Department be authorized to refuse to accept penalty mail matter under such rules as the Postmaster General may promulgate, etc. This recommendation would not be conducive to the efficient performance of the Government's functions. There will be frequent instances in which the particular material is so essential

- 2 -

to the proper conduct of the public business and the need so urgent as to constitute complete justification for dispatching it by mail rather than by some other means of transportation. In such cases the department or agency in which the material originates would, in my opinion, be far better qualified than the Postmaster General to make the decision as to its acceptability for mailing. The Treasury has received excellent cooperation from the Postal authorities in connection with the handling of mail originating in this Department, but I do not feel that the Post Office Department should be burdened with the additional responsibility of determining the acceptability of official matter for transmission by mail.

I will be glad if you will include these comments with the Committee report.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable Harry F. Byrd,  
Chairman, Committee on Reduction of  
Unessential Federal Expenditures,  
Congress of the United States,  
Washington, D. C.

WTH:mlb 1/17/44

25

January 18, 1944.

My dear Colonel Sexton:

On Sunday I learned that you were moving on to take over a new command. I want to take this opportunity to thank you for the prompt and able assistance you have rendered to me on a number of occasions.

May I also convey my congratulations on your new assignment, and wish you continued success as you take up its responsibilities?

Sincerely,

(Signed) H. Morgenthau, Jr.

Colonel William T. Sexton,  
U. S. Army,  
War Department,  
Room 3E-928, Pentagon Building,  
Washington, D. C.

GEF/dbs

January 18, 1944

My dear Colonel Sexton:

I learned on Sunday that you were moving on to take over a command, and I want to thank you for the assistance you have rendered to me on a number of occasions.

I wish you continued success in your new responsibilities.

: Sincerely yours,

Colonel William T. Sexton

25

January 18, 1944.

My dear General Marshall:

On Sunday I learned that Colonel Sexton is moving on to take over a new command. During the past months Colonel Sexton has been most helpful to me and I wanted to let you know that I have always felt him to be an extremely able officer. I am sure that he will carry out his new responsibilities with the same efficiency he has shown in his past assignment.

With cordial personal regards,

Sincerely,

(Signed) M. Morgenthau, Jr.

General George C. Marshall,  
Chief of Staff,  
War Department,  
Washington, D. C.

January 18, 1944

My dear General Marshall:

I learned on Sunday that Colonel Sexton is moving on to take over a command. I want to let you know that I feel Colonel Sexton is an extremely able officer and has been most helpful to me.

Sincerely yours,

X General George C. Marshall,  
Chief of Staff,  
War Department,  
Washington, D.C.

~~5444~~

JAN 18 1944

Dear Eleanor:

I am attaching a copy of a proposed reply to Mr. James L. Stuart for your signature. As you say, his plan has few if any redeeming features.

Affectionately,

(Signed) Henry

Mrs. Franklin D. Roosevelt

The White House

Enclosure

APL:roch 1/18/44



5424

My dear Mr. Stuart:

I have your letter of January 4, 1944, enclosing two copies of the Savings Plan to stabilize living costs and wages and to encourage savings by selling war bonds.

It seems to me that the part of your plan relating to ceiling prices, especially on agricultural products, is unduly complex and that it would encounter serious administrative difficulties.

The proposal to pay 10 percent of all wages in one-year Federal Reserve Certificates paying 2 percent interest and negotiable after 30 days from issue date is, I feel, definitely objectionable and of doubtful value. It is, in the first place, arbitrary in that the payments of 10 percent of wages in this special form would rest neither on the consent of the employees as do the deductions now made for War bonds under the payroll savings plan, nor on legislation by Congress. Such action would unquestionably arouse opposition and resentment. Under the circumstances, it is hardly likely that wage earners would wait longer than the minimum 30 days before converting their certificates into cash. Thus little would have been accomplished in the fight against inflation, for the increase in savings under your plan would be extremely temporary. Even one year, the full term of the proposed certificates, is too short.

I should like to point out, in contrast, that War savings bonds of Series H, which are the backbone of the payroll savings plan, have a term of ten years, and that aggregate redemptions out of the \$16.8 billions of these bonds sold between May 1, 1941, and November 30, 1943, were only slightly more than 5 percent. It seems to me, therefore, that the present payroll savings plan is a superior means of encouraging savings for the prevention of inflation.

Sincerely,

Mr. James L. Stuart  
519 Oliver Building  
Pittsburgh, Pennsylvania

APL/tech 1/14/44

O

THE WHITE HOUSE  
WASHINGTON

January 13, 1944

Memorandum for the Secretary of  
the Treasury

Dear Henry:

I am sending you this letter  
and enclosure, from Mr. James L. Stuart  
I think, however, it is an awful plan!

F.R.

RECEIVED  
MEMORANDUM DIVISION  
JAN 14 1944  
U. S. DEPARTMENT OF THE TREASURY

QUART  
ENGINEER

January 4, 1944

JAN 6 - 1944

54421

Mr. Franklin D. Roosevelt  
White House  
Washington, D.C.

Dear Mrs. Roosevelt:

Thanks for your letter of November 21. We had a very lovely time at Kingsley House and your message was read and much enjoyed.

I am enclosing two copies of a Plan some of my friends in Sewickley and myself have devised as a suggestion for regarding inflation. I wish you would read it over carefully as we would like to get a woman's reaction to the matter. I am sending you two copies of same as I would like you to hand one to the President as I am afraid he is too busy conducting the war to think about what might happen to us after the war.

We have had some very good reactions to this plan from some of the leading financial interests in the country, advertising agencies and farm agencies. I haven't taken the matter up with any of the labor organizations as I do not believe they would be favorable to it inasmuch as it provides for increasing wages as the cost of living advanced. I was very much disgusted at the way in which John Lewis was handled. He either is not cognizant of what is going on or he doesn't care. He probably spends too much of his time at the lovely old University Club Building that he purchased for his offices and at his palatial home in Alexandria. I tried to see Mr. Lewis several times to tell him he is setting back organized labor and probably was going to be the cause of a great deal of legislation in Congress to curb them. I didn't know that he was quite as stupid as he appears to be.

I am also disappointed in the way Mr. Ickes has handled the situation as he permitted Mr. Lewis literally to hold him up at the "point of a gun" and made him do what he (Mr. Lewis) wanted him to do.

I hope you will read the enclosed Plan very carefully and send me your reaction. I have devoted a great deal of time to it, as a matter of fact I have let my business "go to pot" as I think it is important for some of us to take an active interest in helping to stave off inflation by selling more bonds, equalizing wages and to help the "forgotten farmer", who has received nothing but a chance to borrow money, which was paid for him, and to receive payment for work that he did not perform, which is also bad.

I saw our friend Mr. Van-Lear P. Shriver at Hot Springs and spent a weekend with him two weeks ago. He has had a stroke - or what

Franklin D. Roosevelt

-2-

January 4, 1944

The Doctor calls a stroke - which has affected slightly his left arm and left leg. His mind is as "clear as a bell" so I do not think he has had a stroke. He is the same old Van and he and I spent two days reminiscing and talking about our friends here in Pittsburgh. He is very much better and I think is able to get about. As a matter of fact he and his night nurse and myself went to a movie at the Homestead Hotel. I am adding this as I know that you are interested in him.

Hoping to hear from you soon, I am

Sincerely yours,

*James L. Stewart*  
*374 Olive Street*  
*Pittsburgh Pa.*

## The Sewickley Plan to Stabilize Living Costs and Wages; to encourage Savings by Selling More Bonds. All of this to avoid further inflation and a possible greater inflation after the war with its resultant long period of depression.

A SYNOPSIS OF THE PLAN to stabilize living costs by using fair ceiling prices. IF FAIR CEILING PRICES FOR ALL FARM PRODUCTS ARE ESTABLISHED BY THE O.P.A. SUBSIDIES WILL NOT BE NEEDED. We need be concerned for the moment only with the stabilization of food and fuel, for these are the only products of our natural resources that enter into the cost of living. Clothing and rents are already stabilized satisfactorily by O.P.A. ceiling prices.

The Sewickley plan is a temporary one and for the duration of the war only or for as long a time as appears advisable to those of the Federal Government who may be charged with carrying out the plan. It can be accomplished with the proper publicity and, if informed through publicity, all patriotic citizens will be glad to cooperate. The publicity should be in charge of one who knows its value. It is suggested that the method of bringing the plan before the public would be through newspapers, by carefully written articles, editorials and cartoons; also by soliciting the help of industries through their own publications and through outdoor advertising, news reels and the radio. Informing the public would not be a hard task if all the means of doing so were synchronized.

The farmer in his present plight is even more than normally discouraged. He is and has been the long forgotten man. He and his family comprise about 40% of our total population. The reason for his not having had proper recognition is that he is not as thoroughly organized as is organized labor and apparently he has not been able to influence the Federal Government sufficiently to have the Government understand his problems and his serious economic condition. He is not producing as much food and live stock as he could produce if he were more encouraged to do so by intelligent Federal assistance. The assistance under this plan is to establish fair ceiling prices for all he produces and after that is done the success or failure on the part of the farmer depends on his ability and his industriousness. These two qualities will be forthcoming if he knows that his business as a farmer is more secure and stable than it ever has been. This is all the incentive he is in need of to make a success of his job. The measure of success will be limited only by his industriousness and his willingness to accept advice from his County agent and his State and Federal agricultural departments.

If a staple ceiling price is established by O.P.A. the farmer will have a greater incentive to borrow Federal funds from the two County Agencies set up for this purpose. With funds and the establishment of a staple ceiling price he will raise more abundant crops and of a better quality, also improve his breed of live stock and plant orchards and vegetable gardens. It will put new zeal and life into his business and he will look forward to a more pleasant and interesting existence.

A further reason for the farmer's discouragement is that he does not have confidence in the future. From his past experience he knows that he has not received a fair price for his products comparable to what other toilers have received. This is a well known fact in all farming communities; a condition which is not economic or Democratic and should not continue to exist if we wish to be a real Democracy. Also on account of his past ex-

perience the farmer is not planning for his next year's crop, including his live stock. He is now selling his live stock at depression prices to be slaughtered in their lean condition instead of holding them over the winter because he has not sufficient funds with which to furnish food for them.

In speaking of the farmer we have in mind the so-called "dirt farmer," who produces we are told 75% of the total products of the farm. If the proposed plan is carried out it will encourage him to plow more land, use more fertilizer and plant more and better seed; to purchase new or used equipment and repair his worn out equipment, including equipment to transfer his crop to market and employ farm help. It would encourage him to purchase many needed necessities for his family and scrap worn out equipment that could not be economically repaired. If the farmer is intelligently encouraged he will produce a larger crop next year than he has produced in the past, as pointed out by Mr. Byrnes, Director of War Mobilization, in his encouraging and understanding broadcast of December 7 (second anniversary of Pearl Harbor).

There is now in each county a County Agent whose duties are educational and to help the farmers of his county in many ways. This County Agent's salary is paid by the Agricultural Department of the State Agricultural Department for the state in which he serves. The Federal Agricultural Department reimburses one-half the County Agent's compensation. In some instances the County in which the County Agent serves bears a portion of his compensation. This County Agent is a non-political entity and from experience had by conversation with some of them it was apparent that they are not only practical farmers but intelligently informed and know the needs for farm improvement, farm economic conditions and qualities of soil. They can and do advise the farmer what crops will yield to him the greatest return for a minimum of effort. These County Agents convene from time to time at the Department of Agriculture of the State College in their State.

We do not know if the O.P.A. has used the collective service of the County Agents in establishing the present ceiling prices but we do know from contacts with them that from their knowledge and records a fair ceiling price can be established in a very short time, working with the O.P.A. A fair ceiling price for all products of the farm produced should be established so that the farmer can select such crops as will give him a profit considering his facilities. He will not be producing crops on which he cannot make a profit. All data and records of the County Agents are on file at the State College and no doubt are available for use of the Federal Agricultural Department in Washington, D. C.

THIS PLAN REQUIRES THAT A CEILING PRICE — call it an Index Ceiling Price — be established for all products of the farm. If the farmer knows the staple price (ceiling price) of all products he can produce he can determine whether or not it will be profitable to him to undertake production of crops he selects since he already knows the cost of production from previous experience.

To insure the successful working of the plan the ceiling prices will vary in accordance with yearly crops, both as

to receive a fixed quantity. If the crop is above the average crop the ceiling price is reduced proportionately.

The plan (a ceiling price to vary with the size of the yield) was suggested by a Virginia farmer who graduated from the Virginia Military Institute. His farm was passed on to him by his forebears, his being the fourth or fifth generation to farm it with a comfortable amount of success without a ceiling price. A ceiling price (variable to conform to the law of supply and demand) he said would greatly help him to stabilize his production and put his farm on a more uniform basis as to his profits.

We need not be concerned about the larger farmers who we are told produce about 25% of farm products, including live stock, as he has sufficient monies with which to employ labor, buy most modern equipment, and whose land has been fertilized to produce a maximum crop and whose live stock has been selected to yield a maximum price for the minimum investment, and who is able to hold his crop and fatten his live stock for high prices. He is prosperous because of his capital and superior knowledge of farming and his low overhead compared to his large production. It would therefore be wise to establish a ceiling price for the small farmer which will automatically take care of the large farmer and the agriculturist. All this will require patience and understanding among all interested in stabilizing food prices and assisting the O.P.A.

All farmers can now borrow money for their needs from the Product Credit Association of their County which advances loans for contemplated crops. They can also borrow from the Farm Loan Association by mortgage on their land and improvements. They are not taking full advantage of this complete form of credit due to the fact that the experience of some of their neighbors has been unpleasant. After borrowing and mortgaging their possession it turned out that they could not sell their crops for the prices they expected to get as prices were not stabilized and they could not meet their obligations causing foreclosure of the mortgage by the Federal Government thereby losing all they had and they had to start all over. This was very depressing and discouraging to their friends and neighbors.

It has been said that there has been considerable black market activity in farm products including live stock due to the fact that the middleman and large producers are withholding sales with the expectation of receiving higher prices due to anticipated inflation.

Sewickley, Pennsylvania, is twelve miles northwest of Pittsburgh on the Ohio River in Allegheny County, where much of the material for this Sewickley plan was gathered and compiled, is primarily an industrial county. In this county, however, are located many small and medium farms. These farmers are known to us and many of them are in a very bad plight. In talking with them we find that one of their troubles is due to the fact that the middle man and large producer are holding their produce for higher prices and do not sell them at the prices established ceiling prices. For example, one farmer told us that he was unable to purchase corn for less than \$1.75 per bushel, although the ceiling price in Allegheny County is \$1.20 per bushel. This type of hoarding of food products, including corn, should be stopped and should be corrected if this fact were reported to the proper authorities and exposed by publicity.

If the ceiling prices are established for the producer (the farmer) then should be added to this price a percentage to cover a reasonable profit for the middle man. If the farmer carries his produce to the final distributor

then he should be allowed to add this percentage to his ceiling prices. A percentage of the producer's ceiling price should be further added for the final distributor to allow him a profit also. If the farmer vend his produce at his farm or a stand in the village or city he should be allowed to add to his ceiling price. The percentage allowed to middleman plus the percentage allowed to final distributor, which is the price to be paid by the consumer.

#### RETAIL FUEL PRICES ALSO ENTER INTO THE COST OF LIVING

If a fair ceiling price was fixed for the farmer there should also be fixed by the O.P.A. and the Administrator of Hard Fuels a fair ceiling price for the producer of fuels to be sold at retail, a fair ceiling price by the same agencies for the middleman whom we need now during this present partially inflated period, and will need him later when we slowly but surely come to a more normal condition. An increased production of farmer and fuel producer will bring down his fixed overhead costs, a large part of his production, which will automatically lower his cost per unit and will increase his quantity of production and the value of same.

Regarding the lack of equipment on the farmer's part, if the Government will have the Little Plant Corporation make a survey of the farmers' needs for equipment and get some of the farmers' needs into production as to equipment and repairs, the farmer can then get before his next year's planting season enough equipment new and repairs to increase his next year's production.

#### STABILIZING LABOR COST

The plan contemplates that labor rates will be in direct proportion to the cost of living. This plan is intended to include all labor, not only the organized groups but the 16,000,000 heads of families and many others who have no method of receiving a wage increase under the present method and under the laws regulating wages.

If some plan as outlined were adopted it would be equitable for all who receive wages or salaries instead of considering only organized pressure groups who are or have been receiving unfair increases in their pay because they displayed a lack of patriotism by striking.

Some of the organized labor groups have requested a pay increase but stated definitely that they would not strike. We might add here that those working in war production are receiving more wages than are the miners, for example. The munition workers' weekly hours of work are from forty to eighty hours per week, with time-and-a-half for overtime and double time for holidays and Sundays, beyond the legally prescribed forty hours per week. This brings the munitions plant employees to a most unheard of sum for weekly pay, which should not be confused or compared with the rate of wages established by organized labor working but forty hours per week. Further, we must remember that organized rates do not decrease once established, and the munitions plant worker will have to return to his former capacity of clerk, professional man, housewife, etc. Then the short-sighted munitions worker who once had a good job or a profession will find it difficult to start all over in order to re-establish himself.

These monies that are paid out are not wasted, however, for they are purchasing and repairing homes, buying new domestic equipment, new clothes and other articles too numerous to mention. Best of all, planting gardens and beautifying homes and surroundings so that the motorist on the highways will view pleasant scenes.

## The Sewickley Plan to Temporarily Increase the Sale of Bonds by Issuing Federal Reserve Certificates to be Exchanged for Bonds.

Have the Secretary of the Treasury empowered to instruct the Federal Reserve Bank, its Regional Banks and their Branch Banks issue FEDERAL RESERVE BANK CERTIFICATES, to be issued serially, in denominations from One Dollar to One Hundred Dollars, similar to our present paper currency and about the same size. These certificates to bear interest at 2%, to be negotiable at their face value thirty days from date of issue (this to encourage their being deposited and held). To mature in one year from date of issue. At maturity its value will be face value, plus interest at 2%. The following attached sample of proposed Federal Reserve Certificate identifies the bank issuing same, its face value, its value at maturity, a space provided for date issued and the method of protection of receiver of the certificate who signs the certificate when received and countersigns same when converted into bonds or when converted into cash.

can easily without changing greatly our mode of living accept 10% or more of these Federal Reserve Checks as part of our income, including wages, dividends and bonuses.

On receiving these certificates the recipient will at once deposit them in his bank or savings institution. If he has no savings account he will arrange for one. A special pass book will be provided for recording the certificates deposited. The depositor is credited with the face value of the certificate. The institutions receiving the certificates convert same into Government Bonds (War Bonds) as the certificates are deposited. The certificates are exchanged for bonds whose maturity value is fifty dollars, one hundred dollars or as large a sum and as many as the sum total of certificates deposited.

If certificates are not deposited to a sum sufficient to purchase a bond or bonds the certificates are held until

PAR VALUE + 2%	PAR VALUE	FEDERAL RESERVE --- CERTIFICATE for	PAR VALUE	PAR VALUE + 2%
TO BE CONVERTED INTO PERMANENT GOVERNMENT BONDS				
SIGNATURE OF HOLDER	FEDERAL RESERVE BANK FOURTH DISTRICT - PITTSBURGH - PENNSYLVANIA THROUGH THE BANK OF ISSUE WILL PAY TO THE ORDER OF			No 000000
SERIES OF	DATE OF ISSUE			
PAR VALUE		PAR VALUE + 2%		
AFTER THIRTY DAYS		AFTER ONE YEAR		
WHEN COUNTERSIGNED WITH THE ABOVE SIGNATURE				
COUNTERSIGN HERE	BLANK BANK OF PITTSBURGH			CASHIER
NEGOTIABLE AFTER THIRTY DAYS FROM THE DATE OF ISSUE				

These certificates to be sold by the BANK OF ISSUE to the Banks, Trust Companies and Savings Institutions in their district. The Banks, Trust Companies and Savings Institutions—the customers of the Federal Reserve Bank in that district or sub-district—to sell these certificates to employers of labor and to those paying bonuses and to those who pay dividends. This would include all of us who are reimbursed for our services in money, whether it be workmen, clerks, superintendents, clerical help, secretaries to executives and executives themselves. It will also include all who pay bonuses and dividends on stocks and bonds. The employers of labor in turn use these certificates to pay at least ten per cent of each employee's pay, which is paid to the employee at the same time he receives the other 90% of his compensation whether it be in cash or check. The sum represented by the certificates plus what the employee receives in cash or check is the full amount owed the employee by the employer and is paid at the regular pay day established by the employer. Bonuses and interests are likewise paid 10% in these Federal Reserve Certificates by the institutions who pay bonuses and interest and dividends. Today we are all receiving more wages, more bonuses and have greater total incomes, including dividends received on stocks, than we have ever received before. We

enough in value have been deposited to purchase a bond or bonds of a smaller value at maturity. The banking institution accepting the certificates for deposit will hold the certificates to date of maturity and will then collect from the Federal Reserve Bank who issued the certificate its face value plus 2% interest. The 2% interest is to compensate the bank for its services to its customer for receiving the deposits in the form of Federal Reserve Certificates, for converting the certificates into bonds and for collecting the interest on the bonds and holding same to be delivered to the customer at the customer's request.

The plan if faithfully carried out will greatly increase the sale of bonds, will encourage savings. In fact it will automatically have all who receive wages, bonuses and dividends open savings accounts. Will reduce our current purchasing power 10% or more, which will help to stabilize retail prices. Will enable us to save 10% of our income for the "rainy day" to follow the slowing up of our war production and a short period of converting industry from a wartime to a peacetime basis. It will have taught us all the value of saving a part of our income and will make us all familiar with the need of saving and the ease with which it can be accomplished if we once acquire the habit.

This plan will be effective or its objective fully attained unless it is given thorough and intelligent publicity, publicity that strikes the very root of our patriotism and reminds us to our duty as citizens of a free Democratic country; publicity that will have us willing to save to carry on the war effort and to arrest inflation. Publicity through newspapers, cartoons, editorials and short articles, through trade papers and publications of companies for their employees and customers, outdoor advertising, bill boards, etc., through motion pictures and over radio programs. The Department of Labor files indicate that our total National income for the year 1940 was \$5,763,000,000.00. Our total National income for the calendar year of 1943, up to and including November 1, 1943, was \$142,000,000,000.00. This does not include depreciation set up by corporations, nor did it include corporate surpluses. Assuming that November and December were equal to the average for the rest of the year our total net income for the calendar year of 1943, exclusive of surpluses and depreciation of corporations would be approximately \$166,000,000,000.00. If 10% of this had been invested in Government Bonds by using the Sewickley plan the total invested in War Bonds would have been increased by \$16,600,000,000.00. Under the circumstances would it not be worth while to try this plan?

#### SUMMARY OF THE SEWICKLEY PLAN

The result of the plan if faithfully carried out will stabilize the cost of living, will automatically increase the rates of wages as living costs are increased and in the

same proportion. This will include the 16,000,000 heads of families who do not belong to any organized group. It will include increases in rates of wages to all wage earners. It will increase the sale of bonds, it will increase savings, it will enable everyone to open a savings account. It will reduce our current purchasing power by 10% of our incomes.

It will make us understand each others problems better, will enable us to greatly increase our farm production and the products of our manufacturing industry, give us great surpluses to sell and ship abroad. Stabilizing wages will give us great advantages in manufacturing goods for home and foreign consumption.

Inflation can be likened to a person desperately ill from infection whose condition is so serious that death seems inevitable but perchance a remedy is found which if applied may operate to avert the inevitable. Although the patient may be unwilling to submit to the treatment by lack of confidence in the remedy his friends (you and I) should insist on its application and thus bring about recovery.

If inflation is averted in the United States it will tend to avoid inflation abroad and gain for us the good will of all peoples.

We have tried to make this simple and understandable, we have much information we can add if it will simplify. Will be glad to answer any question or questions to clarify the above. One cannot write all the answers unless we know what questions the other fellow might have in his mind. Will be glad to receive suggestions as to clarification or addition to the plan from anyone.

### ADDENDA

#### DATA AS TO WAGE EARNINGS AND LIVING COSTS

*From the Department of Labor Files, Washington, D. C.*

A recorded comparison of living costs and wages on file with the Department of Labor in Washington shows the following facts:

The average living costs per week including food, clothing, rents, insurance premiums, bills, medicines, etc., from 1938 to August 15, 1939, using 100% as a base measure, amounted to 98.6%, and increased to 100.8% by January 1, 1941. The last report available (October 31, 1943) indicates that living costs rose to 124.4%, AN INCREASE IN COST OF LIVING FROM 1938 TO OCTOBER 31, 1943, OF SLIGHTLY MORE THAN 25%. This comparison was for factory workers only.

The average weekly earnings for heads of families of factory workers in 1939 were \$23.19. Average weekly earnings for heads of families from January 1 to September 1, 1943, amounted to \$44.39. If earnings of other members of the family are added to this, the sum would easily equal \$100.00 per week for the average family of factory workers, and in many isolated cases it has reached \$200.00 per week where they worked overtime beyond the regular week regulated by Act of Congress.

Comparing the average earnings of factory workers for the week ending January 1 with those for the week ending September 1, 1943, shows an increase of 91.4%, based only on weekly earnings of heads of families. A comparison of actual wages, including additional bonuses for time-and-a-half and double time for holidays and Sundays during the same period, with the real cost of living, including everything but contributions and money expended for luxuries, shows that living costs

increased from January, 1939 to October, 1943, approximately 25%. The cost of living is lagging 66.4% behind the average weekly wages in the same period. This would indicate that the cost of living could be increased by raising ceiling prices without an increase in weekly wages.

The records of the Department of Labor give the total National income from wages and salaries, including those of executives, for the year 1939 as \$3,663,000,000, and will amount to 300%, or more, by the end of the year, 1943.

The total income received by individuals during the calendar year ending January 1, 1940, was \$5,763,000,000. During 1942, the total income increased approximately 122% as against an increase in living costs of 25%, and there was an increase in salaries and wages of 141%, while the cost of living, including food, rents, clothing, etc., increased 25%.

Up to November 1, 1943, total National income for the year, including salaries, dividends, bonuses, earnings from businesses, professions, corporations, (not including surpluses of corporations) was \$142,600,000,000. If 10% were invested in Government Bonds, it would reach the staggering sum of \$14,260,000,000. This, or even part of it, would greatly assist the Treasury Department in its present plan to sell Bonds, and with which plan it will not interfere. The employer of labor should use his discretion as to the percentage of these checks to be used toward the payment of his employees, officers, executives, and himself as well.

Signed, JAMES L. STUART  
519 Oliver Building,  
Pittsburgh, Pennsylvania.





OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT  
PROCUREMENT DIVISION  
WASHINGTON 25



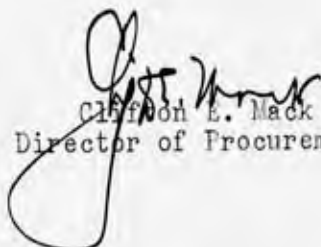
SECRET

January 18, 1944

MEMORANDUM TO THE SECRETARY:

There is submitted herewith the weekly report of Lend-Lease purchases.

Requisitions were received for the printing of 11,875,000 railroad tickets required for use in the railroad program in West Africa.

  
Clifford E. Mack  
Director of Procurement

LEND-LEASE  
 TREASURY DEPARTMENT, PROCUREMENT DIVISION  
 STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND  
 DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS  
 AS OF JANUARY 12, 1944  
 (In Millions of Dollars)

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous &amp; Undistributed</u>
Allocations	\$4627.0 (3996.7)	\$2286.9 (1986.7)	\$1860.1 (1560.1)	\$113.8 (113.2)	\$10.6 (10.6)	\$355.6 (325.5)
Purchase Authoriza- tions (Requisitions)	\$3400.3 (3372.5)	\$1776.0 (1768.4)	\$1344.0 (1330.1)	\$44.3 (44.0)	-	\$236.0 (230.0)
Requisitions Cleared for Purchase	\$3301.9 (3274.8)	\$1719.1 (1710.8)	\$1316.6 (1303.2)	\$44.0 (43.8)	-	\$222.2 (217.0)
Obligations (Purchases)	\$3161.4 (3141.9)	\$1677.6 (1669.6)	\$1282.0 (1274.9)	\$43.7 (43.7)	\$9.5 (9.5)	\$148.6 (144.2)
Deliveries to Foreign Governments at U. S. Ports*	\$1616.5 (1600.7)	\$1097.0 (1087.6)	\$474.6 (468.9)	\$20.6 (20.2)	-	\$24.3 (24.0)

\*Deliveries to foreign governments at U. S. Ports do not include the tonnage that is either in storage, "in-transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.

Note: Figures in parentheses are those shown on report of January 5, 1944.

SECRET  
96

TREASURY DEPARTMENT  
OFFICE OF THE SECRETARY

January 18, 1944

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 January 5, 1944, 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.

*EMB*

FEDERAL RESERVE BANK  
OF NEW YORK

January 17, 1944.

CONFIDENTIAL

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

I am enclosing our compilation for the week ended January 5, 1944, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke

L. W. Knoke,  
Vice President.

The Honorable Henry Morgenthau, Jr.  
Secretary of the Treasury,  
Washington 25, D. C.

Enclosure.

C O P Y

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

Bank Ended January 5, 1944

Strictly  
Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)										BANK OF FRANCE					
	D I B I T S					C R E D I T S					Total Debits (e)	Total Credits (e)	Net Incr. (-) or Decr. (+) in \$ Funds (d)	Total Debits (e)	Total Credits (e)	Net Incr. (-) or Decr. (+) in \$ Funds (d)
	Total Debits	Govt. Expenditures (a)	Transfers to Official Canadian Account	Other Debits	Total Credits	Reserves for Special Reservings (Official) (b)	Transfers from Official Australian Account	Other Credits (c)	Net Incr. (-) or Decr. (+) in \$ Funds (d)	Total Debits (e)						
First year of war (e)	1,793.2	695.6	20.9	1,166.7	1,828.2	1,356.1	3.9	416.2	+ 35.0	856.3(f)	1,095.3(f)	+299.0				
War period through																
December, 1940	2,789.1	1,465.6	20.9	1,335.8	2,793.1	2,109.4	14.5	561.1	+ 10.8	878.3	1,098.4	+220.1				
Second year of war (f)	2,302.0	1,792.2	3.4	407.2	2,189.8	1,193.7	16.7	705.4	- 13.2	38.9	8.8	- 30.1				
Third year of war (f)	1,235.6	904.8	7.7	223.1	1,361.5	21.8	57.4	1,276.8	+ 125.9	18.5	6.6	- 14.1				
Fourth year of war (f)	764.0	312.7	170.4	280.9	1,072.3	-	155.1	916.7	+ 308.3	10.3	1.0	- 9.1				
1943																
Sept. 2 - Sept. 29	46.3	15.5	10.6	20.2	78.1	-	16.0	64.1	+ 31.8	-	-	-				
Sept. 30 - Nov. 3	99.5	35.3	0.1	24.1	120.4	-	41.5	86.9	+ 66.9	-	-	-				
Nov. 4 - Dec. 1	48.2	24.4	5.8	18.0	83.4	-	3.5	79.9	+ 35.2	-	-	-				
Dec. 2 - Dec. 29	38.2	15.6	-	22.6	123.5	-	35.0	88.5	+ 85.3	-	-	-				
Week Ended:																
December 15, 1943	114.2	34.1	-	74.5	304.9	-	5.0	254.9	+ 194.1	-	-	-				
December 22, 1943	5.4	3.9	-	2.5	42.0	-	-	42.0	+ 36.6	-	-	-				
December 29, 1943	9.9	2.8	-	6.3	25.8	-	15.0	10.8	+ 16.9	-	-	-				
January 5, 1944	64.1(f)	6.1	0.1	59.3(f)	29.4(f)	-	1.5	27.9(f)	- 37.3	-	-	-				

Banking Shares Outstanding of Bank of England (as at Dec. 31, 1943) \$19,966 million  
 Bank of France (as at Dec. 31, 1943) \$7,641 million  
 Bank of England (as at Dec. 31, 1943) \$2,294.1 million  
 Bank of France (as at Dec. 31, 1943) \$54.9 million  
 Bank of England (as at Dec. 31, 1943) \$100.5 million

See attached sheet for footnotes.

- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (k) below.
- (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) For monthly breakdown see tabulations prior to September 29, 1943.
- (k) Includes \$ 22.4 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports, and \$2.2 million in connection with the expenses of our armed forces abroad.
- (l) Of which \$50.1 million represents cost of gold purchased for export.

