

DIARY

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April 18, 1942  
10:00 a.m.

HMJr: Hello. Can I talk now to Mr. Graves?

Miss  
Chauncey: The three gentlemen are here.

HMJr: Well, let me talk to them. I want a record made.

C: I'm making that. Do you want the loudspeaker on?

HMJr: Yes.

C: All right, sir.

HMJr: Then it's not necessary for you to stay if you've fixed up the mechanics for it.

C: They're all in order.

HMJr: I'll talk to you later in your own office.

C: All right, sir. (talks aside) Mr. Graves, the Secretary wants to speak to you first.

Harold  
Graves: Good morning, sir.

HMJr: Hello, Harold.

G: How are you?

HMJr: I'm all right.

G: Well, that's good.

HMJr: I'm alive, anyway.

G: Yes, sir.

HMJr: That was great stuff over Tokyo.

G: It was. It thrilled me to death. I hope there's a lot of it and that it's all pretty bad.



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HMJr: It's the most thrilling thing, I think, since Russia came in.

G: Yes, sir, it's great stuff.

HMJr: And especially after they announced the number of people captured yesterday in Bataan.

G: Yes.

HMJr: But it showed the American Navy can do it.

G: That's right.

HMJr: Yeah. Harold, I've had - was in communication with the President for a long time last night.

G: Yes.

HMJr: And you know, Kuhn asked me to take up with him about doing these movies.

G: Yes.

HMJr: I don't know whether you know about it.

G: I do know about it, yes, sir.

HMJr: So I said, "What do you think about the timing at the Treasury?" And he said, "Well, I tell you, Henry, on the timing I think what you should do is Wednesday or Thursday, go ahead with a lot of ballyhoo and announce it if you are willing to say that you can average next year about a billion a month!"

G: Yes.

HMJr: See?

G: Yes.

HMJr: And he said, "I will come along," and, of course, this we've got to keep terribly confidential, "on the following Monday, and back you up."

G: Yes.

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HMJr: He said, "By doing it this way, we get away from the controversial issue whether I, the President, was for or against forced savings."

G: Yes.

HMJr: So, I said, "Well, I think it's - I'm willing to do it, Mr. President, but let me argue with you just a minute." I said, "Don't you think it would be better if you announced it yourself as a part of a comprehensive plan?" So he said, "No, no, no." He said, "It's not necessary," and he said, "You go ahead. I'll give you something if you want to, to quote from me direct." He said, "I think it would be much better if you did it, and you'll get a good press, and every newspaper will have to back you up and say, 'this is fine'" and he said he gets out of this controversial question.

G: Yes.

HMJr: "Well," I said, "I'm willing to do it and glad to do it." And it sort of, you know, say, put it on - "Are you willing to come out?" You see?

G: Yes.

HMJr: Well, I thought there was only one answer, and I hope that the three of you agree with me.

G: That is, that we're willing to give some sort of assurance that we can reach a billion dollars a month.

HMJr: He said for the year average.

G: Yeah, yeah, yeah.

HMJr: Average for the year, see.

G: Yes.

HMJr: See?

G: Yes.

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HMJr: But I don't - he couldn't very well have thought this thing out in advance - but on these questions of timing and all that, well, he's so much better than I am; and anyway, on the whole thing, unless he's back of me - evidently he wants to pick this one thing out.

G: Yes.

HMJr: What?

G: Yes.

HMJr: And I had a chance to tell him all about what happened on the Hill, and with Walter Reuther and all that, and it just tickled him pink.

G: Good.

HMJr: He had never read it in the papers.

G: Yes.

HMJr: And the fact that we decorated the hall and all that, he just thought it was unbelievable and wonderful.

G: Yes.

HMJr: Now, I can't see the other two - what do they think?

G: Ferdie asked me, "What about the movie with the....."

HMJr: No, he doesn't want to do the movie in advance.

G: He does not.

HMJr: No.

G: But that might, I suppose, be a possibility within the next few days after we start it.

HMJr: Well, he'll do - you see, he doesn't want to do that.

G: Yes.

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HMJr: So the movie - ask him do the movies - point this out, he wants me to go out in advance.

G: Yes.

HMJr: I realize, I think, what he's doing. He wants me to stick my neck out, and I'm willing to do it.

G: Yes.

HMJr: In fact, I told him I'd do it.

G: Yes. Well, I think that's right. I think we ought to do it, even though there is some risk in it that we may not meet this figure; but I think we ought to try.

HMJr: What do the others think? Let me talk to each of them.

G: Yeah, just a minute. I'll put Peter on.

Peter Odegard: Hello.

HMJr: Peter, what do you think about the psychology of it?

O: Well, I think it's good. I.....

HMJr: What?

O: I think it's very good. Now, Vince had a plan, you know, for plugging in after the President's speech for getting on the air labor people and then getting in the Governors and the Mayors, and the Chairmen of our local committees on a State program immediately following these others.

HMJr: Well, I've got a plan, too, I want to put up. But what do you think of my going out Wednesday or Thursday and doing this thing? I mean, do you think that I've got power enough to do it?

O: Sure.

HMJr: What?

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O: Sure. Sure. And I think we can make this. I don't think that you're sticking your neck out too far.

HMJr: You think we can make it?

O: Yeah.

HMJr: Well, my - you do. .

O: I do.

HMJr: You do.

O: Yeah.

HMJr: Well, I'll tell you how I want to do it in a minute, but I want to find out if each of you think I'm making a mistake.

O: No, I don't think so.

HMJr: What?

O: No, I don't think so, and Ferdie doesn't.

HMJr: Well, let me hear Ferdie.....

O: Yeah, here's Ferdie.

HMJr: .....say his own little piece.

O: (Laughs)

Ferdinand Kuhn: Hello, Mr. Secretary.

HMJr: What do you think?

K: Well, I think it would be fine so long as the President does back us up within a few days.

HMJr: Oh, he said he would, the following Monday.

K: He would do it in his talk.

HMJr: Definitely.

K: Well, that's swell. Then I think it's fine to go ahead and, well, they've all been shaping it - on it - wanting to get this thing going.

HMJr: You don't think I'm taking too great a risk?

K: I don't think so.

HMJr: You don't.

K: I'm sure we all feel that we can do this thing, and especially if the President puts it on a basis of an average of a billion a month for a year.

HMJr: Yeah.

K: That means we don't have to reach the billion a month in May or in June.

HMJr: No. No, he said, "Do you think you could say you'd average a billion a month for the year?"

K: Well, that - we could say that.

HMJr: Beginning the first of July.

K: We could say that. That's what you said to the President.

HMJr: Yeah.

K: How would you start this, Mr. Secretary?

HMJr: Well, you put Harold on, and I'll tell him.

K: All right. Harold. Just a minute.

Harold Graves: Yes, sir.

HMJr: Harold, this is my thought.

G: Yes.

HMJr: I don't want - I'd make the announcement jointly with labor, agriculture, and industry.

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G: Yes.

HMJr: And if we - I'm sure we can get the time - and I want a representative, and I've checked it as to the ones with the President and he agreed, C.I.O., A. F. of L., and the Railroad Brotherhood.....

G: Yes.

HMJr: .....the Chamber of Commerce.....

G: Yes.

HMJr: .....the N.A.M.....

G: Yeah.

HMJr: .....and then for Agriculture, unless somebody can think of somebody better, Claude Wickard.

G: Yes.

HMJr: See?

G: Yes.

HMJr: I don't know how many that is.

G: That's six.

HMJr: Six. And myself.

G: That's seven.

HMJr: And nobody talk more than three minutes.....

G: Yes.

HMJr: .....with the Marine Band here in Washington giving it the zip.

G: Yes.

HMJr: A little Marine band at the beginning, and two or three times in between, and at the end; and maybe even the sound of Marine - I don't know but what that would be enough. I

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don't think we need a singer.

G: No, I shouldn't think so.

HMJr: But the Marine band at the start, in between, and in the end, and all of them, each one pledging that they will do their utmost to help.

G: Yes.

HMJr: And putting them on record.

G: Yes.

HMJr: But Claude Wickard with his various committees on - these counties - it would be terribly important to get him.....

G: That's right.

HMJr: What?

G: That's right.

HMJr: What do you think?

G: Well, I think we ought to do it.

HMJr: Well, don't you think that is the way to do it?

G: Yes.

HMJr: I mean, not just have me go on alone.

G: No. I think that this would be the right way to do it.

HMJr: And then whatever Vince can get - whatever he can revolve in the way of backing up from the field, that would be just that much plush.

G: Well, we can get a lot of that.

HMJr: And I think that - the President said Wednesday or Thursday - I think that I would shoot for Thursday. If I'm not mistaken, they say Thursday



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is the best radio night.

- G: Thursday. Yes. Well, that gives us more time, anyway.
- HMJr: They tell me Thursday is maids' night out, and it's considered the best night.
- G: Yes.
- HMJr: If people have a maid.
- G: Yeah.
- HMJr: But the group we're trying to reach are maidless.
- G: That's right.
- HMJr: But it's known as the best. I think Wednesday's too early.
- G: Yes. Well, we.....
- HMJr: What do the other boys think about this?
- G: I think they're in entire accord.
- HMJr: We'd have to get - I mean, we'd have to write these fellows' speeches.
- G: That's right.
- HMJr: Whoever did that job on that other symposium was good.
- G: Yeah. (talks aside) Who was that, Ferdie? That was Herman Wolfe, they tell me.
- HMJr: Well, you can't get a better man than Wolfe, and Odegard and Kuhn.
- G: Yes, that's right.
- HMJr: What?
- G: Peter, of course, would ordinarily not be here

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between now and Thursday.

HMJr: Well, that's true, but he could be thinking about it.....

G: Yes.

HMJr: .....and jot down a few good ideas.

G: That's right.

HMJr: A couple of slogans.

G: That's right.

HMJr: What?

G: That's right.

HMJr: A couple of slogans.

G: Well, suppose we see if we can't develop something pretty concrete and have it for you Monday morning.

HMJr: Yeah. I thought that these people - you might get out, now that you can use my name again.....

G: (Laughs) Yes.

HMJr: .....get out a few telephone - telegrams this morning.

G: Yeah.

HMJr: And try to get these people - I wouldn't worry about the air. I'm sure we can get the air.

G: Yes.

HMJr: And get the people, but I think you ought to start it this morning.

G: All right, we'll start it.

HMJr: But don't, for God's sake, "yes" me, unless

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you're with me.

G: Well, I'm not - I'm with you. I - as I said at the beginning, there's some element of risk in this thing in my opinion, but I think we ought to take it.

HMJr: Oh, I'm willing to take it.

G: Yes.

HMJr: General Marshall said he's making up his mind every day, he told me. He said he can't - somebody always says, "Well, look out. You're going to be investigated by Congress."

G: Yeah. (Laughs)

HMJr: But I'm willing to take it, and I think that - well, I think it's worth the risk.

G: I think so, too. I think it's our job to take it.

HMJr: And if we get these people behind us - now, one other thing I'd like to do if Ferdie agrees, I think we ought to invite down Monday a representative of the advertising agencies, and I'd like to meet him and talk to him and get all of them to help, not just one.

G: You, of course, know, that there is here under the auspices, I suppose, of Lowell Mellett - or perhaps it's MacLeish - it is MacLeish, Ferdie says - what they call an Advertising Council.

HMJr: Yeah, but they've never used them. MacLeish said so.

G: Well, perhaps we ought to begin to use them?

HMJr: Well, I'd like - they mentioned - MacLeish said we ought to get them down. He said we should do it.

G: Yeah.

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HMJr: Some one person. I think we ought to have him down Monday.

G: Yes.

HMJr: And I'd like to sit down and talk with him.

G: That would be the head of what they call the Four A's, I believe. Is that what you mean?

HMJr: Well, Ferdie was there.

G: The Association of Advertis.....

HMJr: He knows what MacLeish said. He said that there's some person representing what they call the Advertising Council.

G: Yeah, that's right.

HMJr: What?

G: That's right.

HMJr: I don't know whether it's the Four A's or what, but Ferdie ought to be able to find out.

G: Yeah. Ferdie will know.

HMJr: What?

G: Ferdie will know. He says that it corresponds to the movie committee that Mr. Harmon has -- same sort of set-up.

HMJr: Well, whoever the person is, let's get him down Monday and I want to talk to him.

G: All right, sir.

HMJr: I have an appointment for three o'clock Monday, but I could - I haven't anything on, we can see him at eleven.

G: Eleven o'clock Monday.

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HMJr: Yeah.

G: I'll let Ferdie do that one.

HMJr: Yeah.

G: Fine.

HMJr: But this other thing will be something that you boys will have to turn loose on still this morning.

G: Well, I think what we'd better do then will be to send telegrams in your name to the six people that would have a part in that broadcast on Thursday.

HMJr: That's right.

G: And do you think we had better omit for the moment Secretary Wickard, so that you might ask him personally, or do you want us to send a telegram also to him?

HMJr: Oh, I'd send it also to him.

G: All right, sir. We'll do it.

HMJr: And better find out - the operator could find out in case - what their home addresses are.

G: Yes.

HMJr: Because these business men might not - I think I'd send it both to their offices and their homes.

G: Home and office.

HMJr: Yeah.

G: All right, sir. We'll do it that way.

HMJr: Home and office. Send it to both places.

G: Yes, sir.

HMJr: And I think I'd shoot for Thursday night.

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G: All right, sir. We'll do it that way.

HMJr: Yeah. And I don't suppose you've had time to work out a receipt yet.

G: Well, we stayed here last night until late, and had some of our New York people down. I planned to go to New York myself on Wednesday.....

HMJr: Yeah.

G: .....to discuss this with some of the bankers up there, because I think we do have the germ of an idea that will permit a follow-up on this thing, which is what you want.

HMJr: Yeah.

G: But it will depend - whether we can work it or not will depend, I think, on what kind of cooperation we can get from the banks. The idea that we have is that a copy of the pledge or order that is taken from the person visited, will be furnished the agency which he designates as the place where he's going to buy his bond; and then we'll have that agency - a bank or post office - follow up and see that he does buy his bond or bonds.

HMJr: Well, send a wire to B. M. Edwards to be there Monday morning.

G: I think that's a good idea.

HMJr: And I mean - because I - you won't be able to go up to New York Wednesday, because I'll want you at my elbow.

G: Yes, sir. Well, I'll postpone that. I'll make it some other day.