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

Week Ended January 5, 1944

Strictly  
Confidential

PERIOD	BANK OF CANADA (and Canadian Government)								COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)							
	D E B I T S				C R E D I T S				D E B I T S				C R E D I T S			
	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 \$Runds(e)	Total Debits	Transfers to Official British A/C	Others Debits	Total Credits	Proceeds of Gold Sales	Other Credits
First year of war (a)	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9
War period through December, 1940	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+ 230.2	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5
Second year of war (b)	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	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
Fourth year of war (d)	723.6	-	723.6	958.8	47.1	170.4	-	741.3	+ 235.2	197.0	155.1	41.9	200.4	-	200.4	+ 3.4
<b>1943</b>																
Sept. 2 - Sept. 29	46.4	-	46.4	65.1	-	10.6	-	54.5	+ 18.7	15.8	14.0	1.8	4.8	-	4.8	+ 11.0
Sept. 30 - Nov. 3	31.5	-	31.5	83.9	-	0.1	-	83.8	+ 52.4	44.9	41.5	3.4	41.7	-	41.7	- 3.2
Nov. 4 - Dec. 1	18.4	0.1	18.3	100.4	-	5.8	-	94.6	+ 82.0	5.7	3.5	2.2	19.3	-	18.3	+ 12.6
Dec. 2 - Dec. 29	40.4	-	40.4	38.1	-	-	-	38.1	- 2.3	38.1	35.0	3.1	26.7	-	26.7	- 11.4
<b>Week ended:</b>																
Dec. 15, 1943	7.8	-	7.8	2.9	-	-	-	2.9	- 4.9	6.8	5.0	1.8	4.8	-	4.8	- 2.0
December 22, 1943	7.2	-	7.2	10.8	-	-	-	10.8	+ 3.6	0.1	-	0.1	16.1	-	16.1	+ 16.0
December 29, 1943	14.5	-	14.5	7.6	-	-	-	7.6	- 6.9	15.2	15.0	0.2	0.3	-	0.3	- 14.9
January 5, 1944	107.1(b)	-	107.1(b)	16.6	-	0.7	-	15.9	- 90.5	3.6	1.5	2.1	0.8	-	0.8	- 2.8

**Average Weekly Expenditures for**

First year of war  
Second year of war  
Third year of war

6.2 million.  
8.9 million.  
10.1 million.  
13.9 million.  
11.5 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 14, 1942.  
 (d) For monthly breakdown see tabulations prior to September 29, 1943.  
 (e) Reflects changes in all dollar holdings payable on demand or maturing in one year.  
 (f) Does not reflect transactions in short term U. S. securities.  
 (g) Includes \$ 1.1 million supplied by the Supplies, Ltd.  
 (h) Includes \$ 1.1 million supplied by the Supplies, Ltd.  
 (i) Includes \$ 1.1 million supplied by the Supplies, Ltd.  
 (j) Includes \$ 1.1 million supplied by the Supplies, Ltd.

Tel: Grosvenor 2862

8, Aldford House,

Park Street,

London, W.I. 18th January, 1944

The Governor  
Bank of Greece

My dear Mr. Minister,

I have just received your letter of the 22nd November last and hasten to write and thank you very much for both the preliminary draft of a tentative proposal for a United Nations Bank for Reconstruction and Development and the accompanying memorandum which you were kind enough to enclose and which clarifies the scope and the object of the proposal.

I shall, of course, study them with great attention and would be most happy if I could help in any way towards the realization of a scheme which is destined to contribute to a large measure to the economic restoration of the world.

Yours sincerely,

/s/ K. Varvaressos

K. Varvaressos.

H. E. Mr. Henry Morgenthau, Jr.,  
Secretary of the Treasury,  
Washington, 25.

COPIED: MET 2-26-44



NCT TO BE RE-TRANSMITTEDCOPY NO. 12BRITISH MOST SECRET  
U.S. SECRETOPTFL No. 21

Information received up to 10 a.m., 18th January, 1944.

1. NAVAL

E-Boats in three groups tried to attack a coastal convoy off THE LIZARD early yesterday but were driven off without causing damage or casualties by the destroyer escort.

2. MILITARY

ITALY. To noon 17th. A limited attack by Canadian troops in the coastal sector has met strong resistance, but fighting continues. 2nd New Zealand Division has been relieved in OISOGNA sector.

5th Army. French troops have made a further small advance capturing VALVORI, five miles north-northwest of CASSINO. Their advanced elements reached the RAPPIO RIVER.

3. AIR OPERATIONS

ITALY. 16th. Mitchells dropped 97 tons on TERMI Railway Centre. Liberators and Fortresses bombed landing grounds near UDINE and VENICE, dropping 211 tons. Enemy casualties 9, 2, 0. Ours - 2 Liberators. 215 Fighters attacked objectives in the battle area.

AUSTRIA. 16th. 67 escorted Fortresses bombed the Messerschmitt aircraft factory at KLAGENFURT, dropping 170 tons with good results. Enemy casualties 3, 2, 0. Ours - 4 Lightnings.

YUGOSLAVIA. 16th. Liberators dropped 53 tons on ZARA HARBOUR and Town. Kittyhawks attacked shipping at SIBENIK and off the coast damaging two ships of 4,000 and 5,000 tons.

104  
January 19, 1944  
5:15 a.m.

I spoke to Pehle last night and asked his advice about calling Governor Lehman. He thought I should as we ought to have good relations with UNRRA.

I then called Governor Lehman and told him I'd be glad to send somebody over to see him to explain what was going on. He said that wasn't necessary and that whom he was annoyed at was Wayne Coy; that when he called him up and asked him for advice, he didn't tell him but half the story. He went on at great length to explain that he wasn't at all angry at me, that he knew what great work I was doing and that I should just forget about it. Then I felt much better and not so tight.

January 19, 1944

John Pehle  
The Secretary.

Do nothing about Governor Lehman. I had a talk with him later on and he is perfectly willing to wait. Just forget about it for the time being.

January 19, 1944

I called Judge Rosenman about five minutes past nine last night and asked him what Stettinius had to say yesterday. He said Stettinius did not come on a matter which concerned me. He did tell me, however, that he had talked with Harry Stimson and Harry Stimson said he would be glad to go along.

He said so far, however, Mr. Hull had not sent for Stettinius. It seems that Rosenman conveyed the message to Hull from the President, that the President would like Hull to send for Stettinius and talk to him about this. Rosenman is now waiting to hear from the Budget who, he says, always has to cross a "T" or dot an "I". Just as soon as he gets it he will have the President sign it.

I spoke to Governor Lehman and asked him what he knew about Finletter, and then Judge Lehman proceeded to cross-examine me about who wanted Finletter and wanted to know if it had anything to do with a call from Wayne Coy, who had called up Governor Lehman and asked him several questions about movement of population when the war was over. Lehman thought it was very funny that Wayne Coy had asked him and only told him part of the story and wanted to know what it was all about. He said, "He impressed me very highly." I think I'd better send somebody over this morning to explain to Governor Lehman what it's all about.

He said he would call Wayne Coy back again and try to find out what it was all about.

January 19, 1944  
9:20 a.m.

CONTRACT TERMINATION COMMITTEE

Present: Mr. Bell  
Mr. Blough  
Mr. Thompson  
Mr. Sullivan  
Mr. McConnell  
Mr. O'Connell  
Mr. Lynch  
Mrs. Klotz

H.M.JR: What is all this about?

MR. BELL: Who asked for it? McConnell?

H.M.JR: Yes, emergency.

MR. BELL: He sort of wanted to bring you up to date and get a few questions settled.

Where is he?

MR. BLOUGH: I think he is coming in.

MR. SULLIVAN: I telephoned that man in Jacksonville yesterday afternoon and found he had already left for Washington earlier in the afternoon. If he is here today would you want to see him?

H.M.JR: I can't see any more today - I don't think so. Right now I can't.

MR. BLOUGH: I want to add my congratulations to all the others about the new cafeteria and food service. I think that is very fine, and will be a very welcome addition to the Treasury.

(The Secretary takes a bow)

(Mr. McConnell enters the conference)

- 2 -

MR. SULLIVAN: I think Norman Cann would like to come over.

H.M.JR: Yes, I have told him. I am holding his commission.

MR. SULLIVAN: Do you have a place for him today?

MR. THOMPSON: Ten-five--

H.M.JR: Yes, sir. Proceed.

MR. McCONNELL: Personnel, sir. We are short representation on two committees that we talked to you last meeting about. You had in mind, we believe, a man by the name of Saunders, who came down from the Harvard Business School and spent some time here in Washington. I don't know that he was in the Treasury, but he was in W.P.B. I called Donald, who said that Saunders was in England on very important work and couldn't be released. He is training Naval men.

H.M.JR: That is the fellow, a Supply Officer.

MR. McCONNELL: We believe that is the man you had in mind. We can't get him. He recommended a younger man - both Saunders and Donald recommended a younger man by the name of Richard Claire who is at Harvard now doing some special teaching, but probably would be available. He is about thirty-five years old. He spent three years with Arthur Andersen and checks very well. The Andersen people think very highly of him, believe him to be an exceptional young man with a good mind and an objective mind, one who would be good for this sort of work.

Now, in addition, we located one other man by the name of Ernest Seatree.

H.M.JR: Go back to this Harvard man; what would he do?

- 3 -

MR. McCONNELL: My concept of him would be an alternate to Seatree, who is an older man.

H.M.JR: Where is Joe O'Connell?

MR. BELL: He was asked, but he is delayed or something. At least I understood that Fitzgerald asked him.

(The Secretary sends for Mr. O'Connell and Mr. Lynch)

MR. McCONNELL: These two committees are concerned with accounting, very largely. One is the Company Settlements Committee, and the other one is the Cost Interpretations Committee. We all felt, I believe, that if we could get a man who had had experience in accounting, cost accounting, and in auditing, that we would supplement and add to the strength of those committees materially. In checking, this man Seatree seemed to be the best man available. I checked him with General Carter, and I checked him with the auditors that I knew in New York. He was also recommended by the same Mr. Saunders that you had in mind.

(Mrs. Klotz entered the conference)

MR. McCONNELL: He has been with Nelson for three years, I believe. He is now with a small business organization, Treasurer and Comptroller, that he has organized, so he has considerable time available.

(Mr. Lynch entered the conference)

H.M.JR: Government or a small business?

MR. BELL: Government; he is with Nelson. He has been there for three years, hasn't he?

MR. McCONNELL: He is under Maverick now, but I think during the interim when they were changing

- 4 -

heads there, that he had a good deal to do with the operation of that subsidiary of W.P.B.

H.M.JR: This is still Seatree?

MR. McCONNELL: Yes.

H.M.JR: Have you checked with Maverick or anybody?

MR. McCONNELL: We haven't called Maverick, no. And he hasn't told Maverick yet.

This work interests him very much and he thinks it is very important and would like to do it, I believe. And the next thing would be, probably, to call him and get in touch with Maverick.

H.M.JR: Who is carrying the ball on this?

MR. McCONNELL: I think Mr. Lynch dug up Mr. Claire and I suggested Mr. Seatree.

MR. SULLIVAN: We can use two, all right, Mr. Secretary.

MR. McCONNELL: One as a member and one as an alternate.

H.M.JR: What is the committee again?

MR. McCONNELL: One of them is Cost Interpretations, which is the standing committee for the guidance of Procurement Officers; the other one is a committee they call Company Settlements, which is for the determination of the matter of considerable difference of opinion now, as to how to settle contracts; whether in lumps, or whether in individual contracts.

MR. BELL: The question of whether you settle one contract at a time or take all contracts of an individual company and lump them, and settle them in that form.



- 5 -

H.M.JR: Who passes on them besides you?

MR. McCONNELL: I have sent the names in to Mr. Gaston. We have discussed them in a good deal of detail in the group here a number of times, and it is my feeling that I would like to recommend these two names to you.

H.M.JR: Sounds all right to me.

MR. SULLIVAN: Yes.

MR. BELL: The idea was to take Mr. Seatree only part time and let him keep his job over there, which isn't very heavy, and let him represent the Treasury on these.

H.M.JR: Who will pay his salary?

MR. BELL: They would.

MR. McCONNELL: He is a dollar-a-year man. He was the European partner of Price Waterhouse until four years ago when he was run out of France.

MR. BELL: And he was also with Judge Parker in settling the post-war problems of the last war, as I understand it. Probably the Mixed Claim Commission and the United States Liquidation Committee in France with Judge Parker.

MR. McCONNELL: Then he stayed in France.

H.M.JR: Sounds pretty good to me.

MR. SULLIVAN: I think he is worth trying.

MR. BELL: He has had enough Government experience, I should think.

H.M.JR: I would like to meet him at the first opportunity.

- 6 -

MR. McCONNELL: He can come over any time.

H.M.JR: I can't today, but don't wait on me.

MR. McCONNELL: Thank you, sir.

MR. BELL: He is about sixty, isn't he?

H.M.JR: But don't wait on me.

MR. McCONNELL: We haven't met the younger man yet, but we would like to ask him to come down so we can meet him and talk to him.

H.M.JR: (To Lynch) You don't look well. Are you all right?

MR. LYNCH: Oh, yes; I am fine.

H.M.JR: Did you lose some weight?

MR. LYNCH: A little bit. I had a small attack of flu. I am better now, thank you.

H.M.JR: What else?

MR. McCONNELL: Well, Mr. Lynch has probably been working all night on a reply - one reason he might not look quite so well - on a reply to Scott Russell, Counsel for the George committee, on a memorandum or a draft of the termination contract settlement plan that he is reporting to the committee on. That is rather a long - it covers the entire problem, and there are a number of things which do not seem to be the proper approach to the problem, and perhaps Mr. Lynch would like to go over one or two or three that are important.

H.M.JR: All right.

MR. LYNCH: This is a proposed report to be made by Senator George's Post-War Planning Committee.

- 7 -

(Mr. O'Connell entered the conference)

MR. BELL: To the Senate?

MR. LYNCH: Presently it is only a draft by the Counsel to the Committee. It covers the whole range of problems in termination of war contracts, disposition of surplus property and surplus plants, and re-conversion to peace-time industry.

The various Procurement agencies meet together to consider, as a whole, their approach to it, and while there are many points on which you would want to make comment, I think there are two worthy of mention here this morning.

The first one that interests us more immediately is in relation to disposition of surplus property. Now, this committee report proposes that an over-all demobilization agency be created, called, say, the Office of Demobilization, with one man at its head and other members of the agency; and that that agency should be in charge of determining policy - broad policy - as to all these problems.

That would include how to terminate contracts and it would also include the disposition of surplus property and facilities.

The Committee suggested in its report what we would all agree with, that surplus property should be disposed of in a manner that will not disorganize existing markets and as much as possible through regular channels of distribution.

There is, however, a statement that we think is a little out of balance there - goes a little too far. The report says that any property that cannot be - I am not, of course, quoting - that any property that cannot be disposed of without disrupting existing markets, should either be sent to Europe under conditions where it will not be re-imported, or destroyed.

- 8 -

Now, as to that, we thought that the emphasis was too greatly upon protection of existing markets at the sacrifice of the property, and of course we should want to comment to that effect.

MR. SULLIVAN: I think we should be against any authorization to destroy.

MR. BELL: Should leave that to the discretion of the Policy Board, or whoever is handling it.

MR. SULLIVAN: Now, on this Policy Board, Mr. Baruch's recommendation will be that the Policy Board will be made up of an R.F.C. representative, a Treasury representative, and Jimmy Byrnes. Those three will be the general Policy Board, under the Baruch recommendation. They will have the advice and counsel of an Advisory Board made up of representatives of all the procuring agencies, but those will be the three top fellows.

H.M.JR: I can't tell from your expression whether you are mad or pleased.

MR. SULLIVAN: No, no, that isn't this proposal, but it has quite a bearing on our comment on this one.

H.M.JR: Do you mind taking me in?

MR. SULLIVAN: No, I am taking you in.

H.M.JR: I don't know whether you are mad or happy.

MR. SULLIVAN: No, I think that is the very best we can do.

H.M.JR: Oh, I see.

MR. SULLIVAN: And I think Bob agrees with me.

- 9 -

MR. McCONNELL: There will be a certain range of gray area between the white and black, that margin which someone will probably have to decide whether Procurement Division sells this article, or whether R.F.C. sells this article. It may be in the range of machine tools, it might be hides, or something else. Some one appeal - one person to say yes or no, probably is desirable.

Now, how you set that up, I don't know. But it rather appealed to me that probably Baruch and Hancock had offered a very sensible solution to the differences.

MR. SULLIVAN: I think there is a further feeling that if Byrnes is tied into it, there will be more likely acceptance of the plan on the Hill.

H.M.JR: I am listening. I am not making any comment.

MR. McCONNELL: That hasn't been crystallized; they haven't decided on that. That is the way they are thinking.

MR. BLOUGH: The question arises as to whether that should be reported in reply to this.

MR. SULLIVAN: Oh, no, that definitely is not to be reported, here or anywhere else. They were very insistent on that.

MR. BELL: The only bearing it has is to what we should say about this proposed setup in this report. It has that bearing, whether we should not comment, or say we have no comment.

H.M.JR: I am going to be away for a few days. Mr. Bell will be here. Don't hold up anything for me. If you want something, see Bell.

MR. McCONNELL: We have had two meetings in the past week with Mr. Bell in his office, of the whole

- 10 -

group. The various members have attended nine or ten committee meetings in a week, so the thing is moving quite fast. We are trying to keep each man informed here as to what the whole problem is.

H.M.JR: You feel the Treasury end is running fairly smoothly?

MR. McCONNELL: I think so, don't you?

MR. BELL: Yes, we have to have these meetings, because we never get into one of these subcommittee meetings that it doesn't overlap into someone else's.

I don't think they met an hour Monday or Tuesday, or whenever it was, in the Federal Reserve Board, with all these bankers who came down principally to discuss termination financing; they got on renegotiation, and every other subject. It shows you how one overlaps the other.

MR. McCONNELL: The only thing that gives me concern is that this probably is taking up so much time of your key men.

H.M.JR: Well, it will keep them out of mischief. I haven't asked anybody in the room here to work nights here in weeks. They are getting rusty.

MR. BLOUGH: That is right.

H.M.JR: You haven't worked through the night in how long?

MR. BLOUGH: It must be a month.

H.M.JR: Well-- (Laughter)

MR. SULLIVAN: Practically a Sabbatical. (Laughter)

MR. THOMPSON: Don't you have an eighth committee that was recently appointed on over-all procedure?

- 11 -

MR. McCONNELL: I think that is what we call the Company Settlement.

MR. THOMPSON: Oh, I am a little confused on that one.

H.M.JR: Nothing else? Are you (Lynch) all right?

MR. LYNCH: All right.

MR. BELL: Is that the only point?

MR. LYNCH: I wanted to mention the plan that there will be an over-all agency that will be able to settle policy, that will have authority to settle policy as to disposition of surplus goods.

H.M.JR: This committee of three?

MR. LYNCH: Yes. Sullivan brought up his discussions from day to day with Mr. Baruch and Hancock. I have reference to this proposed report of Senator George. They suggest that there will be this top agency, Office of Demobilization, that will settle all questions of policy as to disposition of surplus property, disposition of surplus plants, as to termination of war contracts.

H.M.JR: Is that going to be Mr. Jones?

MR. SULLIVAN: We don't know who it will be.

MR. LYNCH: Presumably it will be a conversion of the Office of War Mobilization, or be right next door to it. It will have to fit right in with it. It is contemplated that that agency will have as broad authority as Mr. Byrnes has now.

H.M.JR: We will have to build a third wing to the White House.

- 12 -

MR. SULLIVAN: I recommend we should not comment in view of this thing hanging fire. There are plenty of other things in the report. We can make a very lengthy comment without touching on that phase of it at all.

MR. BELL: Either say nothing or very little about that particular agency at this time.

H.M.JR: O.K., gentlemen.



January 19, 1944  
10:00 a.m.

FEBRUARY FIRST MATURITIES

Present: Mr. Bell  
Mr. Haas  
Mr. Lindow  
Mr. Murphy

H.M.JR: All right, let's have the news.

MR. BELL: This is news. I sent Mr. Eccles copies of all of our letters to the banks and insurance companies, corporations, Federal Reserve Banks, and New York Stock Exchange.

He said, "I am sorry to be so late in replying to your letter, but I wanted to take the opportunity of carefully going over all of this correspondence. After doing so, I feel that the letters are very constructive, and that they will be helpful in accomplishing the purpose for which they are intended. I am fully in accord with the position the Treasury has taken on all of these matters."

He told me yesterday, verbally, "I really was very pleased with what the Treasury did on all these."

MR. HAAS: I was afraid he was going to disagree at this stage.

MR. BELL: No, he went over most of the letters before they went out.

H.M.JR: In regard to what?

MR. BELL: Do you remember going to the insurance companies, the banks, and I wrote one to the Federal

- 2 -

Reserve Bank on the dealers, and also the stock exchange got out a notice which I had written to Emil Schram, telling him we had no objection. But he saw most of the letters in draft form, and then he went over them after we sent them out.

By the way, his nomination went up to the Senate.

H.M.JR: Whose?

MR. BELL: Eccles', for a fourteen-year term. His term expires on February 1. He told me day before yesterday that that went up without his permission, that he had sent a notice to the President that he would like to talk to him about it before he would agree to accept another term. That is new. That is for the news.

The main problem this morning is getting a decision on the refunding of the Certificates of Indebtedness maturing February 1, in the amount of two billion, two hundred million dollars.

We have discussed it among ourselves and also with Eccles and Rouse, as to whether we should have just a roll-over, taking the certificates that are in the drive as a refunding, or have a six-months' certificate which would pile on top of the August maturity, making a four billion seven in that period; or have a January 2, eleven months and seven-eighths.

We have all come to the conclusion that the first choice is just rolling it over.

H.M.JR: After careful consideration, you have decided to discard my doubts!

MR. BELL: No, we have decided to have just the one certificate. Now, maybe if it were a different period--

- 3 -

H.M.JR: Is this February 1?

MR. BELL: Yes. And you might have as much as seven billion to eight billion dollars on one date.

H.M.JR: Who am I to worry? Beginning with tomorrow, it is my last year.

MR. BELL: That is what you think!

MR. HAAS: You better figure on it; you are going to have this job.

H.M.JR: Do you realize that? Three hundred and sixty-five days from today.

MR. BELL: Maybe it is mine, too, as Under Secretary.

H.M.JR: You have got a job as Fiscal Assistant, an office and armchair, and everything - foot-stool.

MR. BELL: Ready to drop into it, and by that time I think I can drop.

MR. HAAS: The dust is off.

H.M.JR: Henry, aren't you coming through with something new - a pink rabbit?

MR. MURPHY: I would say a seven billion dollar issue is something new.

H.M.JR: But haven't you got a pink rabbit you can pull out? Are you going to disappoint me?

MR. MURPHY: I thought a seven billion dollar issue--

H.M.JR: That is what I don't like.

What have you got on March first coming due?

- 4 -

MR. BELL: We haven't anything on March 1, but we can't put a certificate on March 1 because it would make it thirteen months; we can't issue a certificate of over a year maturity.

MR. HAAS: You might discuss with the Secretary, Henry, the alternatives.

MR. MURPHY: The second choice that we had was to have the eleven months' certificate due on January 2. There are two objections that have been offered to that. The first is that it would have to be rolled just about Christmas time. People don't like to roll at Christmas time.

MR. BELL: They like to wallow.

H.M.JR: Says you!

MR. MURPHY: The second objection, which personally I don't feel is important, but there are some other people in the Division who do, is that cutting it back to eleven months might cast some doubts on the pattern of rates.

We have in the past, on a number of occasions, cut them back to eleven and a half months. Actually, the curve is very flat for cutting it from twelve months back to, say, six or seven months. So it wouldn't, on paper, result in any substantial payment, but there is a feeling that possibly it might be interpreted the seven-eighths rate would be broken.

H.M.JR: How much are we talking about?

MR. MURPHY: Two billion, two.

MR. BELL: You have a certificate for one year in the drive, and then if you came out with eleven months, it wouldn't look so good.

H.M.JR: I have a suggestion. I think I made it yesterday. Let's pay it off in cash and issue a

- 5 -

March first certificate, and say so. It gives these fellows some rights on March first - twelve months' certificate.

MR. BELL: There wouldn't be any rights because you are paying this one off in cash and there are some rights on this one right now, one sixty-fourth premium.

MR. MURPHY: Ten cents last night. A zero year bid, and zero year plus ten cents a thousand asked.

H.M.JR: Well, look, gentlemen, how much money do you have in the bank?

MR. BELL: About eight, eight.

H.M.JR: You can pay it off and pick it up. Supposing you want to increase it, say, to three billion - get out a three billion March first note or certificate issue. Wouldn't that help you so that you wouldn't have to have another drive until June?

MR. BELL: Well, that would help you a little if you got three billion; it would help you to the extent of eight hundred million dollars.

H.M.JR: You could make it four or five, I don't care.

MR. MURPHY: I hesitate to disappoint people at this stage; that is, people who have been paying the zero yield basis for this for a month.

H.M.JR: That doesn't make any difference against the person who is here and has to meet a seven billion dollar issue.

MR. MURPHY: That person, Mr. Secretary, will be you, because if things shouldn't work out so well you will still be making the roll of that. You wouldn't leave that for a fellow to meet the first day he came here.

- 6 -

H.M.JR: I think it is terrible. I am not going to do it.

MR. MURPHY: Could I make a suggestion, Mr. Secretary, that if you put out the seven billion dollar issue, when it comes due next year it could easily be cracked into, say, half note and half certificate.

MR. BELL: That may be what you want to do with several of these large certificate issues.

H.M.JR: You mean on the refund. But you don't know the condition of the country.

Look, it is bad financing; you can't sell it to me, gentlemen.

MR. BELL: I don't think it is bad financing. I think if this war goes on another year or year and a half, you are going to have a lot of issues coming due.

H.M.JR: I don't want to do it.

MR. HAAS: You could start.

MR. MURPHY: I think the January 2 would be the second choice, then; that is, the eleven months' certificate.

MR. BELL: What would you think of making it January 15? Eleven and a half months.

H.M.JR: I don't want to be worrying at that time of year.

MR. MURPHY: I react rather strongly against the January 15.

MR. LINDOW: I don't see any objection to January 15.

- 7 -

H.M.JR: Look, why don't one of you fellows come out like a morning-glory and come out in the sunshine and have a new idea? You all sit there like it is the middle of the night. What is the matter with paying it off and getting out a three billion dollar issue?

MR. BELL: You are disappointing a lot of people.

H.M.JR: So what?

MR. BELL: After all, we have set a pattern.

H.M.JR: It is better to disappoint a few people now than go up against the thing. You can't tell - supposing there is a change of Administration. All the rest of that thing coming at that time - there is confusion and everything else. I mean, after all--

MR. HAAS: There is some advantage, Dan, in changing, because these people are getting receipts on rights in these things. There is that advantage in the Secretary's suggestion.

H.M.JR: I mean, in the middle of the change of Administration, I wouldn't have one on January 2 - I wouldn't build up a seven billion dollar issue on the first of February. It is a fifty-fifty chance. Everybody is upset. The few people you disappoint now - it would be the last thing, if I was going out. They would say, "Well, that was a terrible thing that Morgenthau did. It was planned - he planned that for his successor."

MR. MURPHY: That is a good point. I think that is a very forceful point.

MR. BELL: I said the same thing about this certificate in the drive.

MR. LINDOW: Except it wouldn't be quite as big, Mr. Bell.

- 8 -

MR. BELL: It will certainly be up in the five billions.

MR. LINDOW: But it is the extra two billion that may break the camel's back.

MR. MURPHY: There is a consideration in favor of rolling, and that is that we have attempted to create the atmosphere that investors, both banking and non-banking - but I would like to place my emphasis, for the moment, on non-banking investors - can buy certificates with the idea that they can continue to employ their funds as long as they are idle. When they need them, they can get them out - sell them. That involves a continuous investment.

We have people who have been rolling with us for some time, and they will as long as their funds continue to be idle, which will be for the duration.

Now, to throw them out and say, "O.K. Wait on the corner and we will pick you up in a month - maybe," but they will have to come in on a subscription--

H.M.JR: Listen, all of those things are forgotten if, at the last thing, something cracks. I am not going to do it, that is all. So you might just as well make up your minds. I am not going to do it.

MR. BELL: Well, I am in favor of refunding the other date. It means you are going to recall two billion, two hundred million dollars from a lot of other banks on February 1.

H.M.JR: What effect does that have on excess reserves?

MR. MURPHY: None, after it is rolled, but it will be a rather big operation.

MR. BELL: You will have a shifting of funds. You will be calling from banks that have no certificates and paying off banks that do have certificates. You are going to have shifting of funds.



- 9 -

H.M.JR: Sell them a thirty-day obligation.

MR. MURPHY: I don't like--

H.M.JR: Listen, you fellows go back and think this thing over again. I am not going to do the seven billion dollars. I am not going to leave that there. I don't want to do January 2 or January 15.

MR. LINDOW: How do you like the six-months idea? We have a certificate maturing next August 1 which is a pretty small one, about two and a half million. You could add this two billion two to that one.

MR. BELL: Give them about four, seven.

MR. LINDOW: We didn't like that very well, Mr. Secretary, because you would have to put a rate of about three-quarters of one percent on it, and that is for six months. It looks pretty high, as against seven-eighths for a year.

H.M.JR: If you fellows say it is all right, I will go along with you.

MR. BELL: We are going to get a lot of opposition. That was my first choice. I wanted the six months. Everybody was against me on the thing because of the high rates you would have to put on the six months' obligation. But I liked it.

H.M.JR: You fellows think it over. I will get a break during the day. I will tell you now to come back at a quarter of three.

I am sorry, gentlemen, I am not going to go along with the other. The old elbow says no.

MR. LINDOW: I see the arguments against it.

MR. MURPHY: I see the very powerful argument that it might look as if it had been framed, which I think is a fairly conclusive argument.

- 10 -

H.M.JR: Look, there is certainly a fifty-fifty chance as to who will be here. I think they would say, "Well, Morgenthau just put that there to make it impossible for his successor."

MR. BELL: If they are going to think of that argument, they are overlooking some others.

H.M.JR: It would be an awful thing to step into. I will see you back here at quarter of three.

MR. BELL: O.K.

January 19, 1944  
10:20 a.m.

CINCINNATI SPEECH

Present: Mr. Gaston  
Mr. Smith  
Mrs. Klotz

H.M.JR: I was beginning to think at my scolding that you passed out, or something.

MR. SMITH: No, I just had a couple of pages I couldn't read and I had to have them typed.

H.M.JR: Was I too hard on you?

MR. SMITH: You weren't too rough on me, no, but I just wish you would remember that I only had yesterday to think about the thing, and I had the New Yorker thing.

H.M.JR: I think I was too rough on you.

MRS. KLOTZ: You know, I always wanted him to scold me, because afterwards he is so nice!

MR. SMITH: It is still awfully rough (referring to draft of speech). The thing we got from Bob was good but it was too sweet. It was how wonderful we all were. I worked last night until one o'clock getting it unsweetened.

MR. GASTON: Is this going to be a large audience?

MR. SMITH: Probably be about a thousand people.

MR. GASTON: Can he talk informally without the manuscript?

- 2 -

H.M.JR: I don't feel like it. I could give you another about the octopus with the tentacles.

MRS. KLOTZ: Who is this to?

H.M.JR: This is the thing that Smith is forcing me to do. Go out to Cincinnati and talk to about seven hundred salesmen. My son Henry said, "I think it is the most ridiculous thing to make you go out and talk to a lot of salesmen in Ohio. I just can't understand it."

MR. GASTON: Jack Rowe is the boss in Cincinnati, a Republican banker.

H.M.JR: It is something that Gamble asked me to do.

MR. SMITH: I am comparatively calm now. Do you want me to start?

MR. GASTON: Phil Cross didn't want you to do it?

H.M.JR: I don't know. Anyway, I have agreed to do it, and I am stuck with it. And Smith was up until one o'clock, and I have been up since five.

MR. SMITH: Smith got hell.

MRS. KLOTZ: At times like this we ought to have an extra guy around.

MR. SMITH: We would have been completely stuck if it weren't for Coyne. We turned the business over to him and he did give us the basis of a pretty good speech.

H.M.JR: What we need is a Smith, Jr.

MRS. KLOTZ: We will get one soon.

H.M.JR: There will always be a Smith, Jr.

- 3 -

MR. GASTON: I suppose you noticed that the President issued a statement.

H.M.JR: Oh, yes.

MR. GASTON: Mr. Mager--

H.M.JR: It is like people reminding me to send them a Christmas present. I want to congratulate you. Did you write it?

MR. GASTON: Mager wrote it, and I did a little editing.

H.M.JR: But you got it out?

MR. GASTON: I sent it over to Steve.

H.M.JR: You handled it very beautifully.