HMJr: But send for B. M.

G: Yeah, I'll get him here.

HMJr: Now, what's his name told me - Buffington - that on Thursday at Chicago, International

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Harvester are getting eight hundred business men together.....

G: Yes.

HMJr: .....to tell them their plan, and they want somebody out there.

G: Yeah. Dan was to go to that, according to Buffington.

HMJr: Well, I told him that I didn't want Dan to go out there.

G: Oh.

HMJr: I don't think Dan's the right fellow to go.

G: Uh huh.

HMJr: I mean - in the first place, Dan's awfully tired, and I don't think he's the fellow.

G: Yeah.

HMJr: You know - I'm just going to make a suggestion - but the best speaker I heard yet is that St. Louis ball team owner.

G: Yeah, that's right. But I don't think he'd do for this kind of thing.

HMJr: Well, you think it over.

G: What you've got to have on this is somebody who knows the details of this payroll allotment thing, and how it can be promoted and how it can be managed, and - but Rickey wouldn't do for that.

HMJr: He wouldn't?

G: No.

HMJr: Well, think about it.

G: We can send - I think probably the best man we

- 17 -

could send would be Gamble.

HMJr: That'd be okay. I'd approve of that.

G: I think Gamble knows more of the details of this thing and can talk better about it than anybody else.

HMJr: I mean, I sold myself the suggestion of this broadcast.

G: Yes.

HMJr: You see what I mean?

G: Yes, I do. Well, I think we'll just draft Gamble for that job.

HMJr: That's all right. And you send a telegram to B. M. Edwards.

G: I will.

HMJr: And tell him to be up here.

G: Yes, sir. I'll put your name on it.

HMJr: What?

G: I'll put your name on the telegram.

HMJr: All right. Do that.

G: In spite of this order that we got the other day.

HMJr: I rescinded the damn order yesterday.

G: (Laughs) Can you hear the boys laugh?

HMJr: Yeah.

G: All right. That's fine.

HMJr: I did that as a very small gesture of my very large confidence in the three of you.



- 18 -

G: (Laughs) Yeah, that's swell. That's swell. We won't abuse it.

HMJr: Didn't Ferdie give that to you?

G: No, he didn't.

HMJr: He didn't?

G: He didn't. Well, he's been so busy.

HMJr: The little rascal. I told him, I said, "Word for word, repeat it."

G: Yeah. Well, we'll govern ourselves accordingly.

HMJr: What?

G: We'll govern ourselves accordingly.

HMJr: We'll get Ferdie writing these religious speeches until he gets his mind off money.

G: (Laughs) Yeah.

HMJr: Incidentally, I gathered that Mrs. Morgenthau did very well yesterday, and Mr. Rainey was very nice up there.

G: These boys are shaking their heads approvingly, and I'm very glad to hear that.

HMJr: Ask them to have Rainey send down a little report to me.

G: Yes.

HMJr: Here's one thing for future, none of the New York people were invited.....

G: Oh.

HMJr: .....and knew about it, and Colonel Patterson felt badly.

G: Uh huh.

HMJr: Because he would have liked to have been there.

- 19 -

G: Yeah. Well, I'll make a note of that.

HMJr: See?

G: Yea.

HMJr: But they want - there was no

G: Yes.

HMJr: And New York Times carried a nice story.

G: Good. Good.

HMJr: But she evidently did - I gather - did very well.

G: Yes. Ferdie says so.

HMJr: And Mrs. Morgenthau said that this Mrs. Floyd Odlum was God-awful.

G: (Laughs) Yeah.

HMJr: She spent her whole time criticizing us on using the word "War Bonds" instead of.....

G: "Freedom Bonds".

HMJr: What?

G: "Freedom Bonds".

HMJr: "Freedom Bonds". She got - she went into perfect tantrums over it.

G: Yeah.

HMJr: And it didn't help.

G: Well, we have to put up with a certain amount of that kind of thing.

HMJr: I know. But the Mrs., I gathered, did all right.

G: Well, that's swell.

- 20 -

HMJr: Does Ferdie have anything?  
G: Apparently he has, because he.....  
HMJr: Let me talk to him.  
G: Just a minute.  
Ferdinand Kuhn: Mr. Secretary, I was only judging from the papers, and I think she did very well.  
HMJr: The Times gave a good write-up.  
K: Yes, and they pick out good stuff; and if she hadn't done well, I don't think that they would have had all that good, friendly publicity.  
HMJr: Well, tell Rainey to send me down a little note about what his reaction is.  
K: Good. Did Rainey do all right for her?

\* \* \* \* \*

(The record bearing the last part of this conversation was damaged. The following is the version as dictated by Mr. Kuhn.)

I asked the Secretary whether the President would do that movie for us, and the Secretary said, "No."

He asked me whether I thought it was all right to go ahead on the basis of an average of a billion dollars a month for a year as our goal, and I said, "Yes."

I asked the Secretary whether Mr. Rainey had been helpful, and the Secretary said that Mrs. Morgenthau was very, very pleased with the way Mr. Rainey had handled matters. She heard that the New York War Savings people were upset because they had not been informed

- 21 -

about her talk, but I said I thought there had been some slip-up in the New York Office itself as we had informed them, I thought.

April 18, 1942

22

○  
Reading copy of Secretary's radio address  
over Blue Network for the Jewish Welfare  
Board (25th anniversary) April 18, 1942

Tonight's anniversary broadcast has given all of us, I think, a clearer understanding of the great work that the Jewish Welfare Board and other service organizations are doing for our men in uniform.

This is a war in which we stay-at-homes can see very little of the men who are training in far-off camps or serving in still more distant posts of duty abroad. We civilians often wish that there were some way of showing our admiration and gratitude to the men who have given up so much to fight for us.

2

We have had too little opportunity to invite soldiers and sailors into our homes for a meal, or to cheer them on parade, or to do anything to take away from the loneliness that all of them feel in strange places far from home.

The Jewish Welfare Board and similar service agencies are doing precisely what so many of us would like to do for the soldiers and sailors if we could.

3

Starting its work twenty-five years ago in the First World War, and now in this far greater war, the Jewish Welfare Board has joined hands with the five other agencies in the U. S. O. to make all men in uniform feel at home, wherever they may be. It does much more than care for the religious needs of ~~Jewish~~ soldiers of Jewish faith. It does its best to give recreation, comfort and companionship to all service men, whatever their religion.



4

For this reason I believe that the work of these agencies deserves every bit of support and encouragement that we can give. We on the home front will be asked to make many sacrifices to win this war, but nothing we can do can possibly be compared to the sacrifices by the men who have interrupted their careers and offered their very lives in the service of our freedom. We cannot go to the camps and battle stations to lighten the load of the men in uniform; we can, however, be thankful to the service organizations which are doing that job on our behalf.

5

They are developing the qualities of heart and mind that have always marked American fighting men. They are helping to build an army and navy of free men that will outfight, outlast and destroy all the drilled and regimented armies of our enemies.

April 21, 1942

MEMORANDUM FOR THE FILES:

Meeting in Mr. White's Office,  
April 18, 1942  
3:30 p.m.

Present: Messrs. McCabe, Rostrow,  
Noyes and Echer of Lend-  
Lease;  
Mr. White and Miss Kistler  
of Treasury

Mr. McCabe reviewed the current status of British contract transfers. He stated that the Army has agreed to take over up to \$300 million of British contracts provided the President gives a directive. It was agreed that although the British dollar position will be reasonably comfortable during the next few months even if no contracts are taken over by the Army, something should be done during the remainder of this year to increase Britain's cash balance. It was agreed that if the British were taken out of some of their contracts it would reduce the necessity of pressing for alternative measures of relieving the British dollar position, as well as increase our bargaining power with Britain for reciprocal Lend-Lease aid.

Mr. McCabe reported that all supplies used by our Army in Ireland are being supplied by the British, on their own initiative, under reciprocal Lend-Lease arrangements, and that Australia is likewise paying for supplies for the American armed forces there on the assumption that a similar Lend-Lease agreement will be reached with that country.

Mr. McCabe reported that over a month ago Lend-Lease had approved a requisition for the purchase of \$29 million of corvettes in Canada and that it had held up the approval for the remaining \$20 million pending a study of Canada's U. S. dollar position and pending further discussion with the Navy on the desirability of this Government acquiring these boats. It was agreed, after reviewing Canada's U. S. dollar position, to hold the decision on the remaining \$20 million of boats in abeyance.

Mr. White stated that Canada's U. S. dollar prospects for the remainder of the year give no grounds for concern, that the present forecast is for the Canadian Government to end the year with about \$110 million of gold and U. S. dollars.

- 2 -

Mr. McCabe left a copy of a letter from Mr. Land of the War Shipping Administration to the President, dated March 30 and marked "approved", in which he requested the President's consent for the purchase by the United States of \$200 million of ships being constructed in Canada, under contract to the British and Canadian Government, for Lend-Leasing by us to Britain. These ships seem to be the same ones covered by the \$160 million of probable orders for ships shown in the Canadian Government's report of estimated receipts from exports to the United States under the Hyde Park Declaration. They are in addition to the \$50 million Naval program discussed above.

T. M. Kistler

## TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE April 18, 1942

TO Secretary <sup>Chauncey</sup> ~~Morgan~~ <sup>for</sup> ~~Went~~ ~~hau~~  
 FROM Mr. Dietrich

Official sales of British-owned dollar securities under the various vesting orders since February 19, 1940:

	<u>No. of Shares Sold</u>	<u>\$ Proceeds of Shares Sold</u>	<u>Nominal Value of Bonds Sold</u>	<u>\$ Proceeds of Bonds Sold</u>
Apr. 6	-	-	-	-
7	-	-	-	-
8	-	-	-	-
9	-	-	-	-
10	-	-	-	-
11	-	-	-	-
	-	-	-	-

Sales from  
 Feb. 22, 1940 to  
 Apr. 4, 1942 9,847,610-1/6 281,858,763 45,648,016 37,474,216

Sales from  
 Feb. 22, 1940 to  
 Apr. 11, 1942 9,847,610-1/6 281,858,763 45,648,016 37,474,216

## TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE April 18, 1942

TO Secretary ~~Mr.~~ Miss Chauncey  
 W. C. Clegg  
 W. G. Lenthau

FROM Mr. Dietrich

Official sales of British-owned dollar securities under the various vesting orders since February 19, 1940:

	<u>\$ proceeds of Shares Sold</u>	<u>\$ proceeds of Bonds Sold</u>	<u>Total</u>	
Apr. 6	-	-	-	
7	-	-	-	
8	-	-	-	
9	-	-	-	
10	-	-	-	
11	-	-	-	
	-	-	-	
Sales from Feb. 22, 1940 to Apr. 4, 1942	<u>281,858,763</u>	<u>37,474,216</u>	<u>319,332,979</u>	
Sales from Feb. 22, 1940 to Apr. 11, 1942	<u>281,858,763</u>	<u>37,474,216</u>	<u>319,332,979</u>	319,332,979
\$ proceeds of non-vested securities sold Mar. 30, 1942 to April 4, 1942			400,000	
\$ proceeds of non-vested securities sold Sept. 1, 1939 to March 28, 1942			<u>246,000,000</u>	
\$ proceeds of non-vested securities sold Sept. 1, 1939 to April 4, 1942			<u>246,400,000</u>	<u>246,400,000</u>
			<u>GRAND TOTAL</u>	<u>565,732,979</u>
Jan. 7, 1942 - Cash Dividend on 156 Shares				\$ 61
Jan. 9, 1942 - Partial Liquidating Dividend				125
9 Units sold from Aug. 18, 1941 - April 11, 1942 for				42
11 Shares Stock Dividend sold Aug. 18, 1941 - Apr. 11, 1942 for				123
56,007 Rights sold from July 24, 1941 - April 11, 1942 for				102,938

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE April 18, 1942

TO Secretary Morgenthau  
 FROM Mr. Dietrich For Miss Channoy

Official sales of British-owned dollar securities under the various vesting orders since February 19, 1940:

	<u>No. of Shares Sold</u>	<u>\$ Proceeds of Shares Sold</u>	<u>Nominal Value of Bonds Sold</u>	<u>\$ Proceeds of Bonds Sold</u>
Apr. 13	-	-	-	-
14	-	-	-	-
15	-	-	-	-
16	-	-	-	-
17	-	-	-	-
18	-	-	-	-
	-	-	-	-

Sales from  
 Feb. 22, 1940 to  
 Apr. 11, 1942 9,847,610-1/6 281,858,763 45,648,016 37,474,216

Sales from  
 Feb. 22, 1940 to  
 Apr. 18, 1942 9,847,610-1/6 281,858,763 45,648,016 37,474,216

## TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE April 18, 1942

TO Secretary <sup>Miss Chauncey</sup> Morgenthau  
 FOR

FROM Mr. Dietrich

Official sales of British-owned dollar securities under the various vesting orders since February 19, 1940:

	<u>\$ Proceeds of Shares Sold</u>	<u>\$ Proceeds of Bonds Sold</u>	<u>Total</u>	
Apr. 13	-	-	-	
14	-	-	-	
15	-	-	-	
16	-	-	-	
17	-	-	-	
18	-	-	-	
	-	-	-	
Sales from Feb. 22, 1940 to Apr. 11, 1942	<u>281,858,763</u>	<u>37,474,216</u>	<u>319,332,979</u>	
Sales from Feb. 22, 1940 to Apr. 18, 1942	<u>281,858,763</u>	<u>37,474,216</u>	<u>319,332,979</u>	319,332,979
\$ proceeds of non-vested securities sold Apr. 6, 1942 - Apr. 11, 1942			100,000	
\$ proceeds of non-vested securities sold Sept. 1, 1939 - Apr. 4, 1942			<u>246,400,000</u>	
\$ proceeds of non-vested securities sold Sept. 1, 1939 - Apr. 11, 1942			<u>246,500,000</u>	<u>246,500,000</u>
			<u>GRAND TOTAL</u>	<u>565,832,979</u>
Jan. 7, 1942 - Cash Dividend on 156 Shares				\$ 61
Jan. 9, 1942 - Partial Liquidating Dividend				125
9 Units sold from Aug. 18, 1941 - Apr. 18, 1942 for				42
11 Shares Stock Dividend sold Aug. 18, 1941 - Apr. 18, 1942 for				123
56,007 Rights sold from July 24, 1941 - Apr. 18, 1942 for				102,938



The Willard Hotel  
Washington, D.C.  
April 18, 1942

Dear Mr. Secretary,

I passed on to the Chancellor of the Exchequer your enquiry about special campaigns for raising funds in the United Kingdom, and he has now asked me to give you the following message.