MR. GASTON: Well, you asked for it. I wanted you to notice it was performed and delivered.

H.M.JR: Well, proceed.

MR. SMITH: Here it is.

"A Talk to War Finance Workers" - title.

"You and I are companions in the greatest financing venture of all time - the Fourth War Loan. It is appropriate, I think, that we should talk about it a little - 'talk shop.' I should like to speak, not so much as the Secretary of the Treasury, but as a player on a team that has established a great record - a sales record unmatched in all history.

"I speak also to all of the men and women of the United States - all of whom may be thought of as volunteers. For the dictionary defines a volunteer as 'one who offers himself for service of his own free will.' And the success of the Fourth War Loan, like the success of the war itself, depends in the final analysis upon the will to win of the American people.

- 4 -

"We in the United States have not been bombed. No American mother has picked up her child, dead, from a fallen clutter of brick and masonry. Our coasts have not been invaded. No American family has been riddled with machine gun bullets on a highway while trying to escape.

"Our men who are fighting overseas have felt this war at first hand, in their minds and in their bodies. We have not. We can feel it only through them - our men overseas - through our imagination and through our understanding. They know the kind of a war we are fighting. The war would end more quickly and with complete success - if more of us back here knew the real measure of suffering that goes into every day of fighting at the front - and in the cities that lie in the path of this war.

"It is going to be harder this time than ever before to raise money. It is going to be harder to sell Bonds in this Fourth War Loan than it was in the Third, or the Second, or the First.

"But there is one grim fact into which we must set our teeth. The need, this time, is greater.

"The amounts of money which our armed forces must spend in 1944 are not smaller than they were last year. They are greater. In 1943 the Army, Navy, and the other branches of the service spent . . . This year they plan to spend . . . for every man, woman and child in the United States.

"We can hope that Germany, with an avalanche of bombs hurtling down on her cities night after night, will collapse. We can hope that the 6 million casualties she has suffered so far will bring her to unconditional surrender. We can hope that the conquered people she has made into slaves for her factories will revolt. We can hope that the underground movement, through sabotage, will weaken her so gravely that she will be unable to go on.

- 5 -

"We can hope; yes.

"But that is only hope. It is wish, not fact.

"We can hope that Japan will collapse. We can hope that our submarines will sink all of her ships. We can hope that our planes will drive all her Zeroes out of the air.

"But, again, these are only hopes."

H.M.JR: Are you going to introduce Bob Hope amongs all the other hopes?

MR. SMITH: (Continuing) "The fact is that we are still thousands of miles from Tokyo, and that we will have to struggle every foot of the way there against a fanatically resolute and deeply entrenched enemy.

"Now we are making our last-minute preparations for an invasion of the European continent that will be a new war in itself. This new invasion is not a simple matter of packing up the equipment we used in Africa, Sicily and Italy and taking it into Europe with us, as though we were packing a suitcase for a trip. Much of the material we used in our earlier wars was destroyed; and much of what remained must stay where it is. It is needed where it is. Where we are going now, we shall need new equipment; different types of equipment - and in quantities so vast that the human imagination can barely credit the figures.

"For example, we have 65,000 landing craft on order for 1944 and they range in size all the way from assault craft to landing ships large as destroyers."

I want to get some more stuff on that.

"We will build, this year, more than <sup>planes.</sup> And they will not simply be the same planes we built in

- 6 -

1943. They will be new and different planes. We are going into production, as you have read, on the new rocket planes, which have no propellers and depend upon an entirely new technique of propulsion. They fly better than 500 miles an hour."

H.M.JR: That is for release - five hundred miles an hour?

MR. SMITH: It has been in the papers.

MR. GASTON: They haven't officially said anything about speed. They said fast and high.

MRS. KLOTZ: Oh, no.

MR. SMITH: It was in the papers - between five and six hundred miles an hour.

MR. GASTON: That was a guess.

H.M.JR: I wouldn't say five hundred miles an hour.

MR. SMITH: All right. (Mr. Smith completes reading the draft.)

H.M.JR: I hope you like it better than the way you read it.

MR. SMITH: No, it is awfully bumpy. I have been half making corrections. It is very difficult.

H.M.JR: What do you think, Herbert?

MR. GASTON: I think--

MRS. KLOTZ: I don't feel inspired.

H.M.JR: No, we have all had a let-down. We can't climb up every week to the heights of Monday night. This isn't supposed to do it.



- 8 -

MRS. KLOTZ: Since they are salesmen, don't you think you could give them an extemporaneous speech?

H.M.JR: I don't know about the weather or where I will be tomorrow. I think the person that you and I should take with us is Lindow. Let's take Lindow with us. Lindow talked to me for a couple of hours. I might be able to get up and give an extemporaneous speech.

MRS. KLOTZ: I think you would be much better off.

H.M.JR: Let's put Lindow on notice, and if necessary, send a Treasury car home for his clothes, so he will be ready. I think if we took Lindow - is it Lindow or Tickton?

MR. SMITH: Tickton handles the plant quotas and Lindow handles the over-all financing.

H.M.JR: Take both the boys with me. They can talk at me. Another thing is this - the advantage of this - I haven't talked to them before this drive at any time, and if I would saturate myself with this thing, with what they have in mind, then I can get this thing over.

MRS. KLOTZ: And tell them two funny short stories and, boy, you have the men with you.

H.M.JR: How about the women?

MRS. KLOTZ: Oh, are there men and women?

H.M.JR: Don't forget that I have to live up to the fact that I am Mr. Sinatra.

MRS. KLOTZ: That is right. You inject your personality when you speak extemporaneously, and when you are reading a speech they don't get it. This stuff is tough, you know.

- 7 -

MRS. KLOTZ: Yes, but as a salesman, I don't think I would care particularly to listen to it.

H.M.JR: For instance, if you would make some notes and get some facts. I can't contribute much this morning, but I would like to know some more about plant quotas. I mean, I have stressed that so much, and I think we ought to talk about what the Treasury has done in the way of making bonds available. They tell me about, between fifty and sixty thousand outlets; Bell tells me something like fifty million bonds now, see? The moving pictures, the drugstores, the grocery stores, this and that, come in and make these outlets available. And how important we feel it is that the men and women in the factory, who are getting this extra money, subscribe. I want to say this, that their doing this, in some way will make the soldier feel better who has given up his job and left his wife and children and home for fifty dollars a month, if he feels the people back home who are getting the extra money are helping pay for this thing. I mean that approach - this feeling of the soldiers which you hear so much about, against the strikes. I am just throwing it at you.

I mean, he is doing it for fifty dollars and the other fellow is getting one hundred and fifty dollars. Well, if he had subscribed heavily to bonds, it offsets the thing. I would stress the importance - I mean, talking as a salesman of the house-to-house campaign, and reaching every man, woman and child - one hundred and thirty million people. Everybody ought to buy at least a ten-cent stamp.

The disappointment in previous jobs is that we have not reached every man, woman, and child by sixty percent of the people. I would put in some of that stuff. You are familiar with those things. We have only reached forty percent. We have just got to do better. We have done better each time, but not good enough. I don't know but what we ought to - you see, the trouble with both of us, we are just flat.

- 9 -

H.M.JR: I think, after they have fed it to me for a couple of hours--

MR. SMITH: I think that is much better, because I really believe, no matter what you are doing, you are making a salesman's speech.

No matter what you write you are going to read it that way, as I do. If you say the same thing - that sounds 'so flat, but if you say it, you are going to get away with it.

MRS. KLOTZ: You do very well.

MR. GASTON: This speech, if you are going to make a written speech, should be organized something like that. "We have a big job to do; we are all volunteers; we know what the job is. I want to talk to you a little about the practical details as to how to do it." Then go into figures. Then that should all be matter of fact stuff. The speech is too long.

Then there should be a couple of pages, if it is a written speech, after all, of the inspirational stuff. But here the high language is expressed all through the speech. It has a deadening effect.

MR. SMITH: That is what I was in the middle of doing here now, trying to get the thing flattened into some shape.

H.M.JR: Well, I think, Fred, you can count on me if I can get some sleep. Like Jim in the fox hole, if I get a little sleep and let these boys talk at me for a couple of hours, wherever we are tomorrow morning--

MR. GASTON: If you had some cards and some of these different things - an index to remind you.

MRS. KLOTZ: That is all.

- 10 -

H.M.JR: But if I once get it in my head, I don't need it, Herbert.

MRS. KLOTZ: You are awfully good at that stuff, and you don't often get the occasion to do it, and this is a perfect occasion for it.

H.M.JR: What do you think of taking the two boys with us.

MR. SMITH: I think that is fine. I recommend that highly.

MR.GASTON:What time do you plan to get away?

H.M.JR: Well, I talked to the pilot last night. He feels all right. He just feels because he has the Secretary of the Treasury - he doesn't want to have the extra risk. My God! We started out from a place at Lands End, England, we flew due West, we flew due South, we flew due East, we have to be over Gibraltar at eight o'clock, and he hits it right on the nose. We come into Algiers, twenty-four hundred miles, and get there.

MRS. KLOTZ: But these men are experienced. That man is afraid.

H.M.JR: I sent this man to a special school for three months on night flying.

MR. GASTON: Who is this, McCaffrey?

H.M.JR: He said it is all right. I mean, it is a perfectly big airfield. Look, I am going to leave, if I can, when he wants me to, but I am not going to hurry. I mean, all the flying I did over there was at night.

MR. GASTON: You are going to leave sometime this afternoon?

H.M.JR: Yes.

January 19, 1944  
11:00 a.m.

HMJr: Hello.

Operator: Ready?

HMJr: All right.

Operator: The Secretary is on.

HMJr: Good morning, gentlemen:

Eugene  
Pulliam: Burgess.

Randolph  
Burgess: Yeah.

Pulliam: This is Pulliam in Indiana. I want you to quit stealing General Electric's all-over subscriptions. They won't give us a dime out here. They say that you told them you needed them.

Burgess: We do.

HMJr: Well, tell me, Mr. Pulliam. Hello, Mr. Pulliam, of Indiana. How are you going to do on Indiana? Mr. Pulliam? Hello? Gene Pulliam? Hello? Hello?

Operator: One moment please.

(Interruption)

January 19, 1944  
11:03 a.m.

HMJr: Hello.

Operator: Ready.

HMJr: Hello.

Randolph Burgess: Hello, Henry.

HMJr: Hello, Randolph.

B: How are you?

HMJr: Fine.

B: Good.

HMJr: Now, you're going to have to wait a minute because I've got to do things the way Ted Gamble tells me.

B: I do, too.

HMJr: And he's got on the top of the list Indiana first and for some reason or other New York last.

B: Well, that's very appropriate, I think.

HMJr: That's the way they stand, the climax. Now, if New York will step aside a moment for Indiana ....

B: Okay.

HMJr: .... we'll hear from Gene Pulliam. Hello.

Eugene C. Pulliam: Hello, Mr. Secretary.

HMJr: Now, tell us what you're going to do.

P: Well, first, of course, we're going to make our quota. I think I wired you. I thought your radio talk was the best thing we've had from the standpoint of hitting right straight out.

HMJr: Thank you.

P: Keep that up.

HMJr:

I got it and I appreciated it.

P:

We've got the best organization that we've ever had. We held these District meetings, fifteen of them, all over the State. We got off to an excellent start. The thing that I'm really concerned about is that the news is too good. I just wonder whether we're all a little over confident, because it's the first time we haven't had any trouble at the opening of the campaign.

HMJr:

How do you feel about the "E" bonds?

P:

I think that there's no question about our individual quota. Our "E" bond -- we have already gotten now -- it's well over 8,000 firms who have accepted their quota on the basis of \$100. We're not having any resistance to the extra \$100 quota. Of course, if they -- if they accept it and make it, why our "E" bonds will be 'way over the top.

HMJr:

Yeah.

P:

The places we're having -- the only trouble we're having is these Government owned and privately operated plants, like the shipbuilding people. They wouldn't accept a quota. They've got -- we've got a compromise plan in. There's ordnance people ....

HMJr:

Yeah.

P:

If there's anything could be done from Washington on that, it might be a help. A wire or letter asking them to cooperate in this thing. Of course, they simply pass the buck back to the Government and say they can't irritate their employees because they've got to keep them on and all that kind of stuff. It's purely an alibi but it's - in Evansville it's been a - it's hurt us with other plants there.

HMJr:

Well, what company in Evansville?

P:

The shipbuilding company - the Missouri Valley - it's where you launched that ship.

HMJr:

I see.

P:

We haven't gotten them to - they've accepted a tentative compromise quota plan. In other words, they've had each department accept their own quota instead of going in and trying to do anything

Sulliam  
Cont'd:

from management, they've put it up to the employees to decide what they want to do and management is giving us no real help on the thing.

HMJr:

Well, they're making notes here. We've got some of the people here and they'll get busy today.

Pulliam:

The only other place where we've had any difficulty is at General Electric at Fort Wayne. They have their second largest plant at Fort Wayne.

HMJr:

Yes.

Pulliam:

And they've never subscribed anything. They've never given the State anything and the employees are pretty -- they've got a very bad labor situation there anyway and it -- when the C.I.O. and A.F. of L. -- they have both Unions in there. They found out that the Company hadn't subscribed and wasn't going to give Indiana anything, why they began to back up. Now then, that's our problem but that's the only bad news that we have. The rest of the -- the situation is excellent.

HMJr:

Good.

Pulliam:

Ted Gamble's trip out here helped our organization tremendously in this. His talk which was not broadcast -- the one he made the second time -- he really sold them the -- that the -- your policies in the Treasury Department are backed by common sense and it -- it helped us a lot out here because they listen to a lot of stuff and read a lot of stuff and he talked right across the shoulder. It was a fine thing for our organization. We had about 712 of our workers in to that meeting.

HMJr:

Good. Well, that's fine. I'm delighted. Now, I'm going on to New Jersey and ask....

Pulliam:

One suggestion I'd like to make before I get off and that is that we watch this publicity about towns and Counties and States going over the top. We were promised that that wouldn't happen and it's....

HMJr:

Yeah.



Pulliam: ...it's already started and I think it's very unfortunate that we can't make these drives on individuals and in local plants. If we begin to talk about Towns, and Counties and States going over the top, they know they're doing it on the big purchases and it discourages the whole thing. If that could be held down it would certainly be a tremendous help to us.

HMJr: Well, isn't that controlled by you in the State?

Pulliam: We haven't sent a word out of Indiana but it's starting to come out of Washington. There were three storries out of Washington yesterday.

HMJr: Huh.

Pulliam: One in Nevada, one in Nebraska, one in Massachusetts.

HMJr: Well....

Mr. Denio: What about Massachusetts?

Pulliam: Just simply that some town there had gone over the top with its War Bond quota.

Denio: We haven't even heard it in Massachusetts yet.

Pulliam: Well, it's been said. I hope it isn't true. I mean -- I don't -- I want it to go over but I think....

HMJr: (Laughs) Well, this is good. I'm glad you're all only on the telephone and not face to face.

Pulliam: One danger and that's overconfidence, as I can see it. I think we're all set. I think if we just keep hammering this war thing, that the war isn't won and that....

HMJr: Yeah.

Pulliam: ...and that we're in the middle of the worst fighting. That's the view we've used here to steam up our organization.

HMJr: Well, if we tell the truth, that's what we've got to tell.

Pulliam: That's what I said. That's the reason I liked your talk. I thought your talk was a honey.

HMJr: Good. Good. Well, thank you. Now, you stay on and we'll hear from some other States.

Pulliam: Okay.

HMJr: And if Mr. Franklin D'Olier of New Jersey is there, I'd like to hear from him.

- 6 -

Franklin  
D'Olier:

D'Olier of New Jersey right here. Mr. Secretary, we are absolutely confident that we will make our quota of \$600,000,000 or well above it. We are concentrating particularly on the "E" bonds of our quota of \$117,000,000.

HMJr:

Yes.

D:

We have over 2300 firms where 700,000 workers have accepted their goal of \$60,000,000 and we are quite confident that things are going along all right. We had an interesting experience of a young lady by the name of Florence Taylor, who is a Yeoman, Third Class, U. S. Navy - she came up especially from Washington so as to buy a \$1000 bond in West Englewood, New Jersey.

HMJr:

I've heard of it.

D:

We got a very good start Monday. Mrs. Roosevelt was here Monday night and she attended two War Bond Rallies, and yesterday when the new Governor Edge came in, both he and the out-going Governor - Governor Edison - started off by buying War Bonds, and we even got Governor Edge's old mother to start buying a bond.

HMJr:

Good.

D:

So, we're very optimistic, and in spite of our optimism, we're working harder than ever on our "E" bond individual sales.

HMJr:

Well, that's what - that's where we want to make the sales.

D:

Right.

HMJr:

Any suggestions?

D:

No, but New Jersey has no troubles but what they keep within New Jersey.

HMJr:

God bless New Jersey. That includes - that goes for Hague also, huh?

D: Yeah. And we hope Hudson County will come across.

HMJr: All right. I think - you remember to keep him in New Jersey.

D: Yeah.

HMJr: All right.

D: We have no troubles but what we can handle.

HMJr: Fine. Now, I'd like to hear from Oregon - Mr. Sammons.

E. C. Sammons: Good morning, Mr. Secretary.

HMJr: How are you?

S: Why, we're fine.

HMJr: Are you building any engines today for Kaiser?

S: Oh, yes, we're doing fine.

HMJr: I see.

S: Admiral Vickery is here today launching a couple of ships.

HMJr: Good.

S: And, we have - like Mr. D'Olier - we have no troubles we can't lick here.

HMJr: I see.

SF: The Government employees, 28,000 of them, have pledged me a 150% of their quota. We have assigned plant quotas to about 2,000 plants employing 25 or more employees, and we're positive we'll make our "E" bond quota this time.

HMJr: Good.

S: We were within 12% of the nation's per capita last year - last time - highest rather, and we have given a quota of

S: cont'd.

\$15,000,000 to Agriculture - to the Grange and the County Agents. And we're going house-to-house. We're going to ring every bell - door bell in the state, and we know we'll be way over the top.

HMJr:

Good.

S:

So you can put Oregon down as making its quota without any question.

HMJr:

And, well, that's fine. Anything you need that you haven't got that we can give you?

S:

No - no. We're - we're okay. They sent us Dinah Shore last night from Hollywood.

HMJr:

Yes.

S:

She flew up and went back last night on the ten o'clock plane.

HMJr:

Yes.

S:

We had 4,100 bond workers in the Municipal Auditorium for the big kick-off with a state-wide radio hook-up.

HMJr:

Did Dinah ....

S:

It was good publicity.

HMJr:

Did Dinah go over the top?

S:

Like a - like a million.

HMJr:

Good.

S:

She's a great gal. Then thanks to, and with the compliments of Ted Gamble ....

HMJr:

Yeah.

S:

.... the movies in the state are having premieres - they're going to sell a bond for every seat in the state.

HMJr:

Wonderful.

S:

So, we're all set. You can tell Ted that we're - we'll put Oregon over in his honor again.

HMJr: How are the Gamble theaters doing?

S: Well, I think they're going to be all right. There's no gamble about them.

HMJr: All right. I needn't worry on that account, huh?

S: That's right.

HMJr: All right. Well, that's good. Now, I'd like to hear from Walter Head down in Missouri.

Walter Head: Good morning, Mr. Secretary.

HMJr: Good morning to you.

H: I am very happy to report to you ....  
(Inaudible)

HMJr: Could you talk a little louder, Mr. Head?

H: In Kansas City we had a great Army-Navy Bond Rally, at which there were 12,000 people in attendance.

HMJr: Yes.

H: Our quotas which have been assigned on "E" bonds to 7,510 firms with a total of 683,277 employees ....  
(Inaudible)

HMJr: Yes.

H: .... accepted its quota of \$170,042.50 --  
.... besides the amount asked for and more.

HMJr: Uh - huh.

H: Industry and labor are cooperating in a fine spirit. Some of our firms have already gone over the top - in each case in the sale of "E" bonds. Now, the Boy Scouts program here provides for ....  
(Inaudible)

H: All in all, Mr. Secretary, we feel very much encouraged and believe that we have a better organization than we had a year ago - or not a year ago, but the last campaign, and feel quite sure that our "E" bond quota - our individual quota ....

(Inaudible)

H: We have a very unique case. I was very much interested in Pulliam's report about cities going over the top. Because we have a very unique case in one of our smaller cities, with a population of 19,000. Yesterday from three o'clock until nine o'clock they closed all businesses and industries, so far as the transaction of business was concerned other than the sale of War Bonds. They had places where all the citizens attended their voting places ....

(Inaudible)

H: .... and the total amount of their entire quota was pledged in that six-hour's time - an average of \$650,000.

HMJr: What - how was that?

(Inaudible)

H: In a town - a city of 19,000 people. They tried this before, but it was not quite as successful the last time as it was this time.

HMJr: Good.

H: That's a very unique - that's a very unique program which they put across.

HMJr: Well, it all sounds good, but we don't want to get too confident, now.

H: No, we're not going to get too confident, but we've got to get this "E" bond quota across out here this time.

HMJr: You bet.

H: We did not make it, you know, the last time.  
HMJr: I know. Well, it ....  
H: (Inaudible)  
HMJr: Good. That's what we're here for.  
H: Thank you, sir.  
HMJr: Now, I'd like to hear from Connecticut -  
Mr. Eugene Wilson.  
Eugene  
Wilson: Good morning, Mr. Secretary.  
HMJr: Good morning.  
W: I recall your last visit up here some four  
years ago about this time when we were building  
an aircraft engine plant.  
HMJr: Yeah. You also needed a few orders.  
W: Well, you got them for us - you remember that.  
HMJr: I - I remember that very well.  
W: Oh, have you read Mr. Stettinius' book?  
HMJr: Yes.  
W: I think that's a very fine reference to the  
whole picture.  
HMJr: Yes, it was - it was very nice.  
W: Well, Mr. Secretary, right here we have, of  
course, a very large quota, but we have  
reasonable confidence that we're going to  
come through all right. The early indications  
are satisfactory.  
HMJr: Yeah. How about your plant quotas, Mr. Wilson?  
W: I think we're going to be all right on those,  
Mr. Secretary?  
HMJr: How's Pratt-Whitney?



W: Very well. Our plants in - all of our plants in United Aircraft have a very high average of payroll deduction, and we're going to supplement that this time with the sales of individual bonds in addition to the payroll deduction.

HMJr: Do you have any unemployment in Connecticut?

W: Should I transfer you over to the War Manpower Commission and let him burn up the wire?

HMJr: No. I - my own wire is burned enough.

W: We're a critical area, Mr. Secretary.

HMJr: You're critical? Well, I heard about Bridgeport.

W: Oh, my, no. That's critical too.

HMJr: That's critical too?

W: No, see we're - we're right up to the handle in everything.

HMJr: No, they told me there were 5,000 unemployed in Bridgeport.

W: Well, I can't believe it.

HMJr: I see.

W: We could use some of them ourselves.

HMJr: Well, you might inquire.

W: All right, sir.

HMJr: But everything else is all right?

W: Yes, sir. We're very grateful to you for all your help and we think things are going well.

HMJr: Well, that's fine. Now, we will hear from Pennsylvania - from Mr. Rebmann.

G. Ruhland  
Rebmann:

Good morning, Mr. Secretary.

HMJr:

Good morning. I can't hear you very well.

R:

I have just completed a trip around the state, during which I visited eight or more counties.

HMJr:

Yes.

R:

I find that the organizations are well under way with a good supply of enthusiasm. They all recognize that the desirability of increasing the proportion of sales to individuals is going to involve a lot of hard work, but they are all prepared to undertake it and undertake it with good organization.

HMJr:

Yes.

R:

I was not here during the last campaign ....

- 14 -

HMJr: Yeah.

Rebmann: ....as I think you know, I was down with Lend-lease trying to spend the money.

HMJr: Yes.

Rebmann: Therefore, I can not compare on my own knowledge the state of the organization now with the last campaign.

HMJr: Yes.

Rebmann: But from all the persons I have talked to there's a very strong indication that the experience of the last campaign is being used in this campaign and the organizations are ready to go and tackle the job that they're doing.

HMJr: Good. You're not yet confident, though, that you'll make your "E" Bond quota?

Rebmann: I think we will make the "E" Bond quota.

HMJr: You think you will? Well, that's very encouraging because when I talked to your people last week, they weren't so confident.

Rebmann: Well, I -- we have not the plant quotas but we believe that we -- the plants are going to do the job.

HMJr: Good.

Rebmann: The Bethlehem Steel Plant in Johnstown....

HMJr: Yes.

Rebmann: ....has already exceeded the amount that was subscribed in the last campaign.

HMJr: I see. But that's not good enough, is it?

Rebmann: I -- they're not through. They'll do the job.

HMJr: Good. Now, is there anything you want from down here?

Rebmann: I think not, sir. I think we're getting the help from Washington that we need and as one of the other States said, our troubles up here, we think we can take care of.

HMJr: Good. All right. Now, we'll go to the West Coast, Northern California, Charles Page.

Charles Page: Good morning, Mr. Secretary.

HMJr: Good morning, Mr. Page.

Page: First, that was a "bully" speech you made.

HMJr: Thank you.

Page: That's a great inspiration.

HMJr: Thank you very much.

Page: Now, as to organization, after all this is organization that does the job. We've got a better organization in Northern California than we've ever had.

HMJr: Fine.

Page: I think we've got a hard-hitting team.

HMJr: Good.

Page: You're particularly interested and so are we in the little bond.

HMJr: That's right.

Page: What we call the peanuts.

HMJr: (Laughs)

Page: That's been our specialty out here.

HMJr: Yeah.

Page: And we're going to do a job with it. I shall make no promises as to the accomplishment of the quota....

HMJr: Yeah.

- 16 -

Page: ....but we're going to do the best of which we are capable.

HMJr: Good.

Page: You might be interested to know that we got off to a fine start here in San Francisco....

HMJr: Good.

Page: ....night before last on the stage of the place where you have spoken, the San Francisco Opera House....

HMJr: Yes.

Page: ....where the Fourth Army Air Force put on the original show which was put together by the boys over at Hamilton Field which is one of our big flying fields here. And it was a rattling good show which was called "Bonds Away".

HMJr: Wonderful.

Page: The -- to that show we brought all of the -- what we call in San Francisco, the "Block-busters". We've got a unique campaign to sell bonds on the house-to-house basis in this city which we call a "Block-busting" campaign.

HMJr: Good.

Page: The objective is to blast objectives in Tokyo by selling little bonds.

HMJr: Well, that's fine.

Page: At dress rehearsal of "Bonds Away" we had all of our workers and got off to a fine start.

HMJr: That sounds....

Page: That show is going to tour thirteen cities in Northern California and it's going to produce results.

HMJr: How are the women doing out there?

Page: Fine.

HMJr: They are?

- 17 -

Page: Oh, yes.

HMJr: Doing as well as the men?

Page: Yes, Yes. We recognize the latent power in women and they're being used to the utmost.

HMJr: Good. See that....

Page: Northern California, of course, is a very rich agricultural district, as indeed all California is.

HMJr: Yeah.

Page: Our Farm Bureau, which is particularly powerful in Northern California, has organized drives through the medium of the Farm Bureau to its members and even to non-member farmers with the idea of personally soliciting them all on the basis of selling bombers through the purchase of "E" Bonds.

HMJr: Good.

Page: They have set themselves a goal of \$200 millions.

HMJr: That's wonderful.

Page: All issues, \$200 millions.

HMJr: Fine.

Page: Well, that's a lot. They're going to go a long way towards making it -- whether they can make it all, I don't know.

HMJr: Good.

Page: San Francisco Bay area is the place where we have our great shipyard industries.

HMJr: I know.

Page: All of our shipyards have accepted their quotas and they're going to do a good job.

HMJr: Fine.

- 18 -

Page: I think I can sum it all up by saying we've got a hard-hitting team and we're going to play the hardest game that we know how.

HMJr: Well, thank you very much. Now, I'd like to hear from Southern California, Robert Moulton.

Robert Moulton: Good morning, Mr. Secretary.

HMJr: Good morning.

Moulton: I think I could sum this up very quickly by just saying that somehow or other this loan is just different than any other one we've ever tried. There's an electrification in the air with everybody. It is 'way out in front of either the Second or Third War Loans. We had the finest kick-off day and meeting yesterday that, I think, ever took place in Southern California.

HMJr: Good.

Moulton: We were very lucky. We found a young man by the name of Commander McNeil, who spent about eighteen months in the South Pacific and he sent everybody away from a -- six or seven hundred -- lecture with tears in their eyes. We have got our plant quota situation splendidly in hand. I think we will have well over three-quarters of a million men signed for full-plant quotas before the end of this week.

HMJr: Well, that sounds very encouraging. How about the people on the farms down there?

Moulton: Well, the Farm Bureau that Charlie Page just spoke about....

HMJr: Yes.

Moulton: ....is operating down here. We expect to have every farmer solicited intelligently in the very near -- next two weeks, and for the next two weeks we are going to report nothing but individual sales. We are not even going to say anything about the corporation sales at all.

HMJr: Have you got any troubles?

Moulton: We've got no troubles so far as I know. The only -- we get -- we've been very optimistic for the last two days and the only time we get a chill of any kind is when we take a look at the quota and we still think then, "Well, we'll do it, but we don't know just how." We'll do it -- make it, and I'll still run a race with Charlie Page this time just like we did last time.

HMJr: Good.

Moulton: (Laughs) We'll beat you this time.

HMJr: Well, you ought to be able to get all the movie stars, or maybe you're too close to them.

Moulton: Well, the trouble with the movie stars is they have all gone back East and up to Portland and around to sell bonds to other places, and they can buy them up there.

HMJr: I see. It's like oranges, they're hard to get. What?

Moulton: That's right.

HMJr: All right. Well, that's....

Moulton: We'll get it. We're feeling so much better about this than on any other War Loan and if we miss it, it will be because we haven't any judgment about our situation.

HMJr: Well, I'm sure you know what you're talking about. Now, we go to Massachusetts. We'll hear from Mr. Denio.

Winchester Denio: Good morning, Mr. Secretary.

HMJr: Good morning.

Denio: I can make a very brief report.

HMJr: Well, don't be too brief.

Denio: I'm new on the job but it seems to me that this drive has had more punch put back of it from National Headquarters, and I'm trying to carry the same thing through at the same level for the benefit of the cities and towns where the bonds are sold.



- 20 -

HMJr: Good.

Denio: We opened up here with a tribute to The Unconquerables. Gosh, it was a terrific event -- tremendous....

HMJr: Good.

Denio: ....a thousand dollar bond performance and you were good enough to write Mr. Mitton a letter, but that was a significant affair. Then, of course, your grand broadcast that you had was -- just set the keynote for the whole thing when the Drive began.

HMJr: They liked that, did they?

Denio: Oh, we -- we -- we're still talking about it up here.

HMJr: Good.

Denio: It was great.

HMJr: Good.

Denio: Now, getting up -- we've got a great Governor here, Governor Saltonstall, and a great Mayor here in Boston, Mayor Tobin, and they are both on my Committee as Vice-Chairmen, not honorary, and they are doing a lot of work.

HMJr: Fine.

Denio: And the Army and the Navy and the Forces here have given us tremendous thought. General Blood of the First Service Command, put on a Cavalcade for us, going around the State, and the Coast Guard, I couldn't stop to mention, and of course, the radio and the press and moving pictures are giving us everything they have. I mean it's marvelous. I wanted to say a word about the schools and the women up here because we think we have an outstanding situation on both of those. Mrs. Heller, who runs our school situation -- I'll bank her against any School State Supervisor in this country that's got that job in hand, and we think we're in better shape than anybody else.

HMJr: Well, you know Mrs. Heller comes from the West Coast.

Denio: We know that she knows you but I don't mention her on that account because she's done an outstanding job here and we're going to keep her here and she's never going back to California. Because we have a....

HMJr: Well, don't hold it against her that she knows me.

Denio: (Laughs)

HMJr: Or vice versa.

Denio: The quotas have been very well accepted by our conservative New England people here in the plants. There's been great progress made in that direction.

HMJr: Good.

Denio: Particularly in our large plants. We're covering everything. We have a -- something up here you don't have anywhere else in the country, called the Treasury Insurance Legion.

HMJr: I see.

Denio: I won't bother to tell you about it but someday we will report to you about it. They are covering a great many of our plants for us. They are volunteer workers of the Home Office and the field men of the Life, Casualty, Stock and Mutual Companies, all pulling for one great, common end. It seems to me that this whole drive is pulling people with different opinions, with different creeds and different political faiths into a more unified job than we have ever had before. The other night the American Hotel Association started off one of the -- what I think is the significant thing, because they gave a dinner to a thousand of our key-men throughout the State, who came to Boston, were entertained by them with a radio broadcast and that did more for the organization as a whole, I think, and pepped them up so that I am sure we are going to make an awful good crack at trying to get our "E" Bond and our individual bond quota, but our individual bond quota, as you know, is 56% more than has ever been raised from individuals in Massachusetts in previous drives, and that's quite a bite.