The War Ships Week campaign was organized by the National Savings Committee and its Scottish and Ulster counterparts. These central committees are responsible under the Treasury for the conduct of the War Savings Campaign and operate through a network of approximately 1470 voluntary local committees covering the whole of Great Britain and Northern Ireland. Well over 95% of these committees organized a local week during the period of the campaign.

The series is not quite finished, but to date it has raised 526 million pounds. The similar War Weapons Week series in 1940-1941 raised 460 million pounds. The appeal is confined solely to subscribers to War Loans as the Treasury has avoided making any official appeal for gifts to the Exchequer on the ground that this form of patriotism should be left to individual initiative. The series has, however, stimulated a considerable number of gifts and loans free of interest.

The fundamental idea of the Week was to link an appeal for subscriptions to War Loans with the Royal Navy by "adoption" of H.M. ships by the communities holding the week. Each community chose as a target for its week the cost of building a particular class of vessel and a vessel of this class was then allocated to it by name. The week was marked by service and civil defence pageantry centering round this name and special centers for sale of securities were set up throughout the district. If the target figure was reached (as it was in practically every case) the community then "adopted" its warship and a suitable exchange of courtesies and trophies was arranged to mark the occasion.

As regards large and institutional investors it may be that some money which would normally only be made available to the Government on short term loan through the banks (a type of loan which did not count in the Warship Week total) has been diverted to dated loans and has to this extent eased our problem of post war finance, but such diversions should not be exaggerated. The main effect of the week has been to impress upon the general public most forcibly the enormous cost

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

of the war and the consequent necessity for the reduction of civilian consumption to an absolute minimum and for lending the resulting savings to the State. The results of the War Weapons Week series show that we can hope for a further general increase in the level of personal savings. One further result of the Week has been to strengthen the machinery of voluntary local Savings Committees, to introduce new blood into them and generally to act as a tonic to the War Savings Campaign.

Yours sincerely,

*F Phillips*



OFFICE OF THE DIRECTOR

## TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

April 18, 1942

MEMORANDUM TO THE SECRETARY:

There is submitted herewith the operating report of Lend-Lease purchases for the week ended April 18, 1942.

In order to expedite the shipment of Lend-Lease materials, teletypes have been installed in our principal field offices whereby we obtain current information as to the movement of supplies.

*Clifton E. Mack*  
Clifton E. Mack  
Director of Procurement

FOR DEFENSE



LEND-LEASE  
 TREASURY DEPARTMENT, PROCUREMENT DIVISION  
 STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND  
 DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS  
 AS OF APRIL 18, 1942  
 (In Millions of Dollars)

	Total	U. K.	RUSSIA	CHINA	<u>ADMINISTRATIVE EXPENSES</u>	<u>UNDISTRIBUTED &amp; MISCELLANEOUS</u>
Allocations	\$1401.3	\$ 663.0	\$ 246.8	\$ 55.2	\$ 1.6	\$ 434.7
	1393.3	642.2	230.5	54.6	( .9)	465.1
Purchase Authoriza- tion (Requisitions)	\$ 888.9	\$ 597.3	\$ 241.4	\$ 46.0	-	\$ 4.2
	( 873.8)	( 588.8)	( 235.6)	( 46.0)	-	( 3.4)
Requisitions cleared for Purchase	\$ 828.3	\$ 569.2	\$ 211.3	\$ 43.6	-	\$ 4.2
	( 821.3)	( 565.9)	( 208.4)	( 43.6)	-	( 3.4)
Obligations (Pur- chases)	\$ 799.1	\$ 550.8	\$ 204.7	\$ 40.2	.8	\$ 2.6
	( 782.0)	( 542.0)	( 196.7)	( 39.9)	( .8)	( 2.6)
*Deliveries to For- eign Governments at U. S. Ports	\$ 307.8	\$ 255.8	\$ 34.4	\$ 16.7	-	\$ .9
	( 295.4)	( 246.8)	( 31.5)	( 16.3)	-	( .8)

\*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 April 11, 1942.

EXPLANATION

Allocations, Purchase Authorizations, Requisitions Cleared for Purchase, Obligations, and Deliveries to Foreign Governments at U. S. Ports, increased in total and for each requisitioning government.

FEDERAL SECURITY AGENCY  
SOCIAL SECURITY BOARD  
REGIONAL OFFICE—NEW YORK, N. Y.

OFFICE OF THE REGIONAL DIRECTOR

11 West 42 Street

April 18, 1942

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

My dear Henry:

I tried to get you on the telephone today but you had left for the weekend.

At the last labor meeting, the enclosed telegram was read by the President. Phil Murray, who attended the showing by Ingersoll, was most enthusiastic, and Bill Green had his representatives there.

The President asked that I communicate with you and Mr. MacLeish and request you to be good enough to see whatever Mr. Ingersoll has prepared to determine whether it had any merit. I have sent a copy of the telegram to Mr. MacLeish and have told Mr. Ingersoll that he will hear from you.

The labor people, particularly, were anxious that you see it as soon as possible, and as I feel that Mr. MacLeish may delay doing anything about it, would you be good enough to take the initiative.

Sincerely,



Anna M. Rosenberg,  
Regional Director

Personal and Confidential

COPY

40

PO31 269 EL

KH BROOKLYN NY APR 15 1942

BRIG GEN EDWIN M WATSON SECRETARY

TO THE PRESIDENT WASHDC

I WILL PHONE YOU IN THE MORNING REGARDING THE FOLLOWING  
MATTER IN WHICH I BELIEVE THE PRESIDENT WILL BE INTERESTED.  
AN AGGRESSIVE OUTDOOR ADVERTISING CAMPAIGN TO SELL THE AMERICAN  
PEOPLE THE IMMEDIACY OF THEIR PERIL IN THIS WAR. THIS PROGRAM  
WHICH IS COMPLETELY DEVELOPED CAME TO PM FROM WITHIN THE ADVERTISING  
INDUSTRY AFTER IT HAD RECEIVED ONE HUNDRED PERCENT APPROVAL  
GOVERNMENT, INDUSTRY AND LABOR, BUT ZERO BACKING, NIGHT BEFORE  
LAST I TOOK IT PERSONALLY TO HEADS OF A F OF L, CIO AND RAILWAY  
BROTHERHOODS. THEY SO ENTHUSIASTIC THAT GREEN'S REPRESENTATIVES,  
LUHRSEN AND MURRAY HAVE ASKED ME TO REQUEST A FIFTEEN MINUTE  
SHOWING OF THIS PROGRAM TO THE PRESIDENT. THESE MEN HAVE SAID  
THEY WOULD LIKE TO COME WITH ME TO ENDORSE PROGRAM PERSONALLY,  
SEEKING FINAL ADVICE ON WHETHER GOVERNMENT INTERESTED AND IF SO  
WHAT AGENCY AND IF NOT ENDORSEMENT SO THAT WE CAN PROCEED RAISING  
NECESSARY FUNDS FROM PUBLIC. SINCE PROJECT IS VISUAL AND THE  
ESSENCE OF IT IS ITS SIMPLICITY AND DRAMATIC IMPACT AND THE  
SCALE ON WHICH IT IS TO BE DONE, WRITTEN DESCRIPTION WHOLLY  
INADEQUATE AND EXHIBITS MUST BE SEEN, HOWEVER, BRIEFLY, TO  
APPRECIATE THE MEASURE OF THEIR USEFULNESS TO THE NATION. I AM  
AUTHORIZED BY GREEN'S REPRESENTATIVES, LUHRSEN AND MURRAY TO MAKE  
THIS REQUEST FOR THE BRIEFEST DEMONSTRATION TO THE PRESIDENT.  
AT EARLIEST CONVENIENCE BECAUSE OF URGENT FEELING ON ALL OF OUR

PARTS THAT COUNTRY NEEDS VITAL INJECTION EQUIVALENT  
PSYCHOLOGICALLY TO AN ENEMY BOMB FALLING ON EVERY SINGLE  
CITY IN THE UNITED STATES. THIS IS WHAT MAKES ME PERSONALLY  
CONFIDENT THAT THE PRESIDENT WILL VERY MUCH WANT TO SEE WHAT  
WE ARE TALKING ABOUT. REGARDS

RALPH INGERSOLL.

1146P



# TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

FROM \_\_\_\_\_

BUREAU TREASURY

CHG. APPROPRIATION Defense Savings  
Expenses of Loans

U. S. GOVERNMENT PRINTING OFFICE 10-1728

APRIL 18, 1942

**BROADCAST**

WILL YOU ~~PLEASE~~ WITH ME FROM MY OFFICE IN WASHINGTON THURSDAY EVENING APRIL TWENTY-THIRD ON NATIONWIDE HOOK-UP TO LAUNCH NEW AND INTENSIVE DRIVE FOR THE SALE OF WAR SAVINGS BONDS. WE ARE AT THAT TIME ANNOUNCING NATIONAL AND STATE QUOTAS FOR THE MONTHLY SALE OF BONDS. I AM SENDING SIMILAR INVITATION TO SECRETARY WICKARD REPRESENTING AGRICULTURE AND TO OTHERS REPRESENTING LABOR AND MANAGEMENT. SCRIPT OF THREE TO FIVE MINUTE TALK WILL BE PREPARED FOR YOU SUBJECT TO YOUR APPROVAL. I NEED YOUR HELP. PLEASE LET ME KNOW AS SOON AS POSSIBLE.

HENRY MORGENTHAU, JR.  
SECRETARY OF THE TREASURY

Send this telegram to the following people - 1 copy to the residence of each, and a copy to the business address.

Mr. Philip Murray, President  
Congress of Industrial Organizations  
Carleton Hotel  
Washington, D. C.

Copy to Mr. Philip Murray,  
President  
Congress of Industrial  
Organizations  
900 15th Street, N.W.  
Washington, D. C.

Mr. W. P. Sitherow, President  
National Association of Manufacturers  
5448 Northumberland  
Pittsburgh, Penna.

Copy to Mr. W. P. Sitherow,  
President  
Nat'l. Association of  
Manufacturers  
Blaw-Knox Company  
Farmers Building  
Pittsburgh, Penna.

# TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

FROM \_\_\_\_\_

BUREAU \_\_\_\_\_

CHG. APPROPRIATION \_\_\_\_\_

U. S. GOVERNMENT PRINTING OFFICE 17-1723

Page 2

Mr. Albert W. Hawkes, President  
United States Chamber of Commerce  
1615 H Street, Northwest  
Washington, D. C.

(No other copy)

✓ Mr. William Green, President  
American Federation of Labor  
Hamilton Hotel  
Washington, D. C.

Copy to

Mr. William Green, Pres.  
American Federation of  
Labor  
901 Massachusetts Ave., N.W.  
Washington, D. C.

✓ Mr. T. C. Cashen, Chairman  
Railway Labor Executives Association  
Lin Nor Apartments  
Linwood Ave. at North  
Buffalo, New York

Copy to

Mr. T. C. Cashen, Chairman  
Railway Labor Executives  
Assoc.  
3 Linwood Avenue  
Buffalo, New York

# TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

FROM	44
BUREAU	TREASURY
CHG. APPROPRIATION	Defense Savings, Expenses of Loans

U. S. GOVERNMENT PRINTING OFFICE 10-1728

APRIL 18, 1948

HONORABLE CLAUDE R. WICKARD  
SECRETARY OF AGRICULTURE  
THE WESTCHESTER APARTMENTS  
39TH & CATHEDRAL AVE., N.W.  
WASHINGTON, D.C.

BROADCAST  
WILL YOU ~~REPEAK~~ WITH ME FROM MY OFFICE IN WASHINGTON  
THURSDAY EVENING APRIL TWENTY-THIRD ON NATIONWIDE  
HOOK-UP TO LAUNCH NEW AND INTENSIVE DRIVE FOR THE  
SALE OF WAR SAVINGS BONDS. WE ARE AT THAT TIME  
ANNOUNCING NATIONAL AND STATE QUOTAS FOR THE MONTHLY  
SALE OF BONDS. I AM SENDING SIMILAR INVITATION TO  
OTHERS REPRESENTING LABOR AND MANAGEMENT. SCRIPT  
OF THREE TO FIVE MINUTE TALK WILL BE PREPARED FOR YOU  
SUBJECT TO YOUR APPROVAL. I NEED YOUR HELP. PLEASE  
LET ME KNOW AS SOON AS POSSIBLE.

HENRY MORGENTHAU, JR.  
SECRETARY OF THE TREASURY

✓  
SEND COPY TO  
HONORABLE CLAUDE R. WICKARD  
SECRETARY OF AGRICULTURE  
204 ADMINISTRATION BUILDING  
DEPARTMENT OF AGRICULTURE  
WASHINGTON, D. C.

FK:blb

## UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During  
First Fifteen Business Days of April, March and February 1942  
(April 1-17, March 1-18, February 1-18)  
On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	April	March	February	April over March	March over February	April over March	March over February
Series E - Post Offices	\$ 45,367	\$ 52,783	\$ 60,245	-\$ 7,416	-\$ 7,462	- 14.0%	- 12.4%
Series E - Banks	<u>133,502</u>	<u>152,247</u>	<u>225,241</u>	- <u>18,745</u>	- <u>72,994</u>	- <u>12.3</u>	- <u>32.4</u>
Series E - Total	178,870	205,030	285,486	- 26,160	- 80,456	- 12.8	- 28.2
Series F - Banks	21,582	25,126	35,164	- 3,544	- 10,038	- 14.1	- 28.5
Series G - Banks	<u>94,792</u>	<u>114,964</u>	<u>178,238</u>	- <u>20,172</u>	- <u>63,274</u>	- <u>17.5</u>	- <u>35.5</u>
Total	<u>\$295,244</u>	<u>\$345,120</u>	<u>\$498,887</u>	-\$ <u>49,876</u>	-\$ <u>153,767</u>	- <u>14.5%</u>	- <u>30.8%</u>

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

April 18, 1942.

Source: All figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds.

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals.