HMJr: Well....

Denio: We're going to do our best with it. I think the over-all dollars probably....

- 22 -

Operator: Operator.  
HMJr: Is the time up at eleven-thirty?  
Operator: No.  
HMJr: I'm shut off.  
Operator: Well, I'll check on it.  
HMJr: Please.  
Operator: Right.

(Later)

Operator: Operator.  
HMJr: Was it cut off?  
Operator: No, we lost somebody up through New York, but we'll get him right back.  
HMJr: Oh.  
Operator: I'll have him back in just a moment.

(Later)

HMJr: Hello.  
Operator: We have them ready again.  
HMJr: Hello.  
Operator: Yes.  
HMJr: I ran out of quarters.  
F. Winchester Denio: I - I thought I heard the bell ring.  
HMJr: Go ahead.  
D: I'll review - I don't know how far - how much I talked into the empty air.

HMJr: No, well ....

D: And, just in closing, I - I did want to say - did I - did you hear what I said about the American Hotel Association?

HMJr: Yes, I did, and I just wanted ....

D: They were all volunteer, and we have a 1,000 of them from all parts of the state.

HMJr: I got that.

D: All city and town chairmen, and I - not all of them, but a good part of them, and I think it was pretty - pretty grand tribute to, and a program that was given to them to start them because the whole job is one of organization and leadership.

HMJr: You know, there's one of the things you said that pleased me the most was the fact that was brought - bringing all the elements together.

D: Well, it ....

HMJr: And, that's what ....

D: .... here, I think, and I think a good deal of it is due to the part that's come from your office - or Ted Gamble or Bob Coyne and all that hard-working bunch down there that have given their hearts out on this thing.

HMJr: Well, I know they have, and if we can ....

D: Well, that helps to make us do the same thing, but all we can do is approximate what they're doing.

HMJr: Well, what we ....

D: .... we're doing.

HMJr: Well, if through War Bonds we can help to unify the country, then I think we're really getting somewhere.

D: Well, we're going to have some fun doing it too.

HMJr: Good.

D: And, we plan to do it well.

HMJr: Good.

D: Thank you very much.

HMJr: Now, last but not least, we'll hear from New York - from Randolph Burgess.

Randolph Burgess:

All right, sir. I think my story is very much the same as the story that's been told. We're better organized than last time. I figure we have about 500,000 bond salesmen throughout the state. We're particularly better organized on community sales - on the farmers. I think the Boy Scouts with their gleaner campaign are going to be very useful coming in on the last week of the campaign.

HMJr: Good.

B: The motion picture organization is much better and more thorough and will be more effective. The only difference, perhaps, in our program from some of those that have been told about, is our emphasis on individual sales. We haven't even made public the quotas for anybody except individuals. So far we're working solely against individual quotas, and we're going to keep that up until at least February 1st and perhaps longer, because we feel that the minute you give out the other quotas with billions of dollars, and announce the sales of hundreds of millions, the old fellow feels that his two cents doesn't count.

HMJr: Does that mean, Randolph, you don't have plant quotas in New York?

B: Oh, we have plant quotas, yes, because that is individuals.

HMJr: Oh!

- 25 -

B: Yeah. We worked out the plant quotas, but we don't have any - we haven't announced any over-all quotas.

HMJr: Well, what do you mean by "individual"? I don't quite understand - you mean individual what?

B: .... individual ....

HMJr: I didn't get that.

B: To individuals - E, F and G

HMJr: Oh.

B: And our quota for that, of course, is \$911,000,000 for the state.

HMJr: I see. I see what you mean.

B: Yeah.

HMJr: But you think the thing is in hand?

B: Oh, I know it is. It's well set up - there's a lot of enthusiasm - more than last time. There are more people taking part. The only thing that stands between us and complete success is shoe leather now. We expect to wear a lot of that out.

HMJr: I see. How about your "E" bond quota?

B: The "E" bond quota is very high, but we'll - if we don't make it, I'll be surprised.

HMJr: I see. Now, is there anything more we can do down here right now?

B: You're doing a fine job. Very helpful.

HMJr: Is there anything you need that you haven't got?

B: No. I think we - we're always needing speakers, but you all know about that in detail.

HMJr: Not running out of doughnuts, are you?

B: That was a good promotion of the - the two wives of the generals - Mrs. Marshall and

- 26 -

B: cont'd.

Mrs. Clark were grand.

HMJr:

Well, that's fine. Now, well, that sounds very good. I'd like you to have - Dan Bell say a word and then Ted Gamble.

B:

All right.

HMJr:

Just a moment. I'm awfully glad to have talked to you all and it's most encouraging to me.

Group:

Thank you.

HMJr:

Just a moment.

Dan  
Bell:

I just want to say "hello" to everybody.

Group:

Hello, Dan.

B:

What you say sounds very good. Looks as though you've eliminated most of the sour notes we had before, and we'll try to not scoop you on too much of our publicity. And if Randolph Burgess gets a little generous there, Gene Pulliam might feel a little better on his part in the General Electric.

Eugene  
Pulliam:

.... General Electric, Mr. Burgess.

Bell:

How about it, Gene?

Pulliam:

What say?

Bell:

How about it?

Pulliam:

We're not holding him up. They have a policy that they only put in ....  
.... to you, Mr. Burgess.

Bell:

Okay. Now, we're not going to argue that. I'll let Ted Gamble say "good-bye".

Pulliam:

Well, we're losing, net, hundreds of millions of dollars in corporate subscriptions throughout the country, you know.

Bell:

Here's Ted. Just a moment.

- 27 -

Ted  
Gamble:

Good morning.

Group:

Good morning.

G:

Everybody here in the room is delighted with the very enthusiastic report you've just given the Secretary, and it is certainly evident that you fellows in the field have done a grand job of getting organized. You've been perfectly swell - your spirit has been good, and your cooperation has been magnificent, so we're all as fresh as daisies down here and don't hesitate to holler for anything you want. And good luck to you. Good-bye.

Group:

Good-bye, Ted.



STATE CHAIRMEN WHO WILL BE ON WIRE FOR  
 SECRETARY'S CONFERENCE CALL AT ELEVEN  
 O'CLOCK WEDNESDAY, JANUARY 19TH

167

<u>PERSON</u>	<u>STATE</u>	<u>CITY AND TELEPHONE NUMBER</u>
Mr. W. Randolph Burgess	New York	New York City Circle 6-4300
Mr. Franklin D'Olier	New Jersey	Newark Prudential Life Ins. Co. (Market 2-6000)
<del>Mr. Eugene B. Wilson</del>	<del>Connecticut</del>	<del>Hartford 7-0101</del> <i>In Cancel</i>
Mr. F. Winchester Denio	Massachusetts	Boston Liberty 4065
<del>Mr. Frank H. Leiby</del>	<del>Michigan</del>	<del>Detroit</del> <i>Adrian Mich</i> <del>Randolph 2208</del> <i>Del Co of</i> <i>Cancel</i>
Mr. Walter W. Head	Missouri	St. Louis Central 1700
Mr. Eugene C. Pulliam	Indiana	Indianapolis Riley 2444
Mr. G. Ruhland Rebsmann	Pennsylvania	Philadelphia Walnut 3960
<del>Mr. Rowland P. Sherer</del>	<del>Illinois</del>	<del>Chicago State 2940</del>
<del>Mr. Phil J. Trounstein</del>	<del>Ohio</del>	<del>Cincinnati</del> Maine 3800 - Room 2627 <i>Cancel</i>
Mr. E. C. Sammons	Oregon	Portland Sunset 5651
<del>Mr. Reno Odlin</del>	<del>Washington</del>	<del>Tacoma</del> Main 5465 <i>Cancel</i>

- 2 -

r. Charles Page

Northern California

San Francisco  
Edmont-6850*Garfield*  
/ 11 / 8236

r. Robert H. Moulton

Southern California

Beverly Hills  
Crest-View 1-9687

STATE	CHAIRMAN	QUOTA SALES TO INDIVIDUALS
INDIANA	GENE PULLIAM (TALKING FROM INDIANAPOLIS)	125,000,000 (E BONDS 75,000,000)
NEW JERSEY	FRANKLIN D'OLIER (TALKING FROM NEWARK)	219,000,000 (E BONDS 117,000,000)
OREGON	E. C. SAMMONS (TALKING FROM PORTLAND)	54,000,000 (E BONDS 38,000,000)
MISSOURI	WALTER HEAD (TALKING FROM ST. LOUIS)	136,000,000 (E BONDS 74,000,000)
CONNECTICUT	EUGENE WILSON (TALKING FROM HARTFORD)	124,000,000 (E BONDS 60,000,000)
PENNSYLVANIA	G. RUHLAND REBMANN (TALKING FROM PHILADELPHIA)	423,000,000 (E BONDS 217,000,000)
CALIFORNIA	CHARLES PAGE (TALKING FROM SAN FRANCISCO)	209,000,000 (E BONDS 114,000,000)
CALIFORNIA	ROBERT MOULTON (TALKING FROM LOS ANGELES)	205,000,000 (E BONDS 132,000,000)
MASSACHUSETTS	F. WINCHESTER DENIG (TALKING FROM BOSTON)	258,000,000 (E BONDS 108,000,000)
NEW YORK	RANDOLPH BURGESS (TALKING FROM NEW YORK CITY)	911,000,000 (E BONDS 384,000,000)

January 19, 1944  
11:50 a.m.

CHINA LOANS

Present: Mr. White  
Mr. Friedman  
Mrs. Klotz

MR. WHITE: This is the letter. (Refers to the Adler letter of December 30, 1943)

H.M.JR: I read that. What isn't clear to me is this: I read this cable very carefully; also I read Gauss' comments at the end. Incidentally, I want the cable here this afternoon that Gauss sent - on December 5, was it? The one that took us so long to get. Was it the December 5th cable on the financing? He had an interview with Madame Chiang Kai-shek and she was pretty nasty with him, and he made the comment they shouldn't have the loan. There is only one like it. You can dig it up.

Now, what isn't clear to me in this cable is, what is all this talk about the Chinese paying for our troops? Are they paying for our troops or aren't they?

MR. WHITE: They are giving some food, they are making available some material. How much it amounts to, I don't know. Did they ever estimate?

MR. FRIEDMAN: They claim that in '43 it amounted to six billion Chinese dollars. We have never had that confirmed by the Army, but that was their figure.

MR. WHITE: That is preposterous.

MR. FRIEDMAN: Six billion Chinese dollars. Well, the total budget has a magnitude of fifty to sixty billion.

- 2 -

H.M.JR: Could you send word to the Army that when they come over, that is one of the questions I am going to ask them?

MR. WHITE: Yes.

H.M.JR: I mean, what are the Chinese paying?

MR. WHITE: They are not paying anything.

H.M.JR: They act as though they were financing the whole American Army. What are we getting out of the Chinese? That is what I want to know. You know this Gauss doesn't know, either.

MR. WHITE: We will tell them you are going to ask that question. I will get someone in General Somervell's office.

H.M.JR: And tell them I want to know what the Chinese Government is doing for the American Army, and how much. I think that is the only thing I have to know, unless you people want to feed me something.

MR. WHITE: No, I think that the question at this point of knowing how much pressure, and so forth, to bring to bear must be considered in the light of very large and final objectives.

I think that you could take such action that you could either push them off or clear up a major hornets' nest as among the Allies, and therefore, any action that is taken must be calculated in the light of final objectives.

H.M.JR: I know that, by instinct, Harry, but that doesn't help me. What I want to know, what have you got to contribute that you know isn't in this cable?

MR. WHITE: Nothing, except that I don't think we can get what you need by the sale of dollars in gold if he doesn't wish it.

- 3 -

And they have got about half a billion dollars here that you can do things with if you want to.

H.M.JR: All right, then, let's let it rest and don't please say anything to the Army. I mean, I would like to hear the Army's opinion without our trying to influence them, if you see what I mean. What do they think? They have read this cable - what are their suggestions? What do they think should be done?

MR. WHITE: Is there anything that should be given to the Secretary?

MR. FRIEDMAN: No, the only thing is the fact that the Chinese have claimed that they are building - to help in discussion with the Army - they claim they are building roads and bridges and providing labor which they financed. That is about all.

(The Secretary gets the weather report over the phone.)

H.M.JR: There is a slight front between here and there, but it is all right.

Well, that is all. Harry, anything else?

MR. WHITE: No, not on this China thing. You have said you are going to move very carefully. There are untold possibilities.

H.M.JR: If I had never said anything to Ambassador Gauss - after all, he said practically not to give them a loan. And when Hull objected to my sending this cable I told him to tell it to the President.

MR. WHITE: Well, I don't under any circumstance mean to imply that I think we ought to have given them the loan, because the grounds upon which your recommendation is based are very thorough. I merely stated that if anything is to be done in any other way, that from now on, as you said, you are going to be guided by the military and political situation.

- 4 -

H.M.JR: Military more than political. I am very curious to know whether the Army feels they can go ahead.

MR. WHITE: I mentioned to you what General Clay said, that they had a number of cards - I don't know whether I went into detail, but he said, in relation to the Lend-Lease goods which they have to give, they can either shunt them off to provincial governments who are not sympathetic to Chiang Kai-shek, or give them to Chiang Kai-shek. I think that is one of the things he had in mind.

H.M.JR: Think we ought to have Lauch Currie here?

MR. WHITE: I am thinking only of what General Somervell might say.

H.M.JR: Stimson and Lauch Currie - maybe we had better not.

MR. WHITE: I think it would be interesting to hear what General Somervell has to say.

H.M.JR: You might say we are not familiar, over here, with what they are doing either through Lend-Lease, or anything else - if he would come with the whole picture--

MR. WHITE: Yes, I will mention that, too.

H.M.JR: I think the two things I would like him to tell me are what the Chinese are doing for the Army, and what we are doing for the Chinese through either Lend-Lease or through the Army.

MR. WHITE: How much goods are actually being given to China. All right.

- 5 -

H.M.JR: How do you feel now?

MR. WHITE: All right, pretty good.

There are just a couple of paragraphs there you might want to look at.

H.M.JR: I will read that whole thing.

MR. WHITE: This is the letter I referred to from Adler. Just one paragraph.



January 19, 1944

MEMORANDUM FOR THE FILES

Meeting in Secretary's Office  
January 19, 1944  
12:00 noon

Present: Secretary Morgenthau  
Mr. White  
Mr. Friedman

Meeting was held to view problems raised by the Generalissimo's reply to the President's message in preparation for meeting with General Somervell that afternoon at 3 o'clock.

The Secretary indicated that he was opposed to granting the loan and that he would only go up to the Hill to request such a loan if he was told that it was absolutely essential to the war effort. He indicated that he felt that all available pressures should be used to bring the Chinese into line rather than acquiescing to their proposals. It was agreed that the Chinese problem was fraught with very serious consequences and that it was essentially a military and political question rather than a financial one.

The Secretary asked Mr. White to have the suggestion relayed to General Somervell that he bring with him some figures indicating both American aid to China and Chinese aid to the United States. Mr. White said that he would do this. (In this connection Mr. White, after the meeting, telephoned General Somervell's office to transmit this message.)

It was decided that it would be best to limit the meeting to General Somervell and whomever he might wish to bring with him from the General Staff.

I. S. Friedman.

Conference in Secretary's Office  
January 19, 1944  
3:00 P. M.

Present: General Somervell  
Secretary Morgenthau  
Mr. D. W. Bell  
Mr. White

The Secretary asked General Somervell if he wouldn't review the arrangement which they were now trying to make with the Chinese. General Somervell then explained the so-called Somervell-Clay proposal which was about to be submitted to the Generalissimo along with the lend-lease in reverse arrangement.

The Secretary asked General Somervell whether he had an opportunity to read the telegram which the Generalissimo sent to the President and the cable of Ambassador Gauss, copies of which Secretary Morgenthau had sent to General Somervell the day before. General Somervell said he had and had taken up the matter with General Marshall and Secretary Stimson. He said that they (the Army) had decided that they were going to be tough with the Chinese Government. They were very dissatisfied with the cooperation they were getting in China and with the small amount of actual combat fighting which the Chinese armies were carrying on.

The Secretary said that he wanted the Army to understand that if they felt that for military reasons they wanted him to get the loan for China or any other financial assistance that he would "do his damndest" to get it, even though he felt that on economic grounds there was no justification for such a loan. The Secretary said he regarded military and political considerations and not financial as decisive in this matter. The General repeated that from a military point of view they thought they wanted to be tough in this matter. He said that they had discussed the cable in the War Department and had drafted a suggested reply to the Generalissimo's cable to the President for consideration by the Treasury. Their suggested reply is appended (marked A).

The Secretary asked General Somervell how much assistance the Chinese were giving to them now. General Somervell said that that was difficult to say, that the Army had three types of expenditures. They were spending about \$750,000 a month for pay of troops, that these funds were given in American currency and that the soldiers were getting their yuans on the black market. He added there had been difficulty on the black market because the day he was there he saw a half dozen or so Chinese shot for black market operations in Kunning. A second type of expenditure was the expenditure of airports estimated to run about \$20 million a month (at 100 yuans to \$1 rate). He made clear, however, that they hadn't spent this money yet because the operations were proceeding very slowly. There was considerable difficulty getting the aid promised them by the Chinese.

- 2 -

He said that so long as they did their own hiring and paying the Chinese workers did well, but when the U.S. Army relied upon the Chinese Government to supply the laborers via contractors they got few workers and poor results. The Chinese were however supplying them with some supplies, the value of which was difficult to estimate but was somewhere around US\$3-1/4 million a month.

In response to the Secretary's query on how much we were giving the Chinese, he said we had given the Chinese about \$340 million of Lend-Lease aid up to November 30, 1943. White said that there was considerable discrepancy between that figure and the figure we had which was less than half that. General Somervell stated that he was certain of his figure. White said that he understood that a substantial part of the lend-lease never reached China but was stacked up in India. The General replied that there is a considerable amount stacked up but it is all destined for China.

General Somervell said that besides we are doing a lot for the Chinese besides Lend-Lease. In the first place we have given them a very large air transport system. White pointed out that the reply drafted by the Army made additional concessions to the Generalissimo in that it stated that the United States Government was prepared to bear all the costs of its own war effort in China including housing and subsistence of troops as well as construction. As matters now stood the Chinese presumably were making contributions in supplies and housing.

The Secretary asked again how far the Army felt they wanted to go in this matter and General Somervell responded that they were willing to go to the limit if necessary. They were even prepared to stop building airports in China and were ready to approach Japan from another direction. The Secretary repeated "Does that mean that the Army has made up its mind, that it could use other avenues of approach to Japan" and General Somervell said "Yes." General Somervell added, however, that there were a number of other things that could be done before such decision need be made. He said, for example, if they so decided, if the Chinese wanted gasoline, the U.S. Army could be very sorry but didn't have any to spare. The U.S. Army could also find that it had no space in its planes to carry anything to China except things needed for the U.S. Army; or the Army authorities could decide to build the air fields using only American soldiers; or they could slow down their Chinese program. White asked General Somervell whether if they could not get a one-cent exchange rate they planned to stop construction. General Somervell said that they hadn't made a decision on that as yet. If they found they could get the one-cent rate they would be willing to compromise at 70 to 100 or something like that.

General Somervell said that they could break Chiang Kai-shek by withdrawing American support or if they wanted to with an expenditure of \$100 million by "buying" one of his competitors. Secretary Morgenthau asked

- 3 -

whether they thought General Chang, of whom Willkie spoke so highly, would be a candidate. General Somervell said there were lots of candidates. General Somervell also said that they felt they wanted the cable answered quickly in view of the Maron I deadline stated in the Generalissimo's telegram.

Secretary Morgenthau said that he was leaving town at 4:30 and would like to clear the thing with the President before he left. General Somervell agreed it would be desirable to do so. The Secretary then got the President on the telephone and after an exchange of pleasantries and apparent commendation of the President of the Secretary's speech the night before, the Secretary stated that General Somervell, Bell and White were with him and they were considering an answer to the cable which the Generalissimo had sent to the President. He asked the President whether he had read that cable and the President said no. The Secretary said it had arrived a couple of days ago. The Secretary then very briefly outlined the Generalissimo's cable and said there was a brief reply which had been prepared by the War Department and with which we were in general accord. He then read the cable over the telephone. When he came to the fourth sentence the President said he would not want to use the word "unreasonable expenditures" but rather "large expenditures." In the next sentence he suggested that there be deleted the words "and to both of our futures." The President asked about how much was being saved by this and the Secretary turned to General Somervell and General Somervell said from \$300 to \$400 million. (Actually, Mr. White pointed out after the telephone conversation, if the one-cent rate were used the cost would be about \$25 million a month but if the five-cent rate were used it would cost \$125 million a month and General Somervell said that as time went on our expenditures would increase.) The President said he remembered we were sending them about \$12-1/2 million of gold a month. White said it was less than that. The President said we should tell the Generalissimo in the cable that we would send them about \$25 million of gold a month, and also that we would spend about \$25 million a month. The President said that the cable sounded all right to him.

The Secretary asked that after he had cleared it with the State Department how did he (the President) want the thing to be handled. The President said to send it right along. The Secretary asked wouldn't he (the President) want to see it again after we have made the changes and before we send it to the Generalissimo. The President replied "No" he didn't want to see it again.

The President asked over the phone how about the mission and the Secretary replied that Chiang Kai-shek had stated that it was all right to send a mission provided it had Chiang Kai-shek's ideas, but not to send a mission if they had Morgenthau's ideas. The Secretary commented in response to a question by the President that "you're standing fine with the Generalissimo but my name is mud over there." The President said "Well how about sending Donald Nelson over to China." The Secretary said

- 4 -

that would be fine but a mission would have to go with Chiang Kai-shek's ideas, that is you will have to be ready to give a loan. The President replied that he would not make a loan to the Chinese of a billion dollars. The telephone conversation ended with Secretary Morgenthau saying that he would try to get the cable off that day.

Secretary Morgenthau suggested to General Somervell that General Clay get in touch with Bell and White, and they get in touch with the State Department and clear the matter. The Secretary informed Bell that he would like to have the cable cleared and sent that night if possible. General Somervell said he would get in touch with General Clay immediately.

H. D. White

(A)

The United States recognizes that China's resolute war stand has rendered her financial situation acute. It is fully prepared to bear all costs of its own war effort in China to include housing and subsistence of troops as well as construction. However, it can not maintain a fixed exchange rate in a spiralling money market. Our people and our Congress would not understand the necessity for such unreasonable expenditures and American faith and confidence in the Chinese people would be shaken badly. Such a change in our relations would be disastrous to the war and to both of our futures. We welcome any arrangement by donation or under reverse lend lease in which, while bearing full costs in American dollars, sufficient Chinese dollars would be made available to give a fair and equitable return for our expenditures. This is not the nature of a commercial venture, it is essential to mutual understanding and confidence.

Meeting in Mr. D. W. Bell's Office  
January 19, 1944  
2:00 P. M.

Presents: Mr. D. W. Bell  
Mr. White  
General Clay  
Mr. Collins  
Mr. Ballantine  
Mr. Alger Hiss

Mr. Bell explained that General Somervell had had a meeting with the Secretary and had submitted a draft of a proposed answer to the Generalissimo's cable to the President; that the Secretary had to leave for Cincinnati that afternoon and so had talked with the President about the cable and that the President had had the cable read to him over the phone and had approved it with some changes, and the Secretary had asked Mr. Bell to clear it with the State Department.

Before their arrival White had made some changes in the draft approved by the President (the revised draft is appended marked B). Mr. Ballantine, after reading the draft said that this was a very serious matter and that they would need some time to study this in the State Department and go over it with his colleagues and Secretary Hull. He said that he thought that the Army-Greenway draft was much too strong an answer and that it would create serious difficulties. He thought it would be much preferable to send a mission to China to settle the problem.

Mr. Hiss wanted to know what we hoped to accomplish by the telegram and what we were prepared to do if the Generalissimo stood his ground.

General Clay replied that there were many alternatives. They could either reduce building, or stop building, or send the Generalissimo no more land-lease goods, or divert some of the military goods to some of the provincial generals, or if necessary even pull out of China, or just do nothing and wait as a slow pace.

Mr. Hiss supported Ballantine's position that the course of action described by General Clay raised very serious questions and that he doubted the wisdom of sending such a telegram. The proposed cable, he said, closed the door to further discussion and compromise. General Clay and White both insisted that this telegram did not close the door; that, in fact, it offered additional concessions by offering to bear all the costs of the war effort, and likewise permitted various ways of settling the matter. The Generalissimo would meet our terms in any of several ways most palatable to him. They further pointed out that the door was not even closed from the point of view of the rate. It still was possible to decide later to accept some less favorable rate than the one-cent rate.

Then Ballantine said that he thought that the economic considerations were minor in this matter and that a step of this character raised political questions which Secretary Hall would wish to consider very carefully. Ball and White readily conceded that this was so.

Ballantine added that they would like to have an opportunity to go over the draft carefully. White said that is exactly why this meeting was called; in order to give the State Department the opportunity to present their views and modify the cable and make such suggestions and criticism as they wished.

Mr. Hiss asked whether it might not be almost as cheap to give the whole amount of the loan as to accept the current exchange rate. General Clay replied that there were other considerations than the cost involved. There were questions of their relationships with the Generalissimo. He added, moreover, certainly the Army hasn't got enough money to continue paying at current rates; and that if the Generalissimo got this loan it wouldn't be long before he would be asking for another one. The General said that the Generalissimo had set a March deadline and that of course if the State Department wished it could reconsider the matter carefully but the Army felt they had to get action quickly because they had little time in which to make their plans in view of the deadline which the Generalissimo made.

General Clay also said that he was reluctant to have General Stillwell present the proposal they had formerly agreed he was to present in the light of the Generalissimo's reply to the President's cable. He felt that General Stillwell would be embarrassed and "might even be thrown out on his ear." Mr. Hiss replied he thought it might be a good idea for General Stillwell to go ahead with the negotiations notwithstanding the Generalissimo's cable. General Clay disagreed. He wanted to know how much time the State Department had in mind, when asking for time to reconsider the cable, whether it was a question of weeks or days. Mr. Hiss said that they would go right back to the Department and take up the matter. Mr. Ball asked them if they would let him know whether or not they could give him an answer that evening. Mr. Hiss said he would do so.

H. D. White

HDM:grs  
1/25/44



B

The United States recognizes that China's resolute war stand has rendered her financial situation acute. It is fully prepared to bear all costs of its own war effort in China including housing and subsistence of troops as well as construction. However, we cannot justify the use of a fixed exchange rate while prices are spiraling. Our people and our Congress would not understand the necessity for such large expenditures and American faith and confidence in China would be shaken. Such a change in our relations would be very unfortunate. This is not in the nature of a commercial venture, it is essential to mutual understanding and confidence. We welcome any arrangement by donation or under reverse lend lease in which, while we bear full costs in American dollars, sufficient Chinese dollars would be made available to give a fair and equitable return for our expenditures.

Dependant upon full cooperation in China, the United States Army expenditures in China are expected to be about 25 million U.S. dollars a month during the next few months. Incidentally, the Air Transport Command has agreed to make additional facilities available to Treasury for shipment of gold to China so that we hope to be able to ship about 25 million dollars a month.

January 19, 1944  
2:45 p.m.

FEBRUARY FIRST MATURITIES

Present: Mr. Bell  
Mr. Haas  
Mr. Murphy  
Mr. Lindow

MR. MURPHY: You have a coupon of nine-tenths of one percent.

MR. BELL: Something like the sixty-five hundredths one. The banks didn't like it, although House said it would go and sell at a premium. There might be a little kicking.

H.M.JR: Would that be thirteen months?

MR. BELL: March 1, the date you suggested. It is, in effect, a certificate, but it is called a note because we can't issue a certificate for thirteen months. Next year you would roll it over as a certificate, one-year.

MR. MURPHY: According to our computations it would be slightly more attractive to a market basis than the one-year certificate - the one-year, seven-eighths. It will be worth about ten cents a thousand more at the present time.

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

MR. BELL: We ought to get this material out Friday. It is a little late now to mail anything.

H.M.JR: As far as I am concerned, why not tell Rouse to call in his Government bond dealers and test it?

- 2 -

MR. BELL: We can do that.

MR. HAAS: Ben Levy suggested to you this decimal price on the sixty-five.

MR. BELL: There was some kicking on that.

MR. MURPHY: Municipalities of New York State issued decimal bonds.

H.M.JR: Look, gentlemen, I am not going to crowd you as to what is the best, but that thirteen months would suit me fine.

MR. HAAS: We like it.

MR. MURPHY: We like it.

MR. BELL: Do you want to go through any of the other dates, like the one percent in late '45 - September up to December?

H.M.JR: I will probably do it March 1.

MR. HAAS: Yes, that accomplishes just what you had in mind.

H.M.JR: That suits me. Rouse is all right?

MR. BELL: Well, Rouse would prefer the one percent, August, but he said he would prefer the nine-tenths note, thirteen months, to a December '45, one percent note. He thinks that that is too thin.

If we are going to do this, I would rather have it a little bit more attractive.

MR. HAAS: It is more attractive.

MR. BELL: You mean putting it on a decimal basis you would want it a little more attractive.

- 3 -

H.M.JR: That is what I mean, putting it on a decimal basis. I tell you what you do, Dan, sleep on it and let these boys sleep on it. I will be calling you up tomorrow.

MR. BELL: I don't think I can get the stuff out until tomorrow, anyhow.

H.M.JR: If you decide you want to go March 1 - what is it, decimal, nine?

MR. BELL: Yes.

H.M.JR: You don't have to consult me.

MR. BELL: O.K.

There are two other things, if you have a minute.

You recall when we discussed the press announcement of the basket in November, we had up the question as to whether we wouldn't announce just before the opening of this drive the fact that we are going to reopen two and a quarter, two and a half to the insurance companies.

H.M.JR: I stalled on that.

MR. BELL: Until this drive. We have been discussing it and we have come to the conclusion that we shouldn't say anything about it, although the question was raised by a few people - I believe George in New York, Don Woodward, and so forth - thought something should be done.

MR. HAAS: No, he feels something should be done, but after the drive.

H.M.JR: Suits me. My whole inclination is to do nothing.

- 4 -

MR. BELL: That is the way we feel. They have got a two and a half billion dollar quota to make, and we think the State chairmen would feel badly if you come out during the drive and said these were going to be reopened after the drive.

H.M.JR: I am sold.

MR. BELL: But we ought to reconsider it after the drive. There is one hundred and fourteen million dollars of the U.S.H.A. notes maturing on February 1. We ought to announce that.

H.M.JR: Without committing myself, the day the drive is over I will be glad to sit down with you. I will commit myself to sitting down! (Laughter)

MR. MURPHY: I should think you would want to sit down.

H.M.JR: I want to sit down right now, that is my trouble.

MR. BELL: We will want to announce, probably tomorrow, we are going to pay off the one hundred and fourteen million in cash, U.S.H.A. housing notes.

H.M.JR: That is all right.

MR. BELL: We have had a number of letters and telephone calls regarding our regulation to allow the Commercial Banks to subscribe to these new issues for their savings accounts. There are a good many banks throughout the country that have a large part of their savings in certificates of deposit - time certificate of deposit - and some of them don't have any pass-books at all.

Now, we may hear more about that as we go along, but we feel that you should stick to the savings account, and we have so advised the Federal Reserve

- 5 -

Banks that this is somewhat of an experiment, and that for this drive at least we should stick to the regulations as they were put out, that we considered this thing when we did that.

H.M.JR: That is all right. This afternoon I am very tractable.

MR. BELL: Also we thought at one time we might make an announcement of our plans to refund the four billion seven, so that maybe the market would know. But we feel that you better announce that, now, after the drive. That is another thing to be considered right afterwards.

That is about all, I think.

H.M.JR: Wonderful.

MR. BELL: I didn't realize the two billion, two certificate would take so much time. I thought it was simple.

H.M.JR: You thought I was simple!

MR. BELL: Everybody agrees.

MR. HAAS: You are in good shape today! (Laughter)

MR. MURPHY: I think we avoided making a big mistake by taking the extra time.

H.M.JR: You have come around to my way?

MR. MURPHY: Yes.

H.M.JR: My God, Henry, what is the matter? You must have had lunch in the cafeteria today.

MR. MURPHY: Made me feel much better.

MR. HAAS: In the realm of politics, from your point of view--

- 6 -

MR. MURPHY: I think the considerations you advanced this morning we hadn't given the proper weight to. It might have proved to be a bad mistake if we made it the way we recommended.

H.M.JR: I feel better, now, if Murphy is on my side. What did you have to eat today?

MR. MURPHY: Codfish cakes - brain food.

H.M.JR: Were they good?

MR. MURPHY: Very good - tomato sauce, stewed corn--

H.M.JR: What did they charge for that?

MR. MURPHY: Fifty cents.

MR. HAAS: Forty cents.

MR. MURPHY: Forty cents for the regular lunch and ten cents for custard for dessert - fifty in all.

MR. LINDOW: Ten cents less if you go in the line, I think. They charge you an extra dime for table service.

H.M.JR: And then you have a tip besides?

MR. LINDOW: Yes.

MR. BELL: No decision made on the tip. I asked the head girl yesterday and she said she really didn't know.

H.M.JR: I am against tipping.

MR. LINDOW: Much better to have a standard charge.

MR. BELL: I told Charlie Bell to get in touch with Captain Hoover. Maybe we should not tip.

- 7 -

MR. MURPHY: We made an experiment yesterday. We each gave the girl a dollar and if she gives us a fifty-cent piece we are not supposed to tip. She came back with a quarter, two dimes and a nickel for each of us. We said "That is the pay-off; we are supposed to tip." So we did.

MR. BELL: You may have to do it to hold them. They are pretty hard to get. That is one of the troubles that Hoover has had in taking care of the staff luncheons down there.

MR. MURPHY: She was a very attractive girl.

H.M.JR: I was going to say, ten cents wasn't enough, then.



STRICTLY CONFIDENTIAL

PARAPHRASE

A secret telegram from the American Embassy, Chungking, China, No. 122, January 19, 2 P. M., reads substantially as follows:

With reference to the Department's No. 79, January 16 6 p.m., in the light of the attitude of the Generalissimo as revealed in his message to the President which was subject of our telegrams Nos. 105, 106 and 108 of January 16, neither the Ambassador nor the Army is taking any steps pending the reaction at Washington to the message of Chiang in relation to any conversations at Cairo and/or PXE national requirements.

We have expressed to the Army our belief that the problem resolves itself into questions (?) of major military and political policy; that we feel from the political viewpoint we should maintain a firm position and that the Chinese on account of their present and future political and military dependence upon the United States will be brought to the adoption of a realistic attitude so that we shall be able to reach an agreement whereunder we shall be in position to finance our expenditures of a military character in part by the sale of gold, in part by the sale of currency and in part by obtaining Chinese currency under reverse Lend-Lease, the rate of exchange for which is to be left for future determination; that, of course, this will take time and the question is for decision by the War Department and the President whether our military operational plans will permit delay. No possibility for effecting a change in the official rate of exchange appears to exist.

January 19, 1944  
4:05 p.m.

JEWISH EVACUATION

Present: Mr. Pehle  
Mrs. Klotz

H.M.JR: That man with his importance sits in my outer office - sits there.

MRS. KLOTZ: That is why he is a general.

H.M.JR: Three stars, too.

I was talking to the President on China and I said to the President, "How is this Executive Order coming on, on refugees."

He said, "Fine. It has gotten by the Secretary of State."

He said, "I will either give it out Thursday or Friday, but I will announce it at my Friday press conference."

MR. PEHLE: I can report to you that we just went over to see Wayne Coy - Paul, Luxford, and myself. He had some points, he didn't understand the thing very well. We agreed to change the order of a couple of paragraphs. We are doing that. We are clear with Budget, and we will give it right to Rosenman as soon as it is finished.

H.M.JR: Good. The fact that I spoke to the President directly is fresh information.

MR. PEHLE: Right.

- 2 -

H.M.JR: I don't want it to get back to Rosenman.

MR. PEHLE: Right.

Coy said that he understood from Rosenman that the Treasury knew that Lehman had talked to you or had asked about Finletter - whatever he asked. Do you see the way that goes?

MRS. KLOTZ: What is that again?

MR. PEHLE: We were talking about UNRRA. We said, "Governor Lehman would certainly go along with this if he understood the thing."

He said, "Lehman knows about it because I was talking to him and he told me that. I talked to Lehman and then I talked to Rosenman."

Rosenman said that he had found out from the Treasury that Lehman had talked to the Treasury and had talked to Coy.

H.M.JR: That is double-crossing on Rosenman's part.

MR. PEHLE: Well--

MRS. KLOTZ: Well, you have to expect that, Mr. Morgenthau.

H.M.JR: Wait a minute, as long as you are here - it is out of the Budget's hands. When it is typed it goes to Rosenman.

MR. PEHLE: Yes. Now Rosenman probably has to clear Justice.

H.M.JR: He said that is what you call a performer?

MR. PEHLE: Yes, they get a letter from the Attorney General saying to approach this as a formal legality.

- 3 -

H.M.JR: The President was in a grand humor. He said, "Bring some of that Chinese gold with you Saturday a week."

(To Mrs. Klotz) Make a note. If I could get some of that Chinese currency which is printed here I will borrow it and return it to them. I could borrow about a hundred dollars' worth of that Chinese currency.

MR. PEHLE: By the box.

H.M.JR: They speak of it as so many boxes.

MRS. KLOTZ: A box of it?

H.M.JR: I don't care. A box is about a million dollars' worth.

MRS. KLOTZ: All right. If you are borrowing, you might just as well.

MR. PEHLE: Never get it back.

H.M.JR: About a hundred Chinese dollars.

MR. PEHLE: All right. We were working once on fractional currency.

MRS. KLOTZ: When do you want this?

H.M.JR: Oh, I will be back here.

MR. PEHLE: Are you going away, Mr. Secretary?

H.M.JR: In five minutes.

MR. PEHLE: When will you be back?

H.M.JR: Next Tuesday or Wednesday.

- 4 -

MR. PEHLE: Oh, there is a problem there.

H.M.JR: Why?

MR. PEHLE: The order comes out on Thursday without an Executive Directive, we assume. Are we going to mark time?

H.M.JR: No.

MR. PEHLE: What do we do?

H.M.JR: I will do it over the telephone; if necessary I will find out and have a meeting here - get in a plane and come back - I don't know. You won't lose any time. If it was Thursday, you see, and I knew it was Thursday, I would come back from Cincinnati via here.

MRS. KLOTZ: Maybe you will know.

H.M.JR: I will know. They will know where I am.

MR. PEHLE: Right.

H.M.JR: No, no, you will not mark any time. No time will be lost on account of me. I will call a meeting.

Fred Smith  
The Secretary

January 19, 1944

In this New Yorker profile, where they talk about my various aides be sure they put down Herbert Gaston as the man who has been with me the longest and came with me as my Deputy in Albany, Conservation Department, and then was my first Assistant at Farm Credit. He came to me directly from the New York World when the New York World closed up. I'd like very much to have this included in the article.

*Fred Smith*

WAR DEPARTMENT  
THE CHIEF OF STAFF  
WASHINGTON

January 19, 1944.

Dear Mr. Secretary:

I have your note of January 18th concerning Colonel Sexton and I am having your commendation made a part of his official file. I am gratified to know that he found it possible to be of service to you. Thanks for your thoughtfulness in writing.

Faithfully yours,

A handwritten signature in black ink, appearing to be "M. G. ...", written in a cursive style.

The Honorable,

The Secretary of the Treasury.

**SECRET**  
**WAR DEPARTMENT**  
WAR DEPARTMENT GENERAL STAFF  
MILITARY INTELLIGENCE DIVISION G-2  
WASHINGTON

January 19, 1944

The Honorable,

The Secretary of the Treasury.

My dear Mr. Secretary:

The situation in Argentina with respect to the blocking of the two banks remains unchanged.

If it meets with your approval, these reports will not be made in the future unless there are positive developments.

Sincerely,

*Clayton Bissell*

CLAYTON BISSELL,  
Major General,  
Deputy A. C. of S., G-2.



**SECRET**



JAN 19 1944

My dear Mr. Harbo:

I refer to your letter (TA) of January 14, in which you express appreciation for the services rendered by the Treasury member of the Interdepartmental Committee on Post-war Inter-American Economic Policy and in which you bespeak his cooperation in the added responsibilities which, in anticipation of the forthcoming Inter-American Technical Economic Conference, are now proposed for the Committee members by the Inter-American Financial and Economic Advisory Committee.

I of course wish to have the Treasury cooperate in this undertaking and I am designating Mr. Norman T. Ness, of the Division of Monetary Research, to serve in the capacity indicated. Mr. Ness has been the Treasury's representative on the Interdepartmental Committee on Post-war Inter-American Economic Policy.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Adolf A. Harbo, Jr.,  
Assistant Secretary of State,  
Washington 25, D. C.

WTH:inn:1/18/44

DEPARTMENT OF STATE  
WASHINGTON



reply refer to

January 14, 1944

My dear Mr. Secretary:

For some months past a Subcommittee on Post-War Problems of the Inter-American Financial and Economic Advisory Committee has been engaged in discussions looking toward the formulation of basic principles, or specific recommendations where possible, on various post-war economic problems. Such principles or recommendations could later serve as a basis for possible action at the proposed Inter-American Technical Economic Conference, which was provided for by Resolution XXV of the Third Meeting of Ministers of Foreign Affairs of the American Republics held at Rio de Janeiro in January 1942.

As a part of the contribution of the Government of the United States to the discussions of the Subcommittee and later of the proposed Conference, an Interdepartmental Committee on Post-War Inter-American Economic Policy was formed some months ago, composed of representatives of various agencies interested in economic problems in the inter-American field, including the Treasury Department. This group has been preparing basic studies on the subjects under discussion by the Inter-American Subcommittee.

It has now been decided by the Inter-American Financial and Economic Advisory Committee in order to accelerate the study of post-war problems in anticipation of the proposed Technical Economic Conference, that certain sections of the agenda not yet discussed

should

to Honorable

Henry Morgenthau, Jr.,

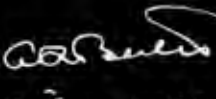
Secretary of the Treasury.



should be assigned to other subcommittees of the Advisory Committee. In order that this Government may continue to cooperate actively in this work, officials of various agencies represented on the Interdepartmental Committee have, by agreement with the Advisory Committee, been assigned to each of the subcommittees in the same technical capacity as that in which members of the Interdepartmental Committee have for some months taken part in the work of the Subcommittee on Post-War Problems.

These new assignments place an added burden on the members of the Interdepartmental Committee but I am sure that their continued full cooperation can be expected. In my capacity as Chairman of the Inter-American Financial and Economic Advisory Committee, I know that the work of that Committee thus far, and the material which it has made available to the inter-American group, have been of great value. As the time approaches for the convening of the proposed Technical Economic Conference, the work of the Interdepartmental Committee will be even more useful than in the past. You may be sure that the cooperation of the Treasury Department in this matter is greatly appreciated.

Sincerely yours,

  
Adolf A. Berle, Jr.  
Assistant Secretary

JAN 19 1944

Dear Mr. Secretary:

This is to acknowledge your letter of December 31, 1943, replying to my letter of December 14, 1943, with respect to the possibility of cancelling existing contracts which the War Department has placed in Canada.

A letter recently received from Mr. Clark, Deputy Minister of Finance in Canada, informs us that he is suggesting to his super. officials the cancellation of two War Supplies Limited contracts. The first of these is for the concluding portion of a contract for Harvard aircraft and a proposed new order for 1200 Harvard aircraft, all of which, Mr. Clark informs us, are now to be used for British purposes. The second is for the concluding portion of a contract for Cornell aircraft with a proposed new order involving, we are informed, about 50 aircraft a month, all for British use.

I am glad to note that you are in complete accord with the general principles set forth in my letter of December 14, 1943 and wish to express my appreciation for the cooperation which you are giving me on this matter.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of War Treasury.

Mr. Honorable,

The Secretary of War.

LS:rl 1/14/44

UNITED KINGDOM TREASURY DELEGATION

BOX 880  
BENJAMIN FRANKLIN STATION  
WASHINGTON, D. C.

January 19, 1944


TELEPHONE EXECUTIVE 3080

Dear Dr. White:

In continuation of my letter of December 14, 1943, to Mr. Bernstein, here are the figures of our gold and dollar holdings, in million dollars, as at November 30th, 1943.

Gold	989
<u>Less gold liabilities</u>	<u>282</u>
Net gold	707
Official dollar balances	642
<u>Less dollar liabilities</u>	<u>133</u>
Net dollars	509
Net gold and dollars	<u>1216</u>

Yours sincerely,

A.T.K. 

A.T.K. Grant.

Dr. H.D. White  
Assistant to the Secretary  
United States Treasury  
Washington

EOC

PLAIN

204

London

Dated January 19, 1944

Rec'd 5:55 p.m.

Secretary of State,

Washington.

500, 19th

In House of Commons yesterday, Chancellor of Exchequer was asked:

"To what extent the United States has begun transferring its foreign trade from Lend-Lease to private commerce under a new government policy; and what goods has Britain and its Empire agreed shall be switched from Lend-Lease to a cash basis and handled through ordinary commercial channels?"

Sir John Anderson's reply was as follows:

"The United States Government has intimated that Lend-Lease terms will no longer apply in the case of requisitions made after November 15 for certain items of capital equipment required for civilian purposes. The exact scope of this decision is still under discussion with the United States authorities and I cannot as yet say what changes in the method of procurement may be involved".

"Please transmit copy to FEA.

WINANT

WTD

eh:copy  
1-20-44

*Mr. White (Mr. E. M. Bennett)*  
205  
*Harris*

FMH

PLAIN

Moscow

Dated January 19, 1944

Rec'd 11:25 a.m., 20th

Secretary of State,  
Washington.

187, nineteenth

Morgenthau radio statements regarding Karkov trial are reported in Moscow newspapers for January 19 in three inch London item quoting Secretary to effect that execution of the German officers confessedly guilty of committing atrocities was an answer to the question of what was awaiting the Axis leaders after the victory of the Allies. Item directly quoted Morgenthau as follows: "The Russians are wiping from the face of the earth one of its most repulsive stains, in hanging the leaders who sow hate. In so doing they are giving the freedom loving peoples firm confidence in the future."

HARRIMAN

MJF

NOT TO BE RE-TRANSMITTEDCOPY No. 12Very SECRETWHICH MOST SECRETOpal No. 22

Information received up to 10 A.M. 19th January, 1944

1. NAVAL

Mediterranean On 15th/16th H.M. Destroyers shelled DORAZZO and on the following night DAVANI and VALA LUKA harbour. Coastal forces operating from BARI shelled and damaged enemy Lighters off ORZIZI on 17th/18th. On 16th aircraft from a U.S. Carrier sank two U-Boats west of the AZORAS.

2. MILITARY

Italy To noon 18th. Canadians made a limited advance in the coastal sector against very stubborn resistance. 5th Army. Some further progress made including capture by French Forces of SAN MARINO.

OFFICE  
SECRETARY OF TREASURY

1944 JAN 20 AM 11 20

TREASURY DEPARTMENT



January 20, 1944

207

These are the notes which Mr. Morgenthau had before him when he made the extemporaneous speech in Cincinnati on Jan. 20, 1944.

From now to July 1<sup>st</sup> 1944

208

Total Federal Expenditures 53 billions  
Estimated revenue 21 "  
new money to be borrowed  $\rightarrow$  32 "

asking for 14  
to be borrowed  $\rightarrow$  18  
incent FF.

get that from between drive sales  
plus a fifth war loan May or June

Therefore the more we get over 14 billions  
the less we have to get in 5<sup>th</sup> Loan

1<sup>st</sup> Loan asked for 9 bill got 13 bill  
(~~4~~ 5 bill Banks - 8 non-banks  
the over subscription was  
non-Banks 38% Banks 62% non banks

2<sup>nd</sup> Loan asked 13 bill got 18 bill  
5 firm Banks 13 non-banks  
28% " 72 non-banks

3<sup>rd</sup> Loan asked for 15 bill got 19 bill  
100% non-Banks

4<sup>th</sup> Loan asking 14 bill . ???  
100% non-Banking

1<sup>st</sup> Loan E Bonds \$726. mill  
 2<sup>nd</sup> Loan 1,473  
 3<sup>rd</sup> Loan 2,472  
 4<sup>th</sup> Loan ought to get 3,000

### Insert FB

Breakdown of 14 bill. 4<sup>th</sup> Loan

		Ohio	Cincinnati
Individuals	5.5 bill	317 mil	44 million
Insurance co and mutual Savings BK	2.5	50.	} 59
Corporations	6.0	310	
Total	14.	672	103

Where is money see (R) from Individuals.

numbers	deducting	%
---------	-----------	---

2,800,000 -	\$30. million per month	15% of pay
-------------	-------------------------	------------

we ought to do at least as well

give figure for thrive

out of 5.5 ~~and~~ billion from

individuals we have sold

\$

up to Feb. 1<sup>st</sup> concentrating

~~exclusively~~ exclusively

on subs. from individuals.

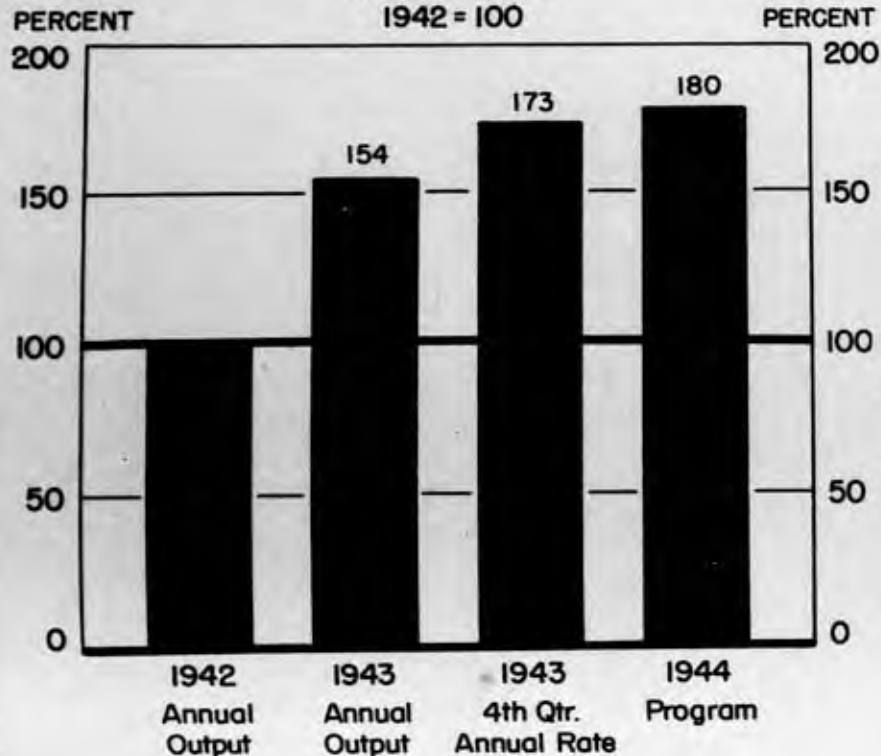
Sales to individuals through Jan 20

Insert D

## TOTAL WAR PRODUCTION

1942 - 1944

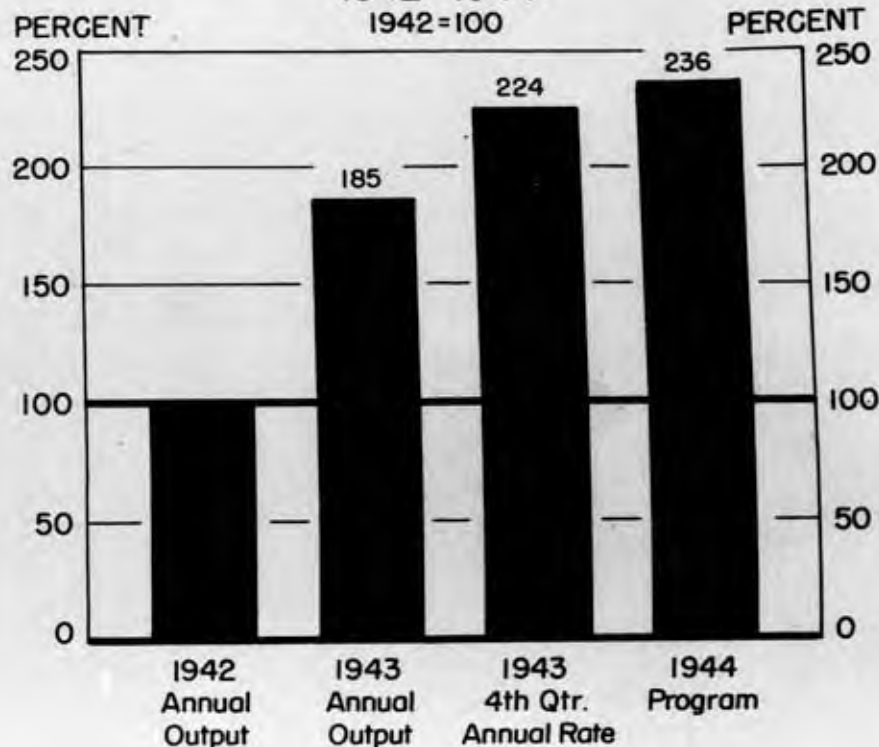
1942 = 100



## TOTAL MUNITIONS PRODUCTION

1942 - 1944

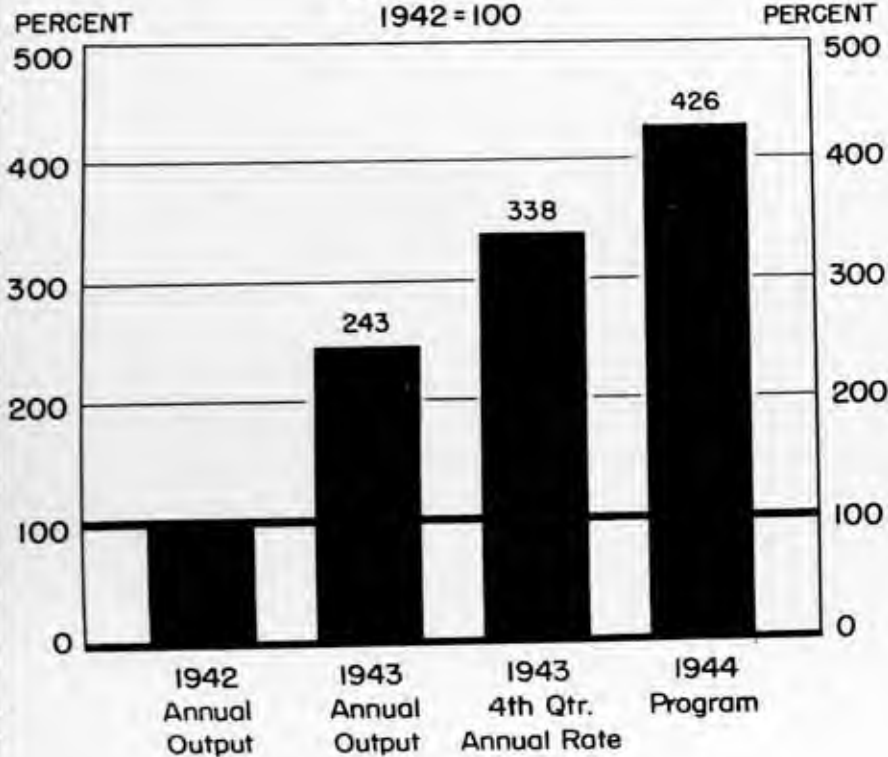
1942 = 100



## AIRCRAFT

1942 - 1944

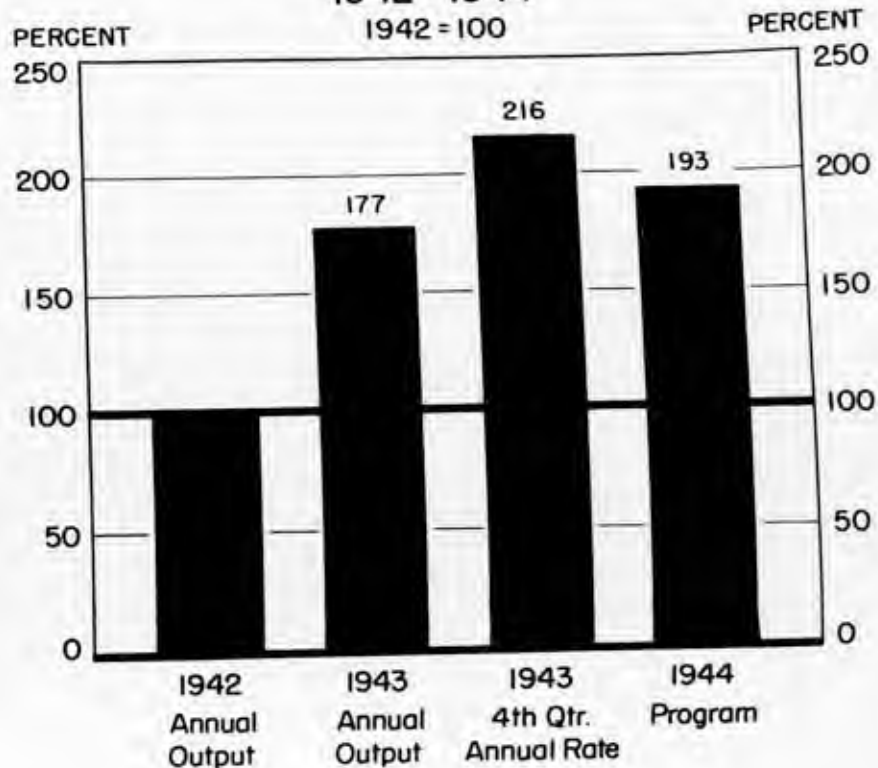
1942 = 100



## NAVY SHIPS

1942 - 1944

1942 = 100



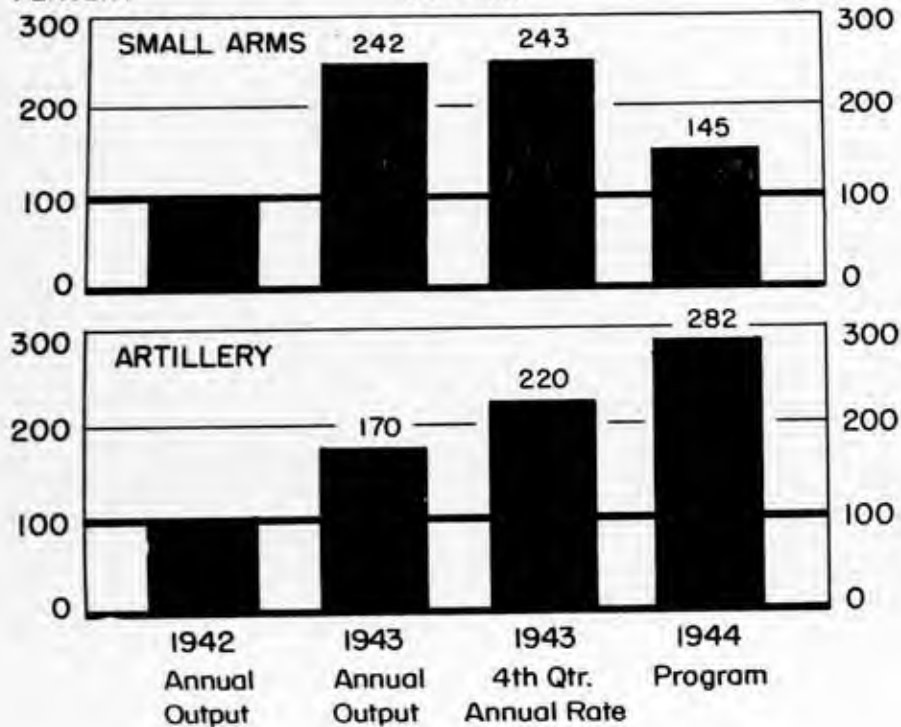
## AMMUNITION

1942 - 1944

PERCENT

1942 = 100

PERCENT



B

January 4, 1944

The attached tables show redemptions of all series of United States Savings Bonds and redemptions of Series E, F and G Bonds through the 31st of December, 1943.

Resume of Savings Bond Redemptions

(1) United States Savings Bonds (so-called "Baby Bonds") Series A, B, C and D were first issued March 1, 1935. They were withdrawn from sale April 30, 1941. Cumulative sales during the six-year period aggregated approximately \$4 billions.

Redemptions (cost plus accrued interest) through December 31, 1943 total \$718 millions, or 18.19% of total sales.

~~In other words~~, 81.8% of the \$4 billions invested in Series A, B, C and D bonds is still invested in them.

(2) United States Savings Bonds (Defense and War) Series E, F and G were first issued on May 1, 1941. Since that date through December 31, 1943 cumulative sales total over \$25,424 millions.

Redemptions (cost plus accrued interest) through December 31, 1943 total \$1,763 millions, or 6.93% of cumulative sales.

~~Therefore~~, 93.07% of the funds invested in Series E, F and G bonds since they were first offered for sale is still invested in these bonds.

(3) United States Savings Bonds (Defense and War) Series E, cumulative sales aggregate ~~over~~ \$17.5 billions.

Redemptions (cost plus accrued interest) through December 31, 1943 total \$1,600 millions or 9.16% of cumulative sales.

As of December 31, 1943, 90.84% of the 17.5 billions bonds (Series E) placed remain in the hands of the public.

Promotional Research Section  
War Finance Division

People get carried away with war spirit and sometimes buy more than they can hold.





**TREASURY DEPARTMENT**  
WAR FINANCE COMMITTEE FOR OHIO

LIQUID SAVINGS OF INDIVIDUALS  
CALENDAR YEARS 1940 - 1943  
(In billions of dollars)

---

Life insurance	9
Savings accounts	5
Debt repayment	-
Federal securities	29
Currency and checking accounts	30
Other	1
	<hr/>
Total	74

Insert P



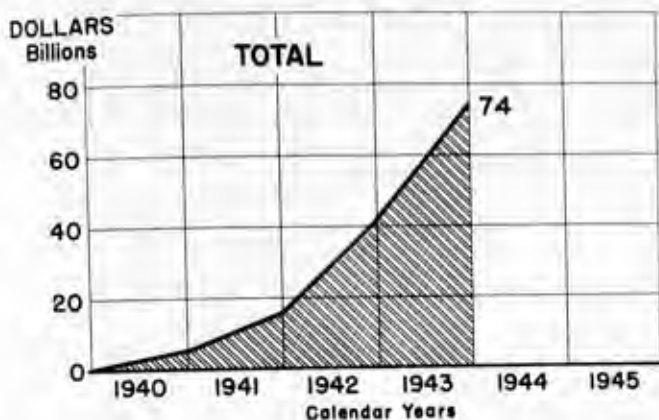
**TREASURY DEPARTMENT**  
WAR FINANCE COMMITTEE FOR OHIO

SALES TO INDIVIDUALS THROUGH JANUARY 20th

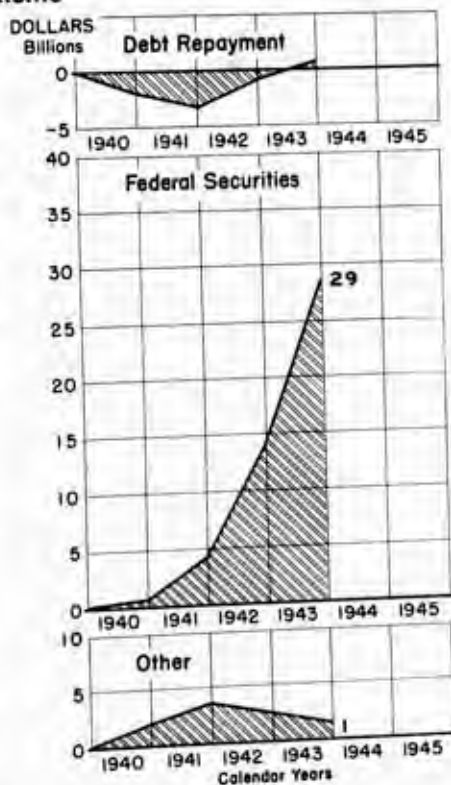
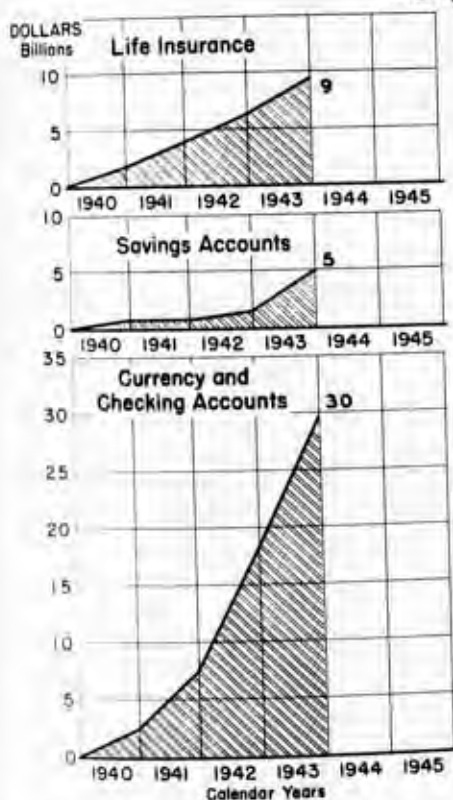
	(Millions of dollars)
Series E bonds	523 - one half
"    F    "	20
"    G    "	106
2-1/2% bonds	56
2-1/4 % bonds	56
7/8 % certificates	135
Series C Savings notes	152
Total	<u>1,048</u>

523  
          
642

## LIQUID SAVINGS OF INDIVIDUALS 1940-1943, Cumulative



### Components





**TREASURY DEPARTMENT**  
WAR FINANCE COMMITTEE FOR OHIO

1. Mr Phil J Trounstine, Chairman, War Finance Committee for Ohio will give report on the progress of the drive in the state.
2. Mr J. M. Hutton will report on the progress of the house-to-house canvass in Hamilton County.
3. Mr. Judd C. Benson will report on payroll savings and plant drives.
4. Mr. John J. Hurst will respond in behalf of A. F. of L. labor His statement will be read due to his laryngitis.
5. Mr. Ben Herman, President of the Cincinnati C.I. O. Council will also respond in behalf of labor.
6. Mrs. Walter Tangenan will report on Women at War
7. Mr. Joseph M. Gantz will respond as a typical block worker on the progress of the canvass in his district.