## UNITED STATES SAVINGS BONDS

Daily Sales - April 1942  
On Basis of Issue Price

(In thousands of dollars)

Date	Post Office Bond Sales Series E	Bank Bond Sales				All Bond Sales			
		Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
April 1942									
1	\$ 2,476	\$ 10,517	\$ 2,380	\$ 9,608	\$ 22,504	\$ 12,993	\$ 2,380	\$ 9,608	\$ 24,980
2	2,999	8,264	2,119	7,570	17,953	11,263	2,119	7,570	20,953
3	3,222	7,572	1,185	6,235	14,992	10,794	1,185	6,235	18,214
4	2,778	9,292	1,387	5,334	16,013	12,070	1,387	5,334	18,790
6	4,961	13,035	2,329	8,027	23,391	17,996	2,329	8,027	28,352
7	2,958	5,722	834	8,983	15,539	8,680	834	8,983	18,497
8	2,309	9,610	1,142	6,562	17,314	11,919	1,142	6,562	19,623
9	2,906	9,304	955	5,715	15,974	12,210	955	5,715	18,880
10	2,730	8,052	1,573	5,261	14,885	10,782	1,573	5,261	17,615
11	2,150	5,224	668	2,720	8,613	7,374	668	2,720	10,762
13	4,619	17,572	2,432	8,604	28,609	22,192	2,432	8,604	33,228
14	2,513	6,152	1,076	3,333	10,561	8,665	1,076	3,333	13,074
15	2,584	5,102	1,251	5,374	11,728	7,686	1,251	5,374	14,312
16	3,472	10,008	1,400	7,773	19,180	13,480	1,400	7,773	22,652
17	2,690	8,076	850	3,695	12,621	10,766	850	3,695	15,311
Total	\$ 45,367	\$133,502	\$ 21,582	\$ 94,792	\$249,876	\$178,870	\$ 21,582	\$ 94,792	\$295,244

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

April 18, 1942.

Source: All figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds.

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals.

47

**TREASURY DEPARTMENT**

**INTER OFFICE COMMUNICATION**

DATE April 18, 1942.

**TO** Secretary Morgenthau

**FROM** Mr. Hadd

**Subject:** Conversation with Governor Ransom, of the Federal Reserve Board, with regard to consumer credit regulations.

Governor Ransom telephoned me and said they were now working on plans to bring about a restriction in charge account credit. He said they were considering plans for tightening the down payments and shortening the terms, their over-all objective being to bring about a decrease in consumer credit of about \$4 billions by the end of the year -- that would mean a decline from \$9.5 billions of consumer credit as of December 31, 1941 to about \$5.5 billions by December 31, 1942.

As one means of further restricting consumer credit, he asked if the Treasury would consider a proposal to place a 10% tax on all charge accounts, the tax to be billed separately to the customer. He thought this would be a very strong deterrent in the use of consumer credit. The tax, of course, would not be a revenue measure but strictly a regulatory device. In fact the less revenue it produced the more effective the tax would be in restricting consumer credit. I have turned Governor Ransom's memorandum concerning the tax over to Randolph Paul and he, no doubt, will mention it to you after he has had an opportunity to analyze the proposal.

Governor Black, of the Farm Credit Administration, has also asked for the Treasury's views on a tax proposal, the purpose of which is to retard inflation of farm land values such as followed as a consequence of the last World War inflation.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking, China

DATE: April 18, 1942, 10 a.m.

NO. : 427

This is a message which is strictly confidential, No. TF-25, for Mr. Manuel A. Fox, in care of the Secretary of the Treasury, from Mr. Adler.

1. The Minister of Finance sent the Board an official communication on April 14, 1942 in which he asked for a reduction in the rate of exchange. On April 16 the Board sent a memorandum to the Minister of Finance indicating its agreement in principle to the suggested change but adding:

(a) The Board hoped that sales of saving certificates would in fact be increased by the reduction;

(b) Holders of blocked funds may exploit the reduction unless appropriate counter measures are taken to prevent the holders of such funds from moving them into saving certificates without China deriving any advantage therefrom.

(c) More harm than good would result from any further reduction or reductions of the rate in order to stimulate the sale of Government securities.

Dr. Kung assented verbally to the above and action will be taken by the Board when assent in writing is received.

2. The new official rate, as intended by the Board, will be 5-1/16 cents in United States currency and 3-1/16 pence. At this rate the new cross rate would be £1 squalling \$4.029 in United States currency; and the new selling rates would be 3 pence and 5 cents in American currency. It is indicated by the Central Bank that the telegraphic expenses may not be covered by this new sterling margin and the Central Bank has objected to the sale of dollars for sterling below 3 pence since it fears an unfavorable impression may result. The above official rates are preferred by the Board with an understanding that if that is necessary the Board would make up to the Central Bank any losses in cable expenses as an alternative to the establishment of official rates of 3-1/16 pence and 5-3/32 cents U. S. currency which rates in connection with the selling rate of 5 cents would involve a margin of 1.84% on transactions in American dollars.

3. Concerning telegram TF-25, dated April 8, Section One, (5), additional confirmation of the destructions of its records has been received by the Board from another of its employees who has just reached here from Hong Kong. He also stated that before the fall of Hong Kong a complete set of the minutes of the Board was hidden in a safe place. The employee mentioned above stated in addition that he smuggled out in the form of wrapping paper the balance sheet of the operations of the Board up to December 6 which was completed on the 14th of December by Frese.

4. Weekly reports will be sent to you and to Dr. White when air mail communications are resumed.

GAUSS

eh: copy  
4-21-42



C  
O  
P  
Y

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

Yunnanfu via Chungking &amp; N.R.

Dated April 18, 1942

Rec'd 8:01 a.m., 21st

Secretary of State,

Washington.

April 18, 10 a.m.

Figures for truck arrivals at Kunming over  
Burma Road in March show traffic as a little below  
normal for first half of month but a sharp decrease occurred  
during second half. It is understood that the concentrated  
use of trucks nearer border and the diversion of a quantity  
of them for military purposes were factors in reduction of  
cargo arrivals at this place.

PERKINS

RR

eh:copy  
4-24-42

51

Treasury Department  
Division of Monetary Research

Date.....May 4, 1942. 19

To: Miss Chauncey

From: H. D. White

The Secretary may or may not be interested in glancing at this. I had been keeping it thinking I might report to him orally about it, but it is getting too late.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE April 18, 1942

TO Mr. White

FROM Mr. Hoflich

Subject: The British Budget, 1942-43

SUMMARY

Cable information has been received from Mr. Casaday on the 1942-43 budget statement presented to the House of Commons on April 14 by the Chancellor of the Exchequer. A summary of the cable is attached. Following are the highlights:

1. The Chancellor did not recommend any fundamental tax changes.

Higher luxury taxes are depended upon to raise additional revenue and reduce consumption. The purchase tax is to be doubled, substantially higher rates levied on alcoholic beverage and tobacco products, and amusement taxes boosted.

A number of alterations were suggested in the income tax as applied to wage earners, in order to meet popular criticism. The more important recommendations are (a) minimum weekly pay left after deduction of tax to be raised from \$7.50 to \$8.00 for single men, and from \$11.50 to as high as \$20.00 for married men, depending on the number of dependents; (b) married women's personal allowance for earned income to be raised from \$180 to \$320 per year; (c) a simpler form for returns; (d) income-tax payers to receive certificates showing credits for post-war rebates, free from liability for tax arrears.