TREASURY DEPARTMENT  
War Finance Committee  
For Ohio

January 20, 1944

Secretary of the Treasury, Henry Morgenthau, Jr., tonight at a War Bond Rally held here announced that 1,048,000,000 of the 5½ billion dollar individual investors' objective of the Fourth War Loan had already been attained. He said the results so far in the drive had been so remarkable that it was "almost too good to be true". He pointed out that \$523,000,000 of the total war bonds bought so far by Americans were series E Bonds.

The Fourth War Loan over-all goal is 14,000,000,000. During the first two weeks of the drive, which opened January 18 and will run through February 15th only individual investor's sales will be reported by the Treasury.

Armed with a sheaf of statistics which he said he was releasing for the first time to the American people, the Secretary spoke without a prepared address, to more than one thousand war bond workers from all parts of Ohio, gathered at a Hamilton County Drive "Kick-Off" dinner. As during the third war loan Secretary Morgenthau tonight began a series of visits to see the people as the No. 1 War Bond Salesman.

In this role he said he was in Cincinnati "to give the people the picture of the problem you are sharing with me." He said he was single handed, making the fight for the voluntary war savings system because he believed it was "A method of unifying the Nation behind the war." He said that we will have a Fifth War Loan in May or June, depending upon the over-subscription of the Fourth War Loan.

Federal Expenditures he said for the first six months of 1944 are estimated at 53 billion dollars, and receipts at 21 billion dollars, leaving an estimated deficit of 32 billion dollars. The Fourth War Loan Campaign, he declared confidently will result in the attainment of the 14 billion dollar

goal. He pointed out that this budget picture leaves 18 billion dollars to be raised by June 30, 1944. The size of the over-subscription of the Fourth War Loan will determine the amount which will be necessary to be raised in the Fifth War Loan.

Declaring that war bond workers and the nation in general had a right to ask him where the money is to come from to meet the war financing problems, he asserted that treasury figures showed that total individual savings from 1940 through 1943 were divided as follows:

Life insurance, 9 billions, Savings Accounts, 5 billions, Debt Repayment, 0 (balanced out), Federal Securities, 29 Billions, currency and checking accounts, 30 billions, and other sources 1 billion dollars, total 74 billion dollars.

"Just knock on the door" he advised the war bond workers, "you will find the money there."

Dealing squarely with rumors about a lot of redemptions, he said he was going to meet the issue with facts head-on.

From March 1, 1935 to April 1, 1941 4 billion dollars of A, B, C and D Series Savings Bonds were bought by the American people, of which 82% still remains invested.

Series E, F and G Bonds went on sale May 1, 1941 and up to December 31, 1943 25½ billion dollars were invested by Americans in these three series. 93% of these three series are still invested.

Up to December 31, 1943 Americans bought 17½ billion dollars of series E war bonds, he said. Of this total 91% are still in the hands of the people.

He attributed some of the redemptions to the fact that patriotic fervor overcomes some Americans who then over-buy in war bonds and then find themselves in the position of having to readjust their purchases.

He pointed out that 2,800,000 members of the United States Army are buying 30 million dollars in war bonds monthly, or 15% of their pay. "Until any

American meets that standard let him pipe down, to use a navy phrase".

To emphasize the need for lots of work and lots of money in 1944, as the big invasion nears, he furnished these statistics, using 1942's production figures as a basis... In 1943 production was 154% over the 1942 total, but 1944 will require 180% production record over 1942.

In war munitions alone the 1943 production records was up 185% over 1942, but in 1944 our military experts figure production will have to arise 236% over 1942.

He said we can expect some cut-backs in certain lines of munitions. However, in other types of war materials to meet the problems of invasion there will be a sharp rise. He cited, as examples, the fact that ammunition which jumped 242% over 1942 will be cut to 141% as against the production level of 1942. However, manufacture of artillery, which was 170% over the 1942 total, must jump to 282% over the 1942 figures.

A optimistic report on the state of Ohio's Fourth War Loan Drive was furnished him by State War Finance Chairman, Phil J. Trounstine.

The text of Secretary Morgenthau's address here follows:

A D D R E S S

OF

SECRETARY OF TREASURY, HENRY MORGENTHAU, JR.

NETHERLAND-PLAZA HOTEL  
Cincinnati, Ohio

BOND RALLY - JANUARY 20, 1944

Mr. Chairman, Ladies and Gentlemen: I have had three experiences today which have shaken me deeply emotionally. Anyone of the three would have made

worth while my coming to your city. The first was hearing a magnificent talk of Aurelia Christea, a sample of youth in America. I don't think we have to worry very much about our future. I hope that Aurelia will do me the honor to go with me on a program Sunday a week, that she will come and join me on that program. I am sure the program will be a success.

The second experience that I had today, at the suggestion of General Arnold of the American Air Force, I visited the Curtiss-Wright plant. You may have read that they have had some trouble in the past. I went through that plant and I had not been there but fifteen minutes when I had a wonderful feeling. I felt that here was a plant in which there was complete harmony and team play between management, labor and the Air Corps. And the crowning event was when they permitted me to go in quietly and sit in the corner during a Labor-Management Grievance Committee meeting, and I listened while they discussed the pros and cons about some young lady, whether she should be put back on the payroll. And I can assure you that if you could have gone there and seen Labor and Management discussing their problems, as I was permitted to witness this afternoon -- again I say I don't think we have much to worry about our future.

The third episode today is to face this audience. As you know, I have made a continuing fight for the so-called "volunteer system" of purchasing bonds as opposed to the "compulsory system", and when I see this magnificent group of men and women gathered here tonight, if this is a sample of the groups all over the United States who have gone out and volunteered to give the people an opportunity to invest their money, it has more than repaid me for the fight I had to continue the so-called "volunteer plan".

May I go off a minute from the serious matter? As one columnist said, "There are only three people in Washington who believe in it -- the President, Mrs. Roosevelt, and myself." This columnist I don't think has departed from Washington (if he had a seat) to know that there are literally millions of



people or bond sellers who believe in this method whole-heartedly, and the idea back of it all was that I felt that if we could continue to sell bonds on a volunteer basis, that this would be a method of unifying the country in a time of war, and I know that all of you who are giving so much of your time, thought and energy, have proved many times that this is the way to sell bonds, and the way is not through compulsory savings.

I would like to give you a little picture of my problem which you are sharing with me. For the next six months, from now to the first of July the Federal Expenditures will be \$53,000,000,000. Our estimated revenue will be \$21,000,000,000. If the people continue to pay their taxes -- and 99.9% of them do, notwithstanding an isolated case -- which leaves it necessary for us to borrow during the next six months \$32,000,000,000. I don't think it is over-confident saying that I am not worrying about getting the \$14,000,000,000 for the Fourth War Loan, thanks to people like you, which leaves another \$18,000,000,000 which we will have to borrow. We will have a Fifth War Loan sometime along in May and June, which depends a little bit as to how much the over-subscription is on the Fourth Loan. One of the should I say "hurdles" that you and I have to face is the thought that the peak of production is over and "everything is in the bag."

Well, I have two bits of evidence which proves to the contrary. I think it is about three months ago that I had the rare opportunity to go to the front in Italy. Three months have passed and through the most magnificent fighting on the part of the Allied troops I think General Clark has been able to go forth about 15 miles, which gives you some idea of the kind of fighting that we are up against, once we really get to fighting.

I have a few figures here that will give you an idea of what to expect in the way of war production in the year of 1944, which, I think, is the best answer to counteract this talk that "it is all over but the shouting". In 1943,

this is in terms of percentages, using 1942 as a base of a hundred, the total war production for 1943 was 154% and the 1944 program calls for 180% of 1942. In munition production, again comparing it with 1942, in 1943 the annual output was 185% and the plans called for 145%. It is perfectly true there are some cut-backs. For example, in ammunition in 1943 the production was 242% and in 1943 the plans called for 145%. On the other hand, if we look at artillery, the production in 1943 was 170% and in 1944 it calls for 282%. But to go back to my original figures, the 1943 output in war production was 154% and we expect the country to produce 180% in 1944. There is lots of work to be done, and it is going to take a lot of money.

I will go back to the first War Loan. In the First War Loan we asked for nine billions and got thirteen billions, five billions in the bank and eight billions from non-banking sources.

In the Second War Loan we asked for thirteen billions and got eighteen billions, five billions in the bank and thirteen billions from non-banking resources.

In the Third War Loan we asked for fifteen billions and got nineteen billions, a hundred per cent from non-banking sources.

This time we are asking for fourteen billions - 100% from non-banking sources, so it is up to you how much it is going over the top. We are a little bit early, but the first reports look good, and before I finish I will give you the figures as of tonight. Carrying that thought a little bit further, in the first War Loan we sold \$726,000,000 of "E" bonds. In the Second we sold \$1,473,000,000 and in the Third War Loan \$2,472,000,000, and for the first time tonight I am going to give you the figures of the goal in the Fourth War Loan drive which we have in the Treasury, that is, \$3,000,000,000 in "E" bonds. Everyone of you has got a job cut out for you, when it comes to selling "E" bonds.

I have heard a lot about redemptions, and since the rumor is going around I think it is better to meet it and you people who are out selling bonds may not be asked this question, but here are the facts talking about redemptions. United States Savings Bonds, so-called "A", "B", "C" and "D", the first issue of March 1, 1935 were brought to sale April 30, 1941. Accumulative sales during the six year period aggregated \$4,000,000,000. 81% or practically 82% of the four billion dollars invested are still invested in them. You don't have to apologize for that. Secondly, U. S. Savings Bonds, series "E", "F" and "G", the first issues of May 1, 1942 - since that date the total sales were twenty-five and one half billion dollars - 93% invested in "E", "F" and "G" bonds are still invested in "E". I don't think anybody has to apologize for that.

Three, U. S. Savings Bonds "E" alone aggregates seventeen and one half billions as of December 1, 1943. 91% of the 17½ billion dollars "E" bonds, still are in the hands of the public. Those are the facts.

Now there is no question that when we get literally millions of people out selling bonds, their enthusiasm will run away with them -- I hope, and the war spirit of the people who are going to buy these bonds is going to run away with them, and there are a few of them in the heat of the battle at the home front that will buy more than they need, and then, when they get back home to talk it over, may result in that they return some of them, but I feel that the mere fact that they have turned them in is a good sign that we have worked up a lot of enthusiasm, and I think that the figures that I have given to you are the best that anybody can have. At least these are the facts and will stop the gossip.

Let's take a look at the Fourth War Loan. We are asking for 14 billion dollars, and how are we going to get it? We are asking 14 billion dollars - individuals 5.5 billion, from insurance companies and mutual savings banks 2.5 billion, and other corporations six billions, or a total of fourteen billion,

How does that break down for the State of Ohio? Individuals - we are asking Ohio to buy 312 millions; insurance companies and mutual savings banks 50 millions; and corporations 310 millions. That is a total of 672 million dollars. That is a lot of money, but I am confident Ohio is going to come through as usual.

Now, it may be a perfectly fair question, and if I could I would answer each one of your questions, "Mr. Morgenthau, where is the money?" Well, I would like to tell you where we feel the money is. We made some studies, and tonight is the first time that these figures will be released. We studied where the money has gone, the savings of people during the past four years, from 1940 to 1943. Well, the so-called liquid savings, some of this language is the language of statisticians, if you will bear with me, and if I can understand that, you can. The liquid savings totals \$74,000,000, of which, for a four year period, 9 million has gone to Life Insurance Companies; 5 millions to Savings accounts. Indebtedness, strangely enough has practically stood still, and I am surprised that the debt of the company increased up to 1942 and they only have begun to pay off the debt during the last two years. The people have invested 29 million dollars, but in currency and checking accounts there are 30 million dollars, and it is the currency and the checking accounts that you and I will have to look up. Ask the people who have the money whether they won't buy these bonds, for a double reason, for the so-called inflation through bank deposits after the war. Some people worry about it more than I do, will be reduced by the amount of money that goes into war bonds, so we feel that the money is there. You just go out and find it. That is your job. My job is to assure you that the money is there, in the hands of the people.

These are very careful studies, and I can assure you that in the hands of the people is 30 million dollars in currency and checking accounts, just waiting for you to knock at the door.

In some of these communities, yesterday -- I think it was yesterday, (these days get all sort of mixed up). at eleven o'clock yesterday morning I talked to ten chairmen of ten states, from Massachusetts to North and Southern California. They are all very enthusiastic, and I guess they have reason to be. Just so that their chests won't swell too much as to what they are doing, let me tell you about your Army, and I think this is the most amazing record. This is something we can all be proud of. Two million, eight hundred thousand men of the U. S. Army are deducting every month 30 million dollars, or 50% of their pay. (applause). Before anybody says he has done well, you ask him if he is doing as well as the U. S. Army and until he has done as well as that I think he had better pipe down.... that's Navy talk!

Now, I called up tonight before we came here Mr. Gamble, National Director of Sales, and he wants to send you his warmest regards. He is one of the finest and we are very fortunate to have him. I asked him how the drive was going and the figures are so good I hate to give them to you. Up to tonight, for the country, we have sold \$1,048,000,000 worth of bonds. Here is the interesting fact and that is the most encouraging one of all, in fact that almost looks like black magic, \$523,000,000 is already "E" bonds. It is just too good to be true.

Now get this, \$523,000,000 out of a total of a billion and 48 million dollars! If we kept on like that I guess I would go back to my farm, -- and that does not include, we are not including any current wage deduction between now and February. I have tried to give you just the thumb-nail sketch the way I look at the problem. What my job is, and I felt rather than coming here and telling you people, who are far better salesmen than I am, how to sell in Cincinnati and Ohio, that it would be a treat for me if you people would tell me how you want to do it, and therefore I am going to call on a number of people and ask them to do me the honor of explaining to me and telling you how they are going to put Cincinnati over the top. And the first speaker that I am going to call on is your State Chairman, Mr. Phil J. Trounstine.

Pages 228-264 omitted;  
faulty numbering machine.

January 20, 1944

MEMORANDUM FOR THE FILES

I spoke to Hugh Cox, Assistant Solicitor General of the Department of Justice, regarding the proposed Executive Order establishing a War Refugee Board. Mr. Cox is handling the clearance of the Order through the Department of Justice.

He stated that the only legal question in his mind raised by the Order was the general language in section 4 of the Order relating to the acceptance of contributions by the Board or the State, Treasury or War Departments in carrying out the Order. He referred to earlier drafts of the Order (Oscar Cox version) which had spelled out in detail the acceptance of contributions under Title XI of the Second War Powers Act.

I advised him that we had decided against the earlier and more lengthy provision on this point because it seemed to place altogether too much emphasis on the obtaining of private contributions in order to administer the Order, whereas it was our feeling that time was too precious to be wasted on extensive campaigns for contributions. I assured him, however, that in the administration of the Order it was anticipated that we would adhere strictly to the provisions of the Second War Powers Act.

He stated that he appreciated our point and that he was prepared to approve the Order as to legality if I would send him a memorandum confirming our intent to adhere to the provisions of the Second War Powers Act for their files. I assured him we would do this and inquired as to whether he could approve the Order now on my assurance that he would get the confirmation today. He agreed.

- 2 -

Cox stated that he had no other legal point but that some of the policy men at Justice were afraid that the Board had been stacked in favor of State against Treasury by the inclusion of the Secretary of War and that he would have to mention this to the Attorney General. I told him that we would like to come over at once and give him some of the background on that point. He stated that he had to leave for the Capitol at once to attend a hearing at which Hoover was subpoenaed to appear. I then advised him over the telephone that the naming of Secretary Stimson met with the approval of Secretary Morgenthau; it appeared that a "new deal" could be expected on the issue at State since Stettinius was scheduled to handle the matter for State and that in fact the press release would probably state that Hull had designated Stettinius to act for him on the Board.

Cox stated that this information was most reassuring to him and that the Attorney General's approval would be forthcoming.

I mentioned the urgency of the matter and inquired if I could advise Mr. Paul that the Attorney General would approve the matter by noon today. Cox stated that this was agreeable.

Attached is a copy of the letter which Mr. Paul sent to Mr. Cox by special messenger today. A copy of such letter was also transmitted to Judge Rosenman.



C  
O  
P  
Y

January 20, 1944

My dear Mr. Attorney General:

Attention: Mr. Hugh Cox

I refer to the discussion this morning between Mr. Ansel F. Luxford of my office and Mr. Hugh Cox of your Department regarding the proposed Executive Order establishing a War Refugee Board.

This will confirm Mr. Luxford's statement that Section 4 of the proposed Order contemplates that Title XI of the Second War Powers Act will be employed in accepting contributions and that such contributions to the Board or to the State, Treasury or War Departments will be made in strict accordance with all provisions of such Act relating to the acceptance of conditional gifts by the Secretary of the Treasury to further the war program.

Very truly yours,

(Signed) Randolph Paul

General Counsel.

The Honorable,

The Attorney General of the United States.

AFL:nrd - 1/20/44



## THE UNDER SECRETARY OF THE TREASURY

WASHINGTON

January 20, 1944

MEMORANDUM FOR THE SECRETARY'S FILES

In talking to the Secretary over the telephone this morning (he was in Cincinnati) I told him that we had the question that we had been discussing with Ransom and Crowley regarding banks' absorbing exchange charges, right on our doorstep for a policy decision as a bill legalizing such charges had been introduced in both the House and Senate. We have been requested to submit our views, including the views of the Comptroller of the Currency, and Mr. Spence, Chairman of the Banking and Currency Committee of the House, had advised Mr. Delano that hearings would start on Monday and had asked him to be present.

I told the Secretary that I did not feel that the Comptroller would get by in his testimony with the mere statement that his office just had the duty of enforcing the regulations prescribed by the Federal Reserve Board under the Banking Act; I was sure that he would be asked the questions to what his views are and how the Department feels about it. I told the Secretary that I felt Mr. Delano should be authorized to state for himself -- and I am sure he is in accord with this -- and for the Department that the present regulations are in the interest of sound banking and should be retained. However, it is a matter for Congress to determine and I said I did not think we should get too much involved in the controversy between the Federal Deposit Insurance Corporation and the Federal Reserve Board.

The Secretary said he was in accord with this view and that I could so advise Mr. Delano.

*sub*



THE UNDER SECRETARY OF THE TREASURY  
WASHINGTON

January 20, 1944

MEMORANDUM FOR THE SECRETARY'S FILES

After I discussed over the telephone with the Secretary this morning the attached memorandum which he had received from the White House, and after we had agreed that we could ask Dr. Kung to come to Washington to discuss matters involved in the exchange of cables between the President and the Generalissimo in lieu of the draft of cable which the Secretary had read over the telephone to the President the afternoon of January nineteenth, I called General Somervell; read him the President's memorandum; and told him how we in the Treasury felt about the matter. He at first said he thought it was a good suggestion for Dr. Kung to come to this country to discuss these matters but he thought it rather important that the cable go. I told him that in view of the strong objections of the State Department to the draft of cable, and the fact that we might ask Dr. Kung to come rather promptly to discuss the matters, we might be in a better position to accept this as a reply to the strong cable we got from China. He said all right, that he would agree to that and I could go ahead and clear it with the State Department.

Right after I talked to General Somervell I talked to Dean Acheson and before I could tell him about the memorandum from the President he said he had just come out of the Secretary's office with a draft of cable which the State Department proposed that we send to China. He said that Pete Collado, Donald Hiss and Ballantyne would come over to discuss the matter. I then read to him the President's memo and suggested that we get together with General Clay to draft a proposed reply based on that memo. They are to meet in my office at three o'clock.

*sub*



THE WHITE HOUSE  
WASHINGTON

January 19, 1944.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

I find a delayed letter from Madame Chiang which suggests that the Generalissimo would be willing to send Dr. Kung to Washington. Don't you think that would be a good idea and that we should accept it?

F. D. R.

MEMORANDUM FOR THE FILES

Telephone conversation between  
D. W. Bell and General Somervell  
and  
D. W. Bell and Dean Acheson  
January 20, 1944  
11:00 A.M.

Mr. Bell talked with the Secretary over the phone regarding a note sent by the President to Secretary Morgenthau (copy of which is appended) raising the question of the desirability of inviting Kung here as requested by a delayed letter from Madam Chiang. He then telephoned General Somervell about the note and said that the Secretary, he and White favored the idea of having Kung come to the U.S. General Somervell at first thought it would delay matters unduly but then agreed that it might be desirable. Somervell mentioned that Dean Acheson had called him up and apparently indicated that they favored making the loan. Mr. Bell replied that he had not favored granting the first \$500 million aid and favored even less lending them a billion dollars now. He said it was just throwing the money down the rat-hole.

Mr. Bell then called up Dean Acheson and told him of the receipt of the note from the President and said that we thought the matter ought to be given consideration this afternoon. Mr. Acheson reported that they had talked the matter over carefully at a meeting in the State Department that morning and had drafted a proposed cable along the following lines: the distance between the two capitals, Washington and Chungking, raised difficulties in the path of a mutual satisfactory arrangement between the two governments and that it would be better if an American mission could go to China to discuss the various proposals. In the meantime the Chinese Government might accept General Stilwell's proposal as a tentative arrangement until a more permanent arrangement could be made. Acheson said that the cable that the State Department drafted was much more conciliatory than the original draft prepared by Army and Treasury. He promised to send a copy of their draft over at once and said they would attend the meeting in Mr. Bell's office at 3:00 P.M. that afternoon at which the matter could be further discussed.

H. D. White

HWD:grs  
1/25/44

January 20, 1944

MEMORANDUM FOR THE FILE

Meeting in Mr. D. W. Bell's Office  
January 20, 1944  
3:00 P.M.

Present for War Dept.: General Clay

Present for State: Mr. Ballantine  
Mr. Colledo  
Mr. Alger Hiss

Present for Treasury: Mr. D. W. Bell  
Mr. White  
Mr. Friedman

Meeting was called to discuss suggested message from the President to the Generalissimo in reply to the Generalissimo's message transmitted through Ambassador Gauss.

State Department representatives brought with them a redraft of a reply which had been drafted the previous day by War and Treasury representatives. (Copies of State's version had been sent to Treasury a couple of hours before. The State Department's suggest draft is appended hereto and marked "Appendix No. 1".)

Treasury representatives indicated that they felt that in effect State's suggested draft promised a loan to the Generalissimo, particularly since it spoke of a commission which would discuss with the Generalissimo the proposals which he had made. The State Department representatives agreed that in effect this could be taken by the Chinese as a commitment for a loan but they felt not necessarily for a loan of \$1 billion.

Treasury representatives indicated that the President, the War Department and the Secretary of the Treasury all favored taking a firm position vis-a-vis the Chinese. The only way a loan could be gotten was to go to Congress and tell it that the loan was absolutely necessary for the war effort. The President, War Department and the Secretary, however, were opposed to going to Congress for such a loan. The Treasury representatives stressed that China's basic consideration was to get as many U. S. dollars from us as possible and that they would undoubtedly not be satisfied with such things as a small loan instead of the desired big one, although they might be willing to make some compromises.

General Clay said that this matter had been discussed with the Secretary of War that morning and that he was instructed to say that the Secretary of War was strongly opposed to the granting of a loan and felt that a strong position should be taken and that the War Department saw no military reasons for acquiescing to the Generalissimo's demand. He said that he could go no further and that he could not accept the State Department's version since in effect it meant acquiescing to the loan.

Some discussion was held regarding the magnitude of expenditures and General Clay indicated that the Army might well be expending about \$49,800 million during the coming months for the building of airports if they had to be built at the official rate of exchange. It was pointed out that most of the expenditures in China today are being made at the official rate of exchange.

The Treasury representatives suggested certain changes in the State Department's version. They suggested that in paragraph 2 of the State Department's version, instead of requesting the suggestion to send a commission, advantage should be taken of the note which had been received by the Secretary from the President to the effect that the President had received a belated letter from Madame Chiang Kai-shek indicating that the Generalissimo would be willing to send Dr. Kung to Washington. It was, therefore, proposed that Madame Chiang's suggestion should be taken up and Dr. Kung be invited to come to Washington to discuss the various financial and economic problems involved in the current situation. In this way, it would be possible to avoid accepting the Generalissimo's proposals, which acceptance was inherent in offering to send a commission. The State Department supported the idea of the commission on the grounds that the commission could recommend a much smaller loan than a billion dollars (the State Department was thinking in terms of \$250 or 300 million) and that the Administration would be less embarrassed if Congress turned down commission recommendations than if it turned down the recommendations of the Administration.

Some doubts was expressed regarding the advisability of inviting Dr. Kung on the grounds that Madame Chiang's letter might have antedated the Generalissimo's reply to the President's message. It was agreed that this might be the case, but at the same time this was no reason why the invitation should not be extended. At any rate, the Generalissimo could reply that the situation had changed since Madame Chiang's letter and perhaps he might even stipulate that Dr. Kung could come but only to discuss the proposals which he (the Generalissimo) had made. If it was desired at that time to accept the Generalissimo's stipulations, the net effect would be that instead of having a commission which would have to deal with the Chinese in China, we would have the Chinese come here where it would be much easier to deal with them.

Another suggestion made by the Treasury representatives was that instead of making the cable with statement that this Government is fully prepared to bear all costs of its own war effort in China's war, statement could be substituted to the effect that, recognizing the validity of China's claim that the Government was not in the position to bear the financial burden of contributing to the maintenance of American troops in China, this Government was fully prepared to bear all costs of its war effort in China including honoring as well as construction under the type of arrangement that was to be suggested by General Stillwell or any type of arrangement achieving the same object that the Generalissimo felt met his needs more appropriately.

General Clay indicated that he also did not approve of the State Department's last paragraph since he felt that it might prove to be a source of embarrassment to General Stillwell since in view of the whole cable General Stillwell might well be turned down because the Generalissimo would be expecting the loan. He felt, however, that, as modified by the Treasury, it would be acceptable.

With regard to the various suggested changes, the State Department representatives indicated that they would be glad to present those suggested changes to Secretary Hull and seemed to indicate that they themselves were in agreement with the changes. General Clay said that he could give clearance to the suggested changes since they were in accord with instructions which he had received from the Secretary of War.

Some discussion took place on whether or not delay in making a definitive decision at this time with regard to the Generalissimo's proposals might place the Army in a position of having started on its program in China and not being able to change the program after two or three months. General Clay indicated that once the U. S. Army had begun to build these bases nobody in China could stop them, since, if necessary, they could use both American supplied labor and American troops to protect the airfields.

The entire cable was then gone over again and various suggestions for re-drafting were made. Particular attention was paid to the desirability of not committing the President to a post-war loan as was done in the State Department's draft. The cable was changed accordingly. The version which was finally agreed to by those present and taken away by General Clay and the State Department is attached hereto and marked "Appendix No. 2".

The point was made by Treasury representatives that Treasury understood that the President had made no commitment to the Generalissimo at Calao.



Division of Monetary  
Research

General Clay said that they would inform General Stilwell of what was going on since it was likely that he would be going ahead with his own plans. General Clay said that he would not wish to place General Stilwell in the embarrassing position of being turned down by the Generalissimo on the grounds that he had the matter under discussion with President Roosevelt. General Clay also indicated that immediate action was desirable on this matter and it was agreed by all present to give this matter immediate attention.

I. S. Friedman.

Comment:

After the meeting Mr. Bell and Mr. White discussed the desirability of having Mr. Bell bring the suggested message in person to the President for his approval. The opportunity might then be taken to explain to the President such things as the uncertainty as to whether the suggestion to send Dr. Kung was actually made by the Generalissimo since it might have been made by Madame Chiang, and that it was also possible that the Chinese would refuse to send Dr. Kung except with certain stipulations similar to those placed on a commission.

0024

APPENDIX NO. 1

SUGGESTED MESSAGE FROM THE PRESIDENT TO GENERALISSIMO  
CHIANG KAI-SHEK

I have carefully studied your recent message transmitted through Ambassador Gauss, and I fully recognize the extent to which China's resolute war stand has rendered her economic situation acute. I am fully mindful of the importance of taking every practical cooperative step to make possible the most active prosecution of the war, as well as to make possible an orderly development of China's industry and trade after the war. I think it important that you should understand in this connection our special problem over here.

I cannot escape the feeling that because of the distance between us and between our respective advisers there may be danger that we may fail adequately to work out our common problems and may rush into decisions which would not be in the interests of either of our peoples. Accordingly, I should like to renew to you the suggestion which I made in my message of January 5 to send to Chungking a small commission composed of individuals of the highest prestige in whom I have complete confidence to discuss with you and your advisers your proposals and the problems to which they give rise on our side. If you are agreeable to this suggestion, the commission can be despatched at the earliest possible moment so that it may complete its work quickly and without causing delay in resolving your problems.

Meanwhile,

- 2 -

Meanwhile, I should like to make this specific suggestion: Just before receiving your message I had approved instructions to General Stilwell and to Ambassador Gaus to take up urgently with your Government the question of our military expenditures in China. I should like to suggest that the formula which General Stilwell and Ambassador Gaus are authorized to propose be adopted tentatively on the understanding that our Army expenditures in China during the next few months can be expected to be somewhere in the neighborhood of twenty-five million U. S. dollars each month. In this connection I should like to assure you that, on the assumption of full Chinese cooperation which I confidently expect, this Government is fully prepared to bear all costs of its own war effort in China including housing and subsistence of troops as well as construction.

COPY

## APPENDIX NO. 2

SUGGESTED MESSAGE FROM THE PRESIDENT  
TO GENERALISSIMO CHIANG KAI-SHEK.

I have carefully studied your recent message transmitted through Ambassador Gauss, and I fully recognize the extent to which China's resolute war stand has rendered her economic situation acute. I am fully mindful of the importance of taking every practical cooperative step to make possible the most active prosecution of the war as well as to make possible an orderly development of industry and trade after the war.

I think it important that you should understand our special problems over here. I cannot escape the feeling that because of the distance between us there may be danger that we may fail adequately to work out our common problems and may rush into decisions which would not be in the interests of either of our peoples.

I think that your suggestion transmitted to me by Madame Chiang that Dr. Kung be sent to Washington is a good one. If he were here the various financial and economic problems involved in the situation could be fully discussed to the mutual advantage of both countries.

- 2 -

Meanwhile, I should like to make this specific suggestion: Just before receiving your message I had approved instructions to General Stilwell and to Ambassador Gause to take up urgently with your Government the question of our military expenditures in China. I should like to suggest that an arrangement such as General Stilwell and Ambassador Gause are authorized to propose be adopted tentatively on the understanding that our Army expenditures in China during the next few months can be expected to be somewhere in the neighborhood of twenty-five million U. S. dollars each month.

Recognizing the validity of your claim that your Government is not in a position to bear the financial burden of contributing to the maintenance of American troops in China, this Government is fully prepared to bear all costs of its war effort in China including housing as well as construction under the general arrangements that will be suggested by General Stilwell and the Ambassador.



## THE UNDER SECRETARY OF THE TREASURY

WASHINGTON

January 20, 1944

MEMORANDUM FOR THE FILES

With further reference to the cable drafted by State, Treasury and War for the President to send to Generalissimo Chiang Kai-shek, Mr. Collado called me at 5:45 p.m. to say that the State Department had agreed to the draft of the cable as they had taken it from here. They would prefer to leave in the words in the second sentence of the first paragraph "as well as to make possible an orderly development of industry and trade after the war." He said, "I suppose we all appreciate that this doesn't solve the problem." I said that I was certain that the Treasury representatives were aware of that and if we got a turn-down on Kung's coming, that it might be a little more difficult to recede from our position but I thought that we had to take that chance.

I immediately sent the cable to Miss Tully and called her on the telephone to say that it was coming and asked her if she could get it approved this evening. She called me back at 6:15 and said the President had read it, had commented that it was a much better cable than the one that was proposed yesterday, and he had approved it. She attached a little note to the State Department that the President would appreciate its prompt despatch.

I advised Collado and General Clay that the President had approved the cable and asked for its immediate despatch. General Clay was to send a cable to General Stilwell.

*sub B*



RCC

PLAIN

Chungking

Dated January 21, 1944

Rec'd 1:48 p.m.

Secretary of State

Washington

1135, Twenty-first.

Following is text of press announcement issued  
January 20:

Dr. H. H. Kung, Vice President of the Executive Yuan and concurrently Minister of Finance, announced today that the government had revised the arrangements under which an exchange supplement is granted on the transfer of certain funds from abroad. This action, which does not affect in any way the existing official rates of exchange, has been taken in response to many applications received and to meet the needs of those concerned.

In the case of contributions for relief, mission, medical, educational, cultural and other philanthropic purposes and exchange supplement of one hundred percent will be granted. Formerly a supplement of one hundred percent was granted only for famine relief contributions, and the supplement was fifty percent for the other transfers to which it applied.

An exchange

-2-#1135, Twenty-first, from Chungking.

An exchange supplement of one hundred percent also will be granted on application on the transfer from abroad for necessary personal requirements of funds. (1) for the diplomatic, consular, military and other official personnel of friendly powers; (2) for nationals of friendly powers engaged in educational mission, press and other work in China; and (3) for remittance by overseas Chinese for support of their families in China.

This supplement will apply to all such transfers received in China on and after January 20, 1944. The supplement is paid from a special fund deposited with the Central Bank of China for the purpose.

G.USS

WSB



25

January 20, 1944.

My dear Mr. Davis:

Your letter of January 18 has been received in the Secretary's office during his absence from the city. I shall be very glad to bring it to his attention as soon as he returns, and I know he will much appreciate what you said about the various War Loan Drives, and will be most interested in seeing the excerpts from one of the Official Japanese Broadcasts.

Sincerely yours,

**(Signed) H. S. Klotz****H. S. Klotz,  
Private Secretary.**

Honorable Elmer Davis,  
Director, Office of War Information,  
Washington, D. C.

GEF/dbs

OFFICE OF WAR INFORMATION  
WASHINGTON

284

January 18, 1944

*Accepted  
not file*

The Honorable  
The Secretary of the Treasury

Dear Henry:

We expect some startling achievement from you in every War Loan drive but I think this one is the best yet. When the 5th Loan comes up I suppose you will have Hirohito on the air for it.

Cordially,

*Elmer Davis*

Elmer Davis

P. S. I do not think it would be wise to publish this. It is a good story but it is of course a Japanese propaganda broadcast and the point about war bonds may have been inserted to make it sound more natural.

- FA 1 -

## OFFICIAL JAPANESE BROADCASTS

## NORTH AMERICAN AFFAIRS

JAPS' PRISONER SAYS 'BUY U.S. BONDS'

Tokyo, broadcasting "American war prisoners' information" in English to North America, transmits the following message by transcription: "This is Capt. Harold E. Dalness, U.S. Army, broadcasting from prisoner-of-war camp Zentsuji, Shikoku, Japan, to my wife, Mrs. Harold E. Dalness, Box 274, Billings, Mont. Hello, Helen, My Darling: I am so anxious to let you know that I am in good health and that everything is okay with me. How are all the folks, Mother Blanche, Carol, Mom and Dad? Please give them all my love and tell them to keep smiling."

Invest in Bonds--"Please send lots of snapshots of you and all the rest. I hope my allotments are coming through okay. Any surplus funds that you do not need please invest in Government Bonds."

Last Christmas--"Please notify Rebecca that Casey is here and in good health. Also notify Nona that Wally is all right. As far as I know Bob Roberts is still in the Philippines. Please notify Mrs. Sam A. Erickson of Mankato, Minnesota, that her son is here and well. Well, another Christmas is about here. That makes three we have been separated. I hope and pray that this will be the last. Well, I guess I'd best sign off now and say merry Christmas to you and all the folks. My gift to you will be, as always, my everlasting love. 'Bye now, Swede. This is Capt. Harold E. Dalness, U.S. Army, broadcasting from prisoner-of-war camp. Zentsuji, Shikoku, Japan." (Tokyo, in English to Western North America, Jan. 17, 11:00 a.m. EWT)

0

Date February 2, 1944 19

To: Secretary Morgenthau

From: Mr. White

*Information*

The Treasury representatives in Algiers have submitted an excerpt from the debates of the Consultative Assembly in Algiers in which Communist delegates criticize strongly the failure of the French Comite to take effective action in dealing with the financial collaborationists. The Communists claim that allowing the collaborationists to maintain the control of industries and even to hold important government posts has enabled the collaborationists to sabotage for their personal profit the war effort in the territories under the Comite's jurisdiction. During their criticism of the failure of the Comite to take strong measures, the Communist delegates pointed out that the managers of the State Bank of Morocco received only two months in jail as a penalty for deliberate collaboration with the enemy.

The Communists propose that all property belonging to persons and firms associated with the Goering trust and the Comite des Forges be confiscated and that the founders of these firms be arrested for treason.

ALLIED FORCE HEADQUARTERS  
Civil Affairs Office

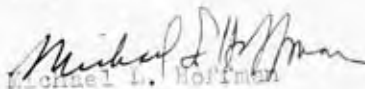
287v

January 21, 1944

Dear Dr. White:

The Department may be interested in the enclosed excerpt from the report of the debates of the Consultative Assembly. This interchange of comment between the Communist delegate, M. Warty, and M. Siethelm, Commissioner of Production and Industry, took place during the discussions on a proposed budget for the Commissariat of Production and Industry for 1944. The charge made by M. Warty is that the Commissariat has failed to organize on a war basis the production facilities of the territories under the jurisdiction of the Comite. He offers as one of the reasons for this failure the fact that persons with collaborationist sentiments have been allowed to maintain their control of industry and, in some cases, have even found their way into important government posts where they are now in a position to sabotage the war effort.

Very truly yours,

  
Michael L. Hoffman  
Acting Chief,  
Finance and Control  
Division, U.S.A.C.

Enclosure

Dr. Harry D. White,  
Assistant to the Secretary,  
Treasury Department,  
Washington, D. C.

Translation of excerpt from the report of the debates of the Consultative Assembly published in the Official Journal of the French Republic, Issue No. 3 of 8 January 1944 - 1st session of Wednesday, 5 January 1944

J. Marty: In Russia factories which have been removed from the line of fire, the Staline factory at Moscow, for example, have doubled or tripled their output.

That's how they have profited from the relocation program to stabilize their production.

But here, it has been impossible to get the factories to increase their output in the national interest. I will give you an example which will help you to understand the reason for this: There is a dockyard at Algiers. It has just been revealed that the manager of this enterprise made false declarations about the availability of personnel. He has been arrested. But what sentence will he get?

J. Fourtalet: Two months in jail, as in the case of the managers of the S.S.M.

J. Marty: Another example: A man hires 20 dockworkers, but registers 30 on the payroll. His enterprise pockets the difference. He is looking for profits instead of thinking about the well being of the country. Can any one be astonished to learn that the directors of this concern are foreigners?

But, on the other hand, what do we see if we examine the composition of the Boards of our great North African enterprises? M. Peyerhimoff on the Board of Directors of Phosphates de Constantine and the Societe Schiaffino. Has it not already been said that the Governor General of Algeria has no easy task in a country where there are such powers as the Phosphates du Kouif?

In July 1942, a metallurgical company was created in Algeria by the Goering group. A great many of the industrialists of this country hurried to get into this trust. The same people today are still at the head of important enterprises in this country. It was right to arrest Fucheu, Peyreton. But behind these men, there are those great coalitions of interests, which were denounced by General de Gaulle in his speech last July.

*Enc to Ld 1-21-44 from Hoffman.*

- 2 -

We also read in the newspapers a proclamation by patriotic engineers and technicians. They requested that weapons and material no longer be furnished by ~~the~~ French industry to the enemy. But what! have I to ask the question: Are weapons and material being furnished to the enemy?

Is it true that a Counsellor on Foreign Trade, a member of the PPF, came here and is in a position where he is able to help crack the blockade - that blockade for which so many of our soldiers and sailors are giving their lives.

For Vichy could not have any foreign trade. The Director who dealt with foreign trade had only one duty: Break the blockade. This former director is at present Counsellor on Foreign Trade at Algiers.

L. Diethelm: That is wrong.

M. Marty: What is M. Leroy-Beaulieu doing? Isn't he in North Africa?

L. Diethelm: He doesn't belong to my Commissariat, and I have never intended to make use of him. He is not in North Africa.

M. Marty: I think that the "Surete" should concern itself with this gentleman. They would learn very interesting things. I was giving names a little while ago. These names are also found in the New York Times, a newspaper well known for its moderation. Here is what it writes:

"A report from London indicates that the big French industrialists, who never stopped supporting Vichy, are trying now to get closer to the Allies in order to take over the direction of the Resistance movements."

This report cites names: Peyerhimoff, de Wendel, Schneider, in short the whole Comite des Forges. All these men, considered as traitors by the patriots, have failed in their attempts.

Illegal newspapers in France have denounced these traitors. Here is what one of them writes:

"These elements of discord, de Wendel, Peyerhimoff, Schneider, the whole Comite des Forges and the other bad Frenchmen who, after having betrayed France out of hatred for the people and democracy, delivered up French industry

to the Germans, delivered up the workers who sabotaged enemy production, and made scandalous profits in dealing with the enemy."

So long as you do not cut the North African tentacles of the Comite des Forges, you will not be able to organize, as it should be, the war production of this country. Therefore, we are proposing that the Assembly request of the French Committee of National Liberation:

- (1) the immediate confiscation of all goods belonging to the traitors;
- (2) the employment of these goods in the service of the war effort;
- (3) the confiscation of the goods of all the founders of all these companies associated with the Goering trust.
- (4) the arrest for treason of the founders of these companies....



CORREO AEREO

SECRETARIA DE HACIENDA Y CREDITO PUBLICO

Guatemala, C.A.

No. 0442

January 21, 1944.

The Honorable  
Henry Morgenthau Jr.,  
Secretary of the Treasury,  
Washington 25, D.C., U.S.A.

Sir:

I am very grateful for your letter of November 22, 1943, together with a preliminary draft of a tentative proposal for a United Nations Bank for Reconstruction and Development, which proposal is now being translated into Spanish.

You may rest assured that this tentative proposal for a United Nations Bank will be studied with great interest, both by myself and the technical assistants attached to my Ministry. When this study is completed, I shall be happy to advise you of such comments and suggestions as seem worthy of transmittal.

Sincerely yours,

/s/ J. GONZALEZ CAMPO

J. Gonzalez Campo  
Secretary of the Treasury.

copy  
grs 1/26/44

TRANSLATION

MINISTRY OF PUBLIC FINANCE  
Montevideo, Uruguay

Montevideo, January 11, 1944.

Secretary of the Treasury,  
Mr. Henry Morgenthau, Jr.,  
Washington.

Mr. Secretary:

I am pleased to acknowledge receipt of your letter of the 22nd of November, in which you refer to earlier correspondence received by this Ministry in due course, with respect to the Plan for an International Stabilization Fund. With your letter you enclose the Project to Establish a Bank of the United Nations for Reconstruction and Development, prepared by technical experts of the Treasury and reflecting not the official points of view of the United States Government but only those of its technical advisers.

It is particularly gratifying to me to indicate to you the satisfaction with which this Ministry has received this new project, which complements and fulfills the future International Stabilization Fund, and which adds this highly important undertaking to the series of proposals with which the United and Associated Nations seek to formulate their future policy for transition and the post war period.

In the near future, and just as soon as the advisory agencies of this Ministry have provided them, I shall take occasion to communicate to you their comments and pertinent suggestions.

I acknowledge the receipt of the clarifying and complementary material and I shall bear in mind your kind suggestion that any of the Uruguayan experts who may be in Washington discuss the project with the advisers of your Government.

I take advantage of this opportunity to greet you with my kindest regards.

(Signed)

(Signature illegible)

CCC:NTH:imc 1/26/44

The Royal Norwegian Government

233

The Minister of Finance

January 20, 1944

Excellency,

With your Excellency's letter of the 22nd November 1943 which reached me a few days ago, I have received the preliminary draft of a tentative proposal for a United Nations Bank for Reconstruction and Development, which has been prepared by the technical staff of the United States Treasury in consultation with the technical staffs of other departments of your Government.

I look forward to studying this tentative proposal and discussing it with my Government colleagues and our technical experts, to whom I have submitted the proposal for their study. I shall be glad to make available to you as soon as possible any comments and suggestions which we might wish to make.

I wish to express my appreciation of the initiative taken by you for the provision of long-term international credits for reconstruction and development. I sincerely hope that it will prove possible to reach satisfactory international agreements in this field, which is of primary importance to post-war economic and social reconstruction.

Sincerely yours,  
PAUL HARTMANN

His Excellency, H. Morgenthau Jr.,  
Secretary of the Treasury,  
Washington, D.C.

Copy:efc  
3-15-44

COPY: DCRI:AGH

RF

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

AMERICAN LEGATION

BERN

199

January 20, 1944

294

Soon

Department has received comments of British Government on proposed communication set forth in Department's 3159, December 17. Certain modifications have been proposed and agreed to by Department and FEA and revised text is as follows, a paraphrase of which could be prepared for submission in form of a note to Swiss Foreign Office:

"The American and British Governments are aware of and greatly appreciate the generous option extended by the Swiss Government to the large number of refugees who have made their way to Switzerland. The time is anticipated when these refugees may be repatriated, and the British and United States Governments will cooperate in every way toward the achievement of that end. The two governments are conscious of the burden upon Swiss resources which has resulted from the care of such refugees, and will be glad to give sympathetic consideration to such proposals as the Swiss Government may wish to make toward easing the burden which such care has placed upon the economy of Switzerland. The Swiss Government may be assured that the Governments of the United Kingdom and of the United States will give us favorable consideration as may be permitted by the circumstances to requests for the purchase and extraordinary import through the blockade of additional supplies of food stuffs and textiles to relieve the burden placed on Swiss resources as a consequence of assistance extended to refugees. Reference is made in this connection to telegram 2537 of October 15, from the Department of State to the American Legation at Bern, in which mention was made of the sympathetic attitude in the United States on the part of various relief organizations and their desire to be of assistance.

"The American and British Governments suggest that opportunity may be taken of the Swiss Economic Delegation's visit to London to discuss with representatives of the two governments any further questions in connection with the refugee problem which the Swiss Government may wish to raise."

Department has suggested to British Government that since note as revised speaks for both governments, the British Minister might be instructed to inform Swiss Foreign Office that he supports our note rather than submitting an identical note in behalf of his government.

Note should not (repeat not) be presented until British Minister, after having received instructions from his government, shall have discussed matter with Legation.

HULL  
(AAB)

448/388

INDEX:HH 1/11/44 Eu EH VD A-L/B (Cleared with Mr. Kiacr, FEA 1/10/44)

copy  
-44

NOT TO BE RE-TRANSMITTEDCOPY NO 12U.S. SECRET  
BRITISH MOST SECRETOPTEL No. 23

Information received up to 10 A.M. 20th January, 1944.

1. NAVAL

Early this morning DOVER long range coastal batteries sank blockade runner MUNSTERLAND 6,400 tons proceeding Eastwards in Strait of DOVER.

2. MILITARY

Italy To noon 19th. 8th Army. As a result of counter attacks Canadian troops made a slight withdrawal yesterday in the Coastal Sector. 5th. Army. On 17th/18th British forces attacked across the GARIGLIANO. Stubborn resistance was met on the left flank where enemy has twice counter-attacked with tanks. Our troops have reached CASTELFORTE and MIRTURNO and have captured MONTI ARGENTO near the Southern Coast.

3. AIR OPERATIONS

Italy 17th. 238 escorted heavy and medium bombers attacked Railway communications in Northern and Central Italy dropping 492 tons.

18th. 154 escorted Fortressers attacked railway centres and airfields near FLORENCE dropping 406 tons with good results. 49 escorted Liberators (one missing) bombed PISA Railway Centre while 140 medium bombers successfully attacked communications in Central Italy.

OFFICE  
SECRETARY OF THE  
TREASURY

944 JAN 21 PM 244

TREASURY DEPARTMENT



## THE UNDER SECRETARY OF THE TREASURY

WASHINGTON

January 21, 1944.

REPORT ON CABINET MEETING

The President opened the Cabinet Meeting by stating that he had had a letter from Congressman Sabath, Chairman of the House Rules Committee, enclosing a copy of the Kefauver bill which, if enacted, would permit Members of the Cabinet and heads of independent establishments to appear in person before the Congress to answer questions proposed by its members. Mr. Sabath said he had been asked to hold hearings on this bill and before doing so he would like to have the President's views on it. The President asked for the views of some of the people at the Cabinet table.

Jimmie Byrnes and Fred Vinson thought that it was all wrong to allow the Cabinet Members to appear before Congress and undertake to answer questions unless the questions were very limited in scope and that they were limited strictly to written questions previously presented and that a time limit be fixed for the reply. They pointed out that a question could be asked where a Cabinet Member, in order to make proper reply, might have to prepare voluminous documents.

Ickes and Biddle and John Blandford all thought it was a good thing. Cabinet Members have to appear before Congressional Committees and present their views; many times it would be desirable to present their views to the whole body rather than just a few members. While every member did not express his views, I think it was generally felt that it was not a good thing, although it might be desirable if some control such as England has over the members of its Parliament could be made effective here.

The President said he wondered if it would be a good thing for him to get the Rules Committee down and discuss it with them. Jimmie Byrnes said the present Rules Committee is antagonistic and he doesn't feel



- 2 -

we would get what we wanted out of that Committee. He suggested the President confer with Speaker Rayburn, John McCormick and possibly the Chairman of the Rules Committee and find out how much sentiment there is in the House for such a change in procedure. The President said he thought that was a good suggestion and he would follow that line.

Mr. Hull had nothing to report.

I reported on the Drive figures and also advised the President about the refunding operations contemplated beginning next Monday for exchanging the certificates maturing on February 1st for a 13-month note maturing on March 1, 1945. I also got him to approve the issuance of the notes, as required by law.

Mr. McCloy had nothing.

Mr. Biddle reported on the Hopkins letter, stating that Mr. Ickes had been very cooperative and he could advise the President that his Cabinet Officer was not in any way involved; probably tomorrow they would indict Mr. Briggs, as the evidence clearly shows that he is responsible for the whole Hopkins matter. It was plain forgery and he probably got a few hundred dollars out of it. He thought the whole thing was rather a "tempest in a teapot," but he thought it would be taken care of in the next few weeks.

Mr. Biddle also told the President that there would be some publicity on the indictment of the Chase National Bank and that the President would probably get some letters about it. The President said he had noticed this in the paper. Mr. Biddle said that the bank had paid out the money from the account of a man named Smith, who was a blocked foreigner and charged him seven per cent because it was hot money. He indicated that the bank must have thought there was something wrong or they would not have charged that rate of interest. Mr. Biddle told me on the side that he was going to slap the Chase National people this afternoon in the press; there wasn't any excuse, in his opinion, for the statement by Aldrich. I told him I didn't know much about the facts of the case, but I questioned

- 3 -

whether this is a good time to be rapping the banks. I was certain that he was not only affecting the relationship of the Chase National Bank with the Treasury, but also all other banks in the country. I also asked him why it was necessary to indict the bank rather than the particular officers who handled the case. He said he knew some of the banks were quite sore about it and he had gotten rather a nasty letter from Parkinson of the Equitable Life Assurance Company and that he and Randolph Paul were cooperating on a proposed reply. He said they had to indict the bank because they did not know exactly what official of the bank was responsible for the transaction; they thought if they indicted the bank this would come out later as to just who was responsible for the matter.

Biddle then talked about some sedition case that he was prosecuting. The President asked what had become of the Lazard Freres case; he thought Secretary Morgenthau knew about it. Mr. Biddle thought possibly it was the same case about which he had spoken. I was not familiar with the case. The President also asked what was happening in the distillers case. Biddle said it was coming along and he thought in due course there would be a larger supply of liquor on the market.

Mr. Walker had nothing.

Mr. Bard, in answer to the President's question, discussed the landing craft program.

Mr. Ickes had nothing.

Mr. Wickard discussed the REA investigation on the Hill. He said it had been going on for some time and the whole investigation had been largely conducted by the General Counsel of the Committee. They had originally had \$2,500 to pay expenses; that had been spent without any results. He was now asking for \$15,000 more. He did not know whether the Committee was going to give it to them or not.

Mr. Taylor had nothing.



- 4 -

Miss Perkins reported on the strike situation. She said that during the past year there had been about 3,700 strikes excluding the coal mine strike, of which about 1,300 were so inconsequential that they were not reported to any Government agency for action. These strikes involved about 1-1/2 million workers, about 5-1/2 percent of the total and represented about 5 million man-days lost. She said the coal strike involved about 400,000 men and involved 8-1/2 million man-days lost. She said this was a very good record; it was really about the same as 1942 and much better than some previous years. She did say that in the last few months strikes had shown a definite tendency to increase.

The President then said he had a case where a lady out in Kansas was striking against Danny Bell. He said she owned a little factory and refused to pay her income taxes and advised a strike of all income taxpayers. The President wanted to know what we were doing about it. I told him I thought he had the wrong section of the country, as this lady was from Connecticut, and was formerly a candidate for Congress against Claire Luce. I told him she apparently owed about \$9,000 personal income tax last December based on her tentative return filed last September. She did not pay the instalment due, but there is no legal action that the Treasury can take because the law refers to her final return which will not be filed until March 15. I said that if she does not file a return on March 15 or if she files a return and does not make payment, we will then have a basis for legal action against her. I said we had also found that the corporation which she and her husband own owed a total of \$107.00 in taxes last December which amount was not paid; that we were sending a letter to the corporation demanding payment and if the amount was not paid we would enter suit against it. I also said in view of the publicity she had received which had called her case to our attention and was justification for our sending an agent in to examine her private as well as corporate books, that was being done, and in this connection she was being treated just like any other taxpayer of the country.

General Fleming said there was recently a meeting in Chicago, I did not get the name of the organization but I think it either had some reference to state

- 5 -

governments or local governments, because he said the whole tenor of the program was to have another PWA program after this War is over to which the Government would make substantial contributions. The President said yes, he appreciated that was in the air, as his county failed to get under the wire for a grant to build a school house from the Government during the last emergency and they still wanted the Federal Government to contribute for that purpose.

Crowley, Byrnes, Blendford and Vinson had nothing.

*DeWB*

NOT TO BE RE-TRANSMITTEDCOPY NO 12U.S. SECRET  
BRITISH MOST SECRETOffice No. 24

Information received up to 10 A.M. 21st January, 1944.

1. NAVAL

Last night two enemy vessels, probably Destroyers, passed through Straits of DOVER at high speed. Our coastal forces and shore batteries failed to obtain contact or hits.

Mediterranean One of H.M. Cruisers and one destroyer on 18th bombarded TERRACINA area in support of land operations. The Cruiser sustained slight damage. During 18th/19th destroyers shelled VELA LUKA Harbour in KORCULA ISLAND.

2. MILITARY

Italy 5th Army: British forces in coastal area are meeting strong resistance near CASTELPORCILE but local counter attacks have been successfully repulsed.

Dalmatia Germans now completely occupy ISLAND OF DUBROVNIK.

3. AIR OPERATIONS

Western Front 20th. Bombers attacked shipping off BOMBAY. A 5,500 ton ship was heavily hit and left on fire. A 2,000 ton ship was torpedoed. A 2,000 ton ship was possibly torpedoed and 2 escort vessels were hit with cannon fire.

20th/21st. 356 aircraft despatched. B-24 769 (3 corrupt group) missing. B-24 5, B-24 19, Sea-mining 3, Leaflets 25, Intruders 5, Anti-shiping 9 (one possible destroyer and two rafts damaged, 1 Albacore missing). B-24s was hidden by cloud but flares were well grouped, gradually spreading, on a west to east line. Observation of results not possible but largest concentration believed in centre of city.

Italy 18th. Mitchells attacked shipping off the North West and North East coast. 3 ships were hit and others were probably damaged.

On 18th/19th Wellingtons dropped 66 tons on the railway centre at FOSCARINA near FLORENCE; two Wellingtons missing.

On 19th 371 escorted heavy and medium bombers (1 missing) dropped 60 tons on airfields near ROMA, while 167 light and fighter bombers attacked railway centres behind the battle area.

4. HOME SECURITY

20th. DSAL. A enemy shell fell in the town, killing 14 people.

TREASURY DEPARTMENT

Regraded Unclassified

JAN 24 AM 10 09

**THE WHITE HOUSE  
WASHINGTON**

January 21, 1944.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY:

I am returning herewith the list of proposed members for the Annual Assay Commission. It is O.K. but I would like you to add to the list the following names:

Mr. Matthew T. Murray, N.Y.C.  
(Banker with Guaranty Trust)

Mr. Ray A. Van Clies, Wash. D.C.

F.D.R.

Memo received from White House sent to Mrs. Ross.

JAN 14 1944

Dear Mr. President:

The Annual Assay Commission, provided for under Section 3547 of the Revised Statutes, will meet at the Mint at Philadelphia, February 9th, 1944. The duty of the Commission is to test the weight and fineness of the coins reserved by the several Mints during the preceding calendar year, in order to secure due conformity in the coins to their respective standards of weight and fineness. The members of this Commission are named by Presidential appointment.

The law provides that the Commission shall consist of the Judge of the District Court for the Eastern District of Pennsylvania, the Comptroller of the Currency, the Assayer of the United States Assay Office at New York, and such other persons as the President shall designate.

No compensation is provided for the members of the Commission, but their actual and necessary expenses from home to Philadelphia and return, by the most direct route, and while in attendance at the sessions of the Commission, are reimbursed.

Attached herewith is a list of names of men and women respectfully suggested for appointment as members of this Commission.

Faithfully yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The President,  
The White House.

Approved:

NTR/eb-1/11/44

NAME

SUBMITTED BY

Dr. Benjamin Salzer,  
1010 Fifth Avenue,  
New York, New York.

Hon. Sel Bloom of New York.  
Dr. Salzer is a well-known  
New York physician.

Mr. C. E. Bell,  
Passenger Traffic Manager,  
Seaboard Railway Company,  
Norfolk, Virginia.

Hon. Ambrose O'Connell,  
Democratic National Committee.  
Mr. Bell is a strong Admini-  
stration supporter.

Mr. Arthur T. Pienkowsky,  
2923 Tilden Street, N. W.,  
Washington, D. C.  
(Recently retired as Chief of  
the Pass Section, Division of  
Weights and Measures, Bureau  
of Standards.)

Dr. Lyman J. Briggs, Director,  
National Bureau of Standards.  
The services of a member from  
the Bureau of Standards are  
valuable in connection with  
weighing tests.

Miss Grace Nixon,  
Phillipsburg, New Jersey.

Hon. Mary T. Norton of New Jersey.  
Miss Nixon is former Postmaster  
of Phillipsburg, New Jersey.

Mrs. Andrew L. Somers,  
1328 President Street,  
New York, New York.

Hon. Andrew L. Somers, Chairman,  
Committee on Coinage, Weights and  
Measures, House of Representatives.  
Mrs. Somers is the wife of  
Representative Somers.

Dr. E. Ellwood Amos,  
Associate Professor of Finance,  
University of Pittsburgh,  
Pittsburgh, Pennsylvania.

The Director of the Mint.  
Dr. Amos was the foremost  
sponsor of the Treasury drive  
for release of hoarded pennies.

Mr. Fred R. Mann,  
51st and Grays Avenue,  
Philadelphia, Pennsylvania.

Hon. Joseph Guffey of Pennsylvania.  
Mr. Mann is a leader in business  
circles in Philadelphia and  
Administration supporter.

NAME

SUBMITTED BY

Mrs. Hale Shenefield,  
1136 Newark Street, N. W.,  
Washington, D. C.

Women's Division,  
Democratic National Committee.

Mrs. Shenefield is Vice President  
of the Women's National Democratic  
Club and instructor at American  
University. She is a citizen of  
Ohio, living in Washington.

\*Mr. Ted E. Hesser,  
Librarian-Curator,  
American Numismatic Association,  
Burlington, Iowa.

Hon. Thomas E. Martin of Iowa.

It is requested that approval of  
Mr. Hesser's name be withheld. The  
limitation of the appropriation pre-  
cludes inclusion of anyone from  
such a distant point.

\*Mr. Grube E. Cornish,  
Superintendent,  
State School for Boys,  
South Portland, Maine.

Hon. Ralph G. Brewster of Maine.

It is requested that approval of  
Mr. Cornish's name be withheld. The  
limitation of the appropriation pre-  
cludes inclusion of anyone from  
such a distant point.

\*This name is mentioned merely for the President's information.  
Inasmuch as only \$500 is appropriated to defray all costs of the  
meeting the members must come from States not far from Philadelphia.

In the event some from the foregoing list decline, the following are submitted as alternates:

<u>NAME</u>	<u>SUBMITTED BY</u>
Mr. Matthew T. Murray, New York City.	Hon. Ambrose O'Connell, Democratic National Committee. Mr. Murray is a banker and Administration supporter.
Mrs. Brewer L. Stouffer, 34 North Avenue, Hagerstown, Maryland.	Women's Division, Democratic National Committee. Mrs. Stouffer is a woman coun- sailer in the Fairchild Aircraft Corp. at Hagerstown, is president of two State Democratic Clubs and a diligent worker.
Mr. Morton Schwartz, 983 Park Avenue, New York, New York.	Hon. Sol Bloom of New York. Mr. Schwartz is a prominent business man of New York, now retired.
Mr. Ray A. van Clief, Westchester Apartments, Washington, D. C.	Hon. Ambrose O'Connell, Democratic National Committee. Mr. van Clief is a former prominent business man of New York and strong Administration supporter.
Mr. William F. Leahy, 821 - 15th Street, Washington, D. C.	Mr. Timothy J. Wirtz, Assayer, Bureau of the Mint. Mr. Leahy is head of the D. C. Selective Service and President of Columbus University.
Mrs. Norman Mack, 1152 58th Building, Buffalo, New York.	Women's Division, Democratic National Committee. Mrs. Mack is the widow of a former National Committeeman from the State of New York.
Miss Sadie Gray, Prince Frederick, Maryland.	The Director of the Mint. Miss Gray is a leader in political circles of Southern Maryland.



EX-OFFICIO MEMBERS

Hon. William H. Kirkpatrick,  
Judge of the District Court,  
Eastern District of Pennsylvania,  
Philadelphia, Pennsylvania.

Hon. Preston Delano,  
Comptroller of the Currency,  
Treasury Department,  
Washington, D. C.

Mr. Joseph Buford,  
Assayer,  
United States Assay Office,  
New York, New York.

308

TREASURY DEPARTMENT  
INTER OFFICE COMMUNICATION

DATE January 21, 1944

TO: Miss Chauncey

FROM: Mr. Gamble

I think the Secretary should see this.

TRG

309

CLASS OF SERVICE

This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable symbol above or preceding the address.

# WESTERN UNION

1201

A. N. WILLIAMS  
PRESIDENT

SYMBOLS	
DL	Day Letter
NL	Night Letter
LC	Deferred Cable
NLT	Cable Night Letter
	Ship Radiogram

Allow time shown in the date line on telegrams and cablegrams to give STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination

PRA259 NL=PORTLAND ORG 13

HENRY MORGENTHAU JR=

N

SECRETARY OF THE TREASURY WASHDC=

1944 JAN 19 AM

ACCEPT MY DEEP APPRECIATION FOR YOUR ESTEEMED SUMMONS BUT  
 ACTING UNDER DOCTOR'S ORDER FOLLOWING RE-EXAMINATION  
 AM NOT PERMITTED TO TRAVEL FOR THIRTY DAYS OR MORE PLEASE  
 BE ASSURED IF CIRCUMSTANCES WERE OTHERWISE I SHOULD HAVE BEEN  
 GRATIFIED TO BE OF SERVICE KINDEST PERSONAL REGARDS=

AARON M FRANK.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

MISS CHAUNCEY - Room 285

---

The attached letter, dated January 21, 1944, will be signed by the Secretary upon his return next week.

At Under Secretary Bell's request, an advance copy has been sent today to Mr. Borda of Senator Byrd's staff.

The letter of January 18th to Senator Byrd has been cancelled and is on file in Mr. Heffelfinger's office.

*ORS*

~~January 21, 1944.~~  
January 21, 1944.

MR. SCHOENEMAN

January 21, 1944

My dear Mr. Chairman:

Reference is made to the proposed additional report of the Joint Committee on Reduction of Nonessential Federal Expenditures with respect to penalty mail, which you forwarded with your letter of January 13, 1944 for comment, suggestions and approval.

There are undoubtedly some classes of penalty mail which could be curtailed or entirely eliminated without adversely affecting the Government's operations. With respect to mail of this character I am in accord with the Committee's views that some savings could be realized through the establishment of more effective controls.

However, I am not prepared at this time, without detailed analysis and study of all the factors involved, to agree with the recommendation that the penalty mail privileges of the departments and agencies of the Federal Government be abolished, as such, and that the Congress enact legislation which would provide that the departments and agencies reimburse the Post Office Department at regular postage rates or upon a cost ascertainment basis. It is conceivable that additional costs might be imposed which would far outweigh any economies that could be achieved by reduced mailings. It would seem, therefore, that before any far-reaching change of this character is effected, there should be a very thorough investigation made to determine whether such change would in fact result in economies to the Government as a whole, and for this reason I believe an opportunity should be accorded the several departments and agencies to submit their views on the proposal.

- 2 -

I will be glad if you will include these comments with the Committee report.

Very truly yours,

**(Signed) H. Morgenthau, Jr.**

Secretary of the Treasury.

Honorable Harry F. Byrd,  
Chairman, Committee on Reduction of  
Nonessential Federal Expenditures,  
Congress of the United States,  
Washington, D. C.

WTH:mlb/CRS:jmb 1/19/44



## TREASURY DEPARTMENT

WASHINGTON

Dear Mr. President:

On February 1, 1944, about \$2,211,000,000 of Treasury certificates of indebtedness will mature, and to provide for that maturity, I propose, subject to your approval, under authority of the Second Liberty Bond Act, as amended, to offer for subscription a series of 13-month Treasury notes to bear interest at the rate of 0.90 percent. This issue will be open only for the exchange of the maturing certificates and cash subscriptions will not be invited.

The authorizing act provides that notes may be issued only with the approval of the President. Accordingly, I trust that the proposed issue will meet with your approval. It is my intention to make public announcement of the offering on Monday, January 24.

Faithfully yours,

*W. W. Bill*  
Secretary of the Treasury.

The President,

The White House.

APPROVED:

*Franklin D. Roosevelt*

FOR DISENSE



## MEMORANDUM FOR THE SECRETARY.

January 21, 1944.

Mail Report

If the Fourth War Loan Drive held the center of the stage last week, it might be said to have taken over the entire stage during the past days. From every 100 letters, 98 dealt with this campaign. Some of these were solicited replies to appeals for support, but many were voluntary and pledged all possible aid. Telegrams reporting oversubscription of quotas began to come in early in the week and continued at intervals during its course. There were a number of wires from railroad officials giving assurance that their employees would be encouraged to invest retroactive pay in bonds. Among the many promotional ideas were two suggestions for the Fifth Drive.

The only detail of the present Drive that received concerted protest was the Treasury ruling that banks can invest in F and G Bonds 10% of the amount of their savings deposits but not of their time deposits. Inasmuch as time deposits are more common in the West than savings deposits, it was felt that the Treasury had discriminated against Western banks. There was also a considerable proportion of letters from individuals protesting Government extravagance as reported in various newspaper columns and radio broadcasts, but saying that even so, the writers would buy bonds.

In all, 51 bonds were submitted for redemption, a falling off in quantity, and none of these came from "hot spots" noted in previous abstracts. Complaints about delayed deliveries, or other bond transactions, were about the same as in previous weeks.

The radio broadcast of January 17 brought in approximately 50 letters up to Friday morning. The



- 2 -

Memorandum for the Secretary.

January 21, 1944.

majority were definitely favorable, but many of those who criticized the Treasury were very bitter over one thing or another. There were also a number of letters which simply mentioned it and went on to make suggestions or ask questions. Comments from one or two belated letters are included in the regular "Bonds Favorable" and "Bonds Unfavorable" pages.

In the small volume of mail not dealing with the campaign the question of simplification of taxes and of tax forms brought in the most frequent comment. An increased number of letters on tax problems reached this office through Members of Congress.

*G. E. Forbush*

Favorable Comments on Recent Broadcast

Anonymous - mailed in Chicago. Heard the radio program and was glad to note the history of Japan, also Germany's behavior, and in contrast, the America's peaceful and isolationist's attitude. I hope the Fourth War Loan Drive to back up the invasion will be over-subscribed to back up our boys fighting for U.S.

David Rosenberg, Brooklyn, N.Y. Your program for the War Bond Drive was indeed an excellent one. It makes up for so much of the vileness of the "Gimme Boys". It made one feel prouder he is an American.

E. C. Byers, Wm. Penn Senior High School, York, Pa. Please send me 20 copies of your January 17 broadcast, if available, for class instruction.

Russell G. Crook, South Lincoln, Mass. Having listened to your broadcast last evening with great interest (my blood fairly on fire with its great import) I am emboldened to write you offering my tiny contribution. When I was employed by the Government as a W.P.A. artist on the project in this state, I was able to buy a couple of small War Bonds. I have not been in the position to do so since. \* \* \* It is only to make this small suggestion. Enclosed is a snap of a small figurine done by me. The subject is "The Powder Girl". \* \* \* She was one Elizabeth Zane. During the siege of a Fort in 1782, near Wheeling, West Virginia, when the powder gave out, she volunteered to run to a neighboring house and try and get back with some. She made the run, got the powder, and the force held out against the Indians and English. \* \* \* She was a plucky lady and should not be forgotten. Do you think possibly a stamp or some form of commemorative medal might be

- 2 -

useful - based on this design of mine? \* \* \* I am 74 and lately suffered a fall and some broken ribs. Therefore I feel doubly desirous of helping in a small way. The figurine (12" high) is now in the Public Library of this town with the legend in print and its urgency to buy Bonds below.

Corporal Jules M. Lieberthal, Flight E Staging Project Detachment, Hunter Field, Georgia. \* \* \* Quite incidentally, I believe your talking last night with the background of music was the first time I have heard a high Government official speak with dramatic production. The effect was superb, and I certainly hope the critically sensitive people close to you realized and commented on the success of your presentation. Honestly, it was nice and inestimably stronger than a dry, ordinarily delivered talk. For you and for us all, I wish for prompt success in attaining our common goal.

Henry S. Johnson, Executive Manager, War Finance Committee of South Carolina, Columbia, S. C. I followed the opening radio program on the Fourth War Loan last night with a great deal of interest, and think that this is one of the best programs we have had to date. Mrs. Johnson and I were impressed with the very fine way in which you carried the program, and I want to take this opportunity of extending my personal congratulations.

Mrs. John F. Nelson, Morehead City Graded Schools, Morehead City, North Carolina. Will you please send me the dramatization, "Let's All Back the Attack", also anything similar in song or play? Will you please advise where I may obtain them if you do not have them? Our class, 7-1 grade, heard this over the radio and we want to give it for P.T.A. program. I might tell you we have given those we got from you last year. Also used your songs. They were very good and gave interest to our "School Bond Drive".

- 3 -

W. T. Gilbert, Captain, Civil Air Patrol, Commanding New Haven Squadron, New Haven, Conn. Congratulations on a swell job--the best radio program in years.

Miss Voncile Ivey, Repton, Ala. I listened to the broadcast on Monday night about the Fourth War Loan Drive and thoroughly enjoyed it. Several different parts included in the broadcast brought a very melancholy thought to our hearts, helped us to realize the things we haven't realized before. I can assure you that we, as thousands of other Americans are doing, are digging down deep and giving everything possible to the War effort to help Back the Attack. \* \* \* I would like very much for you to send me a copy of that broadcast, if possible. If that is possible for you to do, I give you my sincere thanks. I only wanted to ask but if that is impossible, it will be perfectly all right.

Joseph Wolf, Haines City, Florida. I have listened to your broadcast in your opening of the Fourth War Loan Drive. May I say that we are proud that your work for this beloved Country comes from a man of our faith. I have 4 children, 3 of them are Jimmie Joneses in the armed forces. One of them in the Southwest Pacific; one of them on the way somewhere; one of them, just 19, is in the Tank Destroyers in Texas. I sold the boys' Citrus Grove, 10 acres, and have paid the income tax, as per their instructions, which was about \$800.00. They also asked me to invest the balance in War Bonds. When they come back, with God's will, they should have something left. I therefore enclose herewith a check for \$2,250.00 for three \$1,000 Bonds. \* \* \* Wishing you a great success in this Drive, a great rapid Victory to our Nation.

Meyer Kaufman, (Fur Matching-Fur Skins), N.Y.C. I heard your stirring address last night and I, as a veteran of the last World War, can realize what enough

- 4 -

supplies means. It is a privilege and an honor for me to buy War Bonds now. Just after Pearl Harbor I bought all the War Bonds that I could spare and have been buying them continually. \* \* \* I am enclosing a check for \$750 for two \$500 Bonds to be made out according to the attached paper. I hope that this letter finds you in the best of health and may God give you strength to carry on your great and noble work. My sincere wishes to Mr. Roosevelt for his speedy and complete recovery from his illness.

S/Sgt. Early Maxwell, Post Headquarters, Fort Oglethorpe, Ga. Congratulations! I just listened to the hour devoted to the Fourth War Bond Drive and it really "Backed the Attack". It was very inspiring and I know it will mean a lot to the men over there who are risking, in many cases even giving their lives that this country may survive.

Mrs. Claude Main, Dodge City, Kansas. I should like to congratulate you on the effective radio program with which the Treasury introduced the new War Loan Drive. All the Treasury programs are effective, but this one was especially so. I should like you to know too that many of us from whom you don't hear are back of you one hundred percent.

James Harvey Spencer, St. Petersburg, Florida. In the Fourth Victory Loan program last night I especially liked some of the speeches and the religious part. \* \* \*

- 5 -

Unfavorable Comments on Recent Broadcast

"I. M. Weary" -- mailed from Youngstown, Ohio. It does you no good to hog the air waves. We merely went shopping when you wiped out our favorite programs. Tell Mr. Roosevelt that goes for him also. We never listen to him and we are getting plenty tired of missing the best programs on his account. It only arouses anger at his dictator methods. \* \* \* To come to the point, I hate him and you both, and long to see the last of your whole gang.

Mrs. Robert E. Bowker, Jr., Cranston, R.I. (Wife of a Merchant Seaman on a tanker.) I listened to the 4th War Loan program Monday night and as on all programs they say Soldiers, Sailors, Marines, and Coast Guard, but once in awhile someone remembers the Merchant Seamen. Like Jim Jones, I know a lot of men who wear no uniform, do a lot, fought their big battles before the real war broke out, and have quite a time now. But that's all right - they should be getting used to it now. \* \* \* It would sound nice, and look nice, once in awhile if they were mentioned occasionally. I am sure they would feel differently in their hearts if they were. It would give them more reason to know that they were mentioned to let people know that the men who just wear a pin are Merchant Seamen and not Draft Dodgers, like they have been called often.

A. L. Shongut, Real Estate Broker, Mohegan Lake, N.Y. Your radio program last night was splendid and undoubtedly it will be effective. The people at home will "Back the Attack" whether the amount required is fourteen billion or forty billion dollars -- they always do. But those of us who haven't the "gimmies", and we are in the very great majority, how do you think we feel about the Canol oil matter? It is our

- 6 -

War Bond money that is paying for this rotten steal, and what assurance have we that more of it won't go the same way? Most of us are not so naive as to think that tens and tens of billions of dollars can be spent "over night" without some crooks worming their way in for a part of it. But don't you think it is rubbing it in when the Commander-in-Chief not only continues in his good graces, but goes to the rescue of the General under whom this rotten deal was put over -- and who, in turn, rushes to the defense of the head culprit? \* \* \*

Arthur M. Lawson, R.F.D., Woodbury, Conn. The hour's radio program you put on last night cost the taxpayers a lot of bond cash - perhaps thousands of dollars. People are urged to "Buy Bonds", and the Government is wasting millions. The Canol oil project is only one example. The Americans are generous folk but they demand a square deal. All the Jim Joneses on return from overseas will very likely bring someone to account. \* \* \* About cashing in bonds - this practice is all too common. The Government should at once put a ban on cashing in bonds. Don't allow them to be cashed for at least the duration, except in cases of absolute need. \* \* \*

John M. Shea, Chicago, Ill. Just listened to the radio program of the Fourth War Loan Drive. I am just a clothing salesman for the past forty years, and as I see it, the salesmanship technique used in this program was not as good as I believe it could be. So I am suggesting a little of the technique that I think would do a better job of selling. \* \* \*

John P. Withington, N.Y.C. "The ugliest facts", last night I listened to you on the radio and to my mind it was the same old distressing bunk and hokum. I have two sons in service, one now home injured from Italy, and the other somewhere in the Pacific, who know only

too well what they are fighting for -- "to get it over with and get home". You mentioned the "gimme" boys, well you can rest assured that many of the soldiers on the other side hear about them, and know about them, their actions, their deeds, and the grip they have on the Administration from the labor politician to the Harvard bureaucrat with their New Deal philosophy. \* \* \* When our leaders, Senators, Congressmen, and others of high office, go along with these conditions, public opinion is aroused. Only a modicum of courage is needed for public men to utter these truths, and the day is coming when the Americans will wake up to what they have permitted their politicians to do to them, and their money, such as the Canol Oil Project, Hopkins recuperating in the Naval Hospital at \$4.00 per day, etc. (List of various expenditures as per newspaper reports.) And with it all, I buy bonds to get it over with.

Winfield M. Phelps, Los Angeles, Calif. I heard program but I am skeptical as to your voice on Columbia Broadcast. You say that you want every Veteran to have a job and a living wage. Well, I've never seen it since World War #1 -- not only because of myself. Corporations and other businesses say that why should we help a soldier. The little man is even doing a better job this War, as in the last War, because I can prove this; I am not the only one who served my Country faithfully during the last War. Because I am 5 feet 2 inches in height they say I am too small. If I were good enough to serve my beloved Country then, why am I not good enough for any line of business, as long as I am capable of handling same. But I can say this much -- after this War is over, the same thing will happen as it did after World War #1. \* \* \*



Jesse L. Day, Holdenville, Okla. Seated around my radio last night were several neighbors gathered for the specific purpose of listening to the War Bond Drive program. \* \* \* My radio is a good one, and all of us still retain that sense of hearing. \* \* \* We could only catch occasional glimpses of the program because of the weird, somber music that accompanied it. We especially wanted to hear what you said, and we were intensely interested in Pvt. Jimmy Jones, but the orchestra ruined the whole thing by "bearing down too heavy". We heard every word by Gen. "Ike" and Adm. Nimitz. The band men must have been standing at attention while they spoke. Very few words and little of the melody that good old Bing Crosby sang could be understood because of the enthusiastic pianist. \* \* \* Let me assure you this bit of criticism is definitely friendly and intended only to let you know that perhaps many millions of people listening in on that program may have also been denied full reception because of the music that accompanied it. \* \* \*

- 9 -

General Comments

Anonymous - mailed in Saint Albans, W. Va. Say Uncle, your \$10,000,000,000 International Bank proposal looks as if we are to be Santa Claus to the people of Europe after the War. The people who are under the Axis yoke and those of Italy expect that of the United States. Are we going to be made suckers? Our first duty after the War is to rehabilitate our own country and provide for the returned soldiers. We loaned billions during and after the last War, and got laughed at for it -- suckers that we are. Are we going to repeat? \* \* \*

J. G. Crowley, Quincy, Mass. I am enclosing two copies of one-half page advertisements which I have taken from the Boston Post - Thursday, January 13, 1944, and The Boston Daily Globe - Monday, January 17, 1944. I am not concerned at the moment with the controversy between Jack & Heintz, Inc., and the War Department Price Adjustment Board with reference to renegotiations. The cost of inserting these advertisements in the Boston papers must be very expensive, and if similar advertisements appear in other papers throughout the country, the cost must of necessity be tremendous. \* \* \* In my opinion the expenditure for this form of advertising is absolutely unnecessary and should not be allowed as an expense item in their operations. Please advise me if the Treasury Department contemplates allowing the cost of this type of advertising as an expense deduction before computing Federal taxes?

Congressman Milton H. West, (Texas) forwards the following letter he has received from George F. Walker, Brownsville, Texas: \* \* \* A Brownsville person who spent Christmas in Monterrey with relatives reports most intense dissatisfaction among the poorer people

- 10 -

and serious antagonism toward "gringos". While the city is full of American-built refrigerators, washing machines, etc. (which we can't buy here), sent to them by Lend-Lease, yet the poorer people are starving because tortillas have gone up from 1¢, Mexican, each to 5¢ each, and other things in proportion. They are reported in a most deplorable condition, and the United States is getting the blame, but I just can't understand the reason for that. Probably that should be looked into to see what is wrong, and whether we are in any manner to blame for it under our Good Neighbor policy toward their Government. In any event, Lend-Lease has caused nothing helpful in Mexico, from various reports.

- 11 -

Favorable Comments on Bonds

Dr. V. Boccella, Philadelphia, Pa. Enclosed in this letter there is a \$100 bond which I am sending to you with the wish that it will form a first nucleus (no matter how small) of so many other \$100 bonds offered to our beloved country by a countless number of our fellow citizens. Voluntary contributions of similar denomination, can very easily become popular. We remember how great and continuous are the sufferings and sacrifices of our boys in the War zones. Dear Mr. Secretary, I will ask your kind acceptance of this my modest offer, and your kind response to the liberty which I have taken in this undertaking.

Frank H. Pillsbury, N.Y.C. Your program on the air, for the sale of bonds this evening was interesting and inspiring, and I am all for it. \* \* \*

Samuel Greenbaum, Philadelphia, Pa. Your program last night was a lesson and an inspiration. May I make a suggestion of possible help with our Fourth War Loan Drive? Here it is: "It is now 9:00 p.m. Eastern War Loan Time." By asking the radio networks for their cooperation in thus announcing the time - simply by adding the word "Loan" to the word "War" they will be keeping the thought ever present in the listeners' mind. \* \* \*

Saginaw County War Finance Committee, Saginaw, Mich. (Telegram) Regretting keenly our loss of fifty-nine bombers in recent terrific air raid over Germany, the Saginaw County War Finance Committee and the people of Saginaw County, Michigan, in the spirit of patriotism which we all feel wish you, the armed forces, and Hitler's gang to know that during the Fourth War Loan Drive we shall endeavor to sell enough War Bonds to pay for the replacement of at

- 12 -

least thirty-five of those bombers. This is one way the folks back home will do our part to make up for losses which must be sustained in total war.

John T. Gerber, General Manager, Cranston Herald, Cranston, R.I. It occurs to us that you may be interested in some figures which we have just finished tabulating, regarding the War Bond advertising carried by the Cranston Herald during the year 1943, exclusive of readers news stories. A total of 4,064 column inches of War Bond advertising appeared in our paper during the past year, or within a small fraction of 52 pages -- practically a page a week. \* \* \* May we express our appreciation of the co-operation shown by your office in seeing that we have a sufficient number of mats on hand at all times. This has been of great help in showing our sponsors a variety of lay-outs from which to choose. An excellent start on War Bond advertising for the Fourth War Loan has been made for our first two issues of 1944, and we fully expect to equal, if not exceed, the lineage attained last year.

Mordche Paneth, N.Y.C. I Mordche Paneth, a Veteran from the Spanish-American War, respectfully request that a Victory Medal shall be given to me for my service I am rendering for my country. \* \* \* I am 72 years old, I sell Stamps on the 5th Ave. Bus, and on 42nd Street and 5th Ave. I am singing to them Good by Dollie I must live you and Break the News to Mother they al buy from me they are giving me the money before I am giving them the Stamps. \* \* \* So kindly send me that Victory Medal. \* \* \* Hopping to hear from you soon. Kindly make me up some medal.

H. T. Orr, Vice President, Union State Bank, Monona, Iowa. I am writing this letter to protest against the recent ruling limiting banks to 10% of their savings deposits, which may be invested in the current War Loan Series F and G Bonds. Permit me to say first that during the last War Loan this bank sold the largest percentage above its allotment of any bank in this county. We have a regulation providing that no customer may deposit in excess of \$500 in a savings account, because we consider this type of deposit much the same as demand money on which we cannot afford to pay interest. We therefore encourage deposit investments in time certificates, rather than in savings accounts, and the current ruling would be a serious handicap so far as permitting us to share in the privilege of investing in F or G Bonds. May we therefore urge that your Department reconsider the ruling and include 10% of the total time and savings deposit as the maximum investment which may be made in this type of bond during the current War Loan Drive?

Jennings D. McLeod, Office of the Post Engineer, La Belle, Florida. I refer to my letter under date of January first, 1944, relative to the delay in receiving War Bonds purchased through the payroll at this school. Please be advised that I have this date received the bonds in question. I thank your office for the promptness in the matter.

B. V. Evans, Detroit, Mich. Congratulations on the Bond Drive Radio Program. I know you are not seeking at this time ways to reduce income taxes, but as an incentive to home ownership and good citizenship would it not be apropos to allow a deduction of say 3 or 4% to the home owner for depreciation and maintenance?

Mrs. Nicholas J. Miller, Fond du Lac, Wis. Having discovered a way to beat the United States Government out of the income tax, I think it is up to you to give this information to the people. I am calling this the "Miller Receive In Ten Years" Plan to be used in conjunction with the "Ruml Pay-As-You-Go" Plan. The first step is to find your 1943 tax and divide this by \$6.25. The answer is the number of \$25.00 War Bonds you must buy to get your income tax back from the Government. Let's all get together and beat the Government but first "Let's Beat The Axis"!

- 15 -

Unfavorable Comments on Bonds

Mrs. R. R. Barden, DuBois, Pa. It is a little after 9 p.m. EWT. The radio just started to broadcast the "Back the Attack" for the Fourth War Loan Drive. To me it seems ridiculous to put on another War Loan Drive until one rule or law has been made, and that is not to allow people to cash in their bonds until at least the War is over, unless there is an emergency or good reason for doing so. However, I can't think of any reason why any emergency should arise to permit people to cash in bonds. I could write pages of instances where people cash in their bonds the day they are purchased. I can't see any object in having these Drives -- I just can't see where our Government is gaining anything in having them. Here in this town people go about bragging how many bonds they purchase (either compelled to do so or because they want to show others they are buying them), and then how quickly they turn them in. \* \* \*

Francis A. Lennon, Orlando, Florida. I have been told that the matter about which I am writing you should be taken up with the Federal Bureau of Investigation. However, I believe it is something that you will be and should be interested in. I have come to the conclusion that I am - as are probably many others - a victim of a gigantic swindle. To make it brief - during the period of July 1, 1942, until March 17, 1943, I was employed in the office of the Quartermaster at the Orlando, Florida, Air Base on a temporary Civil Service rating. A deduction was made from my salary every pay period to be applied toward the purchase of War Bonds. I have not yet received the bonds. On April 20, 1943, I wrote to the Chief of Finance, War Bond Division, Washington. On June 20 I was favored with a reply - two months later. I was told the War Bond Division had been moved from Washington to Chicago, that this required employing and training



- 16 -

of new personnel - that an account had been set up in my name, etc., etc. The Government has no apparent difficulty in printing tax forms, the many forms and stamps that have to do with rationing. A year should not be required to issue bonds. For this reason I believe that I and many others are victims of a fraud. And I do not like to be made a sucker. \* \* \* I do not permit my present employer to make any deductions from my salary, but I will continue to purchase bonds to the best of my ability. I think an investigation should be made and that is why I have written you.

Anonymous - mailed in Cambridge, Mass. I listened with interest to the program between 9 and 10 Monday night about the education, or rather apology for America to Pvt. Jimmy Jones. The only decent parts were hearing the motor of that new plane, and General Eisenhower from England. \* \* \* It was the rottenest, most underhanded smear attack on the pre-Pearl Harbor noninterventionists whose motto was "millions for defense", just as yours was. \* \* \* You yourself realize that no one believed, or even said the brief statements without facts behind them. But you hope and know that the immediate impression on people will be to recall selected words voiced by such men as Senators Wheeler, Nye, Lodge, Tydings, and other representatives of America. Were you ever elected to a responsible position by a County as that great American, Hamilton Fish was for 11 times, or from a State like Senator Borah was for 30 years? \* \* \*

William H. Whetro, Head Regional Labor Representative, War Production Board, Chicago, Illinois. My daughter received a letter recently from a soldier stationed

in England for the past 18 months, in which he said: "I do not care what you do with the allotment, because it is yours to do with as you please, but I do wish you would not buy any more War Bonds. Almost all of the fellows over here are cancelling their bonds because they are afraid that after the War they will not be able to get the money they have invested in them." It goes without saying that I was shocked, especially when I have tried so hard to convince my daughter that she should invest every cent possible in bonds. I am of the opinion that there is a distinct possibility that some smart Nazi propagandists are working among our armed forces stationed in England. It is obvious that if a soldier has no confidence in the financial stability of his Government he naturally will not give his best on the field of battle in behalf of that Government. I believe this matter is of sufficient importance for you to call for an investigation of the situation immediately. \* \* \*

E. A. Menninger, Printers and Publishers, Stuart, Fla. You told the Congressional Committee it was silly to spend money for bond advertising in the newspapers, because that kind of advertising didn't sell bonds. Under the circumstances, I can't think of any reason why we should make any further effort in our newspaper to sell the bonds you are offering, nor can I think of any reason why your office should bother us with promotional material. We certainly do not want to intrude where our services are not desired.

Charles A. Frantz, Sherman Oaks, Calif. Permit me as a humble holder of several thousand dollars worth of U. S. Savings Bonds, which I have been accumulating since the time they were first called Baby Bonds, and some of which will soon become due, to call your attention to the condition existing in the City of Los Angeles in respect to the cashing in of these bonds. In order

- 18 -

to cash them in, I have been informed that after my name is certified to, etc., I must go to the expense each month of sending each bond to the Federal Reserve Bank in San Francisco instead of being able to cash them here at the Federal Reserve Branch in Los Angeles. Is it not possible that these bonds could be cashed by the Main Post Office in each city, especially a city the size of Los Angeles, where I am told more of these bonds have been sold than in all the rest of California altogether? \* \* \*

Postal card addressed to the President by Henry L. Homer, Pensacola, Fla., and referred to the Treasury for handling. I worked at Brookley Field, Mobile, Ala., as Aircraft Engine Mechanic. I was persuaded to buy bonds on the salary deduction plan. I signed up in May 1942. I have not received my bonds or money, nor have I had any information regarding them, though I was told to write to the Treasury Department, who told me to write to Chicago, who told me to write to Brookley Field, who told me to write to Washington in the first place. I am not worried about finally getting my bonds, but I have stopped buying bonds for this reason. I have some \$700 or \$800 worth of bonds besides the ones I should have. If I had received my bonds as promised, I would have purchased twice that much.

First State Bank of Morrisonville, Morrisonville, Ill. (Written on back of form letter to Banks of the United States.) Thanks, we expect to do our part as usual. May we call your attention to the fact that there is supposed to be a paper shortage and that a sheet of paper half the size of this would have contained your message? You could have then used the other paper to write the Government subsidized agencies such as the PCA, FSA and RACC, and also enlist their help in selling bonds in this Drive. While the banks have been

out selling bonds, in the past, they have usually been out soliciting the bank's borrowers for loans at a quoted rate that is a misrepresentation of the actual cost.

Kenneth N. Woodward, President, American Philatelic Society, Latin-American Unit, Forest Hills, N.Y.  
I note in yesterday's papers an item which I enclose for your sight. (Headline -- U. S. Backs Plan To Send Money to Kin in Italy) It caused a good deal of discussion at our luncheon, and frankly, we would like to know how you reconcile this practice with the fact that you expect us U. S. Citizens to buy War Bonds in the Fourth War Loan Drive, since the people who are sending funds abroad are not as yet even citizens, and they are enjoying the protection of our shores. Why shouldn't they put their excess funds into the purchase of War Bonds instead of sending the same abroad? Why do you expect us to do one thing and the aliens within our borders another? \* \* \*

Favorable Comments on Taxation

H. J. Herff, President, Herff-Jones Company, Manufacturing Jewelers & Stationers, Indianapolis, Ind. First, we want to state that we are one hundred percent in accord with the 20% withholding tax, but the system should be revised. The 20% should not only be withheld at the source of salary payment, but should also be withheld at the source of dividend payments, and instead of each taxpayer being compelled to make an estimated tax return March 15, June 15, September 15, and December 15, with a final return March 15, or five returns per year, if 20% were withheld at the source of dividends, then it would only be necessary for the taxpayer to make one return a year as he formerly did, namely on or before March 15. This would save the Government hundreds of thousands of dollars on these interim tax forms, to say nothing of the additional thousands of file clerks required and the thousands of filing cabinets for filing these returns, as well as the thousands of feet of floor space occupied by these filing cabinets.  
\* \* \*

T. J. Sellers, Life Insurance Counselor, Charlottesville, Virginia. You may be interested to know that I have been conducting an Income Tax Clinic for the past two years. The original idea was to explain the procedure of determining and filing to negroes in the small salary bracket who could not afford counsel, but were liable for taxes, under the new law. However, the first year I assisted an equal number of whites, and more last year. \* \* \* From January 15 to March 15, I put in four extra hours two nights each week to see people whose jobs may keep them occupied during regular office hours. Visitors from other cities have informed me that my project is perhaps the only one of its kind in the country. No fees are attached to the clinic, it is a purely public project. Official information such

- 21 -

as posters, releases, and forms are received at my office and distributed through local churches, schools and clubs for mass consumption and group discussion. Any additional suggestion that your office may have which would increase the usefulness of this local project would be highly appreciated.

- 22 -

Unfavorable Comments on Taxation

Otto Wechsberg, President, Coppus Engineering Corporation, Worcester, Mass. We are enclosing copy of a letter we have addressed today to all Representatives and Senators regarding the renegotiation law. You will note that we have not entered the argument as such, but rather explained in an elementary way how renegotiation of our 1942 business has affected our company. There is one phase of taxation of the manufacturing industry of which there is very little discussion in the press, and to which no consideration is given whatsoever by the Treasury Department. The particular problem to which we refer concerns expanding industries only as long as they manufacture during Wartimes the same equipment as they did during peacetimes. In an expanding industry, taxable profits at the end of the year are not represented by cash alone, but by accounts receivable and more particularly by increased inventory of unfinished and finished parts. \* \* \* Income taxes and recoveries by the Government under renegotiation are payable in cash and it is, therefore, obvious that in the case of an expanding industry money has to be borrowed in order to satisfy the Government's demand for cash. Even this would not be too serious a situation were it possible to quickly liquidate the inventories above those required for normal production. It is doubtful whether such rapid liquidation can be effective in any but a few of the country's manufacturing plants when the inevitable after-the-war-slump in production occurs. \* \* \* This will be a period when it will probably be most difficult to borrow money from the banks and will be the principal reason why a good many industries will have to discharge employees and cut their expenses both in the production end and in the overhead end of their business. As we see it, the biggest trouble of all regulations emanating from the various Washington Departments and Agencies is that they are tailor-made for large corporations, without regard to the effect

- 23 -

they will have on small companies. \* \* \* We do not assume that the conditions existing with our company are exceptional, and therefore thought that you will be interested in having them called to your attention.

Richard Uhlmann, Vice President, Uhlmann Grain Company, Chicago, Ill. As a fellow Cornellian, I am bold enough to write this letter, just having studied the income tax return #1040, which was sent to me. Possibly it is boastful on my part when I say I am possessed with average intelligence; at least, I received an A.B. Degree at Cornell University in 1919, majored in economics, and took several courses in accounting, which is a fairly decent background. This enabled me not only to audit our own books, but to handle income tax matters for friends and members of the family, and I was always glad to lend a helping hand. \* \* \* I really feel in offering constructive criticism at this time that it is almost an insult to the intelligence of the average person to have to fill out a form where a person is practically compelled to go to an expert accountant in order to fulfill his loyal duty as an American citizen. None of us object, during wartime, to paying our taxes, and it is a privilege as an American to help in carrying out the War effort in any way that we possibly can. However, no one with whom I have discussed the income tax matters seems able to figure out why the form is so complicated, so that even many attorneys are stumped by the confusing instructions which have been given. \* \* \*