A slight concession was recommended in the excess profits tax, to make the 20% post-war rebate a statutory liability of the State, but not to be used for dividend payments or bonus shares.

2. 1942-43 expenditures are estimated at \$21,144 million, revenue at \$9,608 million, leaving a budget deficit of \$11,536 million. This compares with \$19,104 million actual expenditures, \$8,296 million revenue receipts and a budget deficit of \$10,808 million for the fiscal year ending March 31, 1942.

These figures do not include the value of Lend-Lease goods. The Chancellor estimated that, including Lend-Lease, total resources at British disposal in 1942-43 will exceed \$26 billion, compared with less than \$22 billion in 1941-42 and \$16 billion in 1940-41.

3. Press reaction to the budget statement was generally favorable. The increased luxury taxes were accepted in good spirit. Some papers thought the Chancellor had not gone far enough in concessions to wage-earners, and disappointment was expressed in some quarters at the failure to revise the excess profits tax.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE April 17, 1942

TO Mr. White  
FROM Mr. Hoflich

Subject: The British Budget, 1942-43

We have received from Mr. Casaday, by cable, a summary of the 1942-43 budget statement presented to the House of Commons on April 14 by the Chancellor of the Exchequer, and the British press reaction thereto. The following are the more significant points:

1. The new budget contained no basic tax innovations, but recommended a number of rather significant adjustments. The outstanding feature is the almost exclusive dependence on higher luxury taxes for increased revenue and reduced consumption. The following tax changes were proposed:

a. In the income tax as applied to wage earners:

- (1) Minimum weekly pay to be left after deduction of tax to be raised from \$7.50 for single men and \$11.50 for all married men, to \$8.00 for single men, \$12 for married men with no children, \$16 for those with one child, and \$20 for those with two or more children.
- (2) Married women's personal allowance for earned income to be raised from \$180 to \$320 per year.
- (3) A simpler form to be provided for income tax returns, and greater efforts made to educate taxpayers with respect to tax provisions and the reasons for them.
- (4) Certificates to be issued to income-tax payers, giving tangible evidence of post-war rebates, the rebate credits to be free from liability for tax arrears.
- (5) Deductions to be spread more evenly over the entire year in seasonal industries, as by collecting the tax on five months of higher earnings during the following seven lean months.
- (6) No tax deductions from wages in July, 1942, to give the inland revenue authorities time to assess weekly wage earners without telescoping deductions into a shorter period and making the weekly burden greater, as happened last year. Thus, between August 1, 1942 and January 31, 1943 deductions will be made from wages on the basis of earnings in the period January 1 to June 30, 1942.

- 2 -

Division of Monetary  
Research

- b. In the excess profits tax, a slight concession was recommended, namely that the 20% post-war rebate be specifically confirmed by act of Parliament as a statutory liability, but not to be used for dividend payments or bonus shares.
- a. In luxury taxes:
- (1) Purchase tax on list of luxuries to be increased from 33 1/3% to 66 2/3%.
  - (2) Higher rates on liquor and tobacco products, which will raise the price of (a) beer by about 3 1/2¢ a pint, (b) whiskey by about 9¢ a bottle, (c) cigarettes by about 10¢ per package of 20, (d) tobacco by about 10¢ an ounce. It is proposed also to double the import duties on wines.
  - (3) Increase in amusement taxes.
  - (4) "Utility" clothing and shoes, being produced in increasing quantities under Government specification and price control, to be exempt from the purchase tax.

## 2. 1942-43 budget totals compared with 1941-42 results (in millions):

	<u>1942-43</u>	<u>1941-42</u>
Expenditures	\$21,144	\$19,104
Revenue	<u>9,608</u>	<u>8,296</u>
Budget deficit	\$11,536	\$10,808

The above figures do not include provision for Lend-Lease goods from the United States. The Chancellor estimated that with lend-lease, "the grand aggregate of the total resources at our disposal under all heads in the coming financial year will probably exceed £6,500 million (\$26,000 million), compared with a total of less than £4,000 million (\$16,000 million) in 1940-41 and less than £5,500 million (\$22,000 million) in 1941-42".

## 3. In his general survey of economic and financial conditions, the Chancellor:

- a. paid tribute to American and Canadian aid;
- b. pointed out that Britain's financial problems elsewhere make it necessary to safeguard exchange resources;

Division of Monetary  
Research

- 3 -

- c. called attention to the fact that the general price level has remained steady for the past ten months, the index of food prices having actually declined, and that wage rate increases during the past year have averaged only six per cent.
- d. reviewed steps taken during last year to prevent undue inflation—(1) extension of rationing, (2) limitation of supplies, (3) heavier taxation, (4) national savings movement, (5) price control;
- e. defended the Treasury from charges of imposing brakes on the war effort.

4. Press reaction to the new budget was generally favorable, eight of ten leading London newspapers viewing it as realistic, austere, and sound.

There was no adverse criticism of the increased luxury taxes. Some papers thought the Chancellor had not gone far enough in tax concessions to wage earners. Considerable disappointment was expressed at the failure to alter the excess profits tax.

Only two papers criticized the budget as a whole. The Daily Herald criticized it as unrealistic, mediocre, mild and merciful, as it "still leaves a great gulf between the well-to-do and the rest of the community". The Financial News, which has been campaigning for lower excess profits tax rates, claimed that the budget emphasized revenue first, avoidance of inflation second and encouragement of the war effort last, whereas the order should be reversed.

(Cable no. 1908, London, April 16, 1942)

BAS

PLAIN

London

Dated April 16, 1942

Rec'd 8:32 p.m.

Secretary of State,  
Washington.

1908, sixteenth

FOR TREASURY FROM CASADAY

Embassy's telegram no. 1401, March 24, no. 1488,  
March 27 and no. 1769, April 11.

1. The 1942-43 budget was presented in Commons April 14 by Sir Kingsley Wood. Owing to the mass of material dealt with only the principal features of the budget and the press reaction thereto will be indicated in this telegram with detailed figures and analysis and copies of the financial statement and the two White Papers to be forwarded by the next air pouch.

The new budget contained no basic innovations but did recommend a number of significant adjustments. The outstanding feature of the new budget is that the Chancellor is depending for increased revenue and reduced consumption almost entirely on further "swinging" increases in existing excise taxes on luxuries.

-2- #1908, April sixteenth from London

luxuries. He stated that the heavy additional burdens and the widening of the area of direct taxation imposed in last year's budget "are too recent for me to contemplate further exactions at the moment. The weight of the last budget (as regards direct taxation) is only now being borne in its full severity". The Chancellor even went so far as to make several concessions with respect to direct taxation on wage earners in reply to the many criticisms of the existing tax which have been reported from time to time.

2. Following the precedent of last year the Chancellor devoted a considerable part of his speech to a "General survey of the financial and economic front". His opening tribute to the lend-lease aid of £600,000,000 provided by the United States up to March 31 and to Canada's proffer of \$1,000,000,000 worth of supplies free of charge was enthusiastically received by the House. The Chancellor indicated that supplies from North America, which constituted one of his chief preoccupations last year, are no longer a financial problem but now depend principally upon strategical requirements and transport facilities. He pointed out however that Britain's financial problems  
in other



-3- #1908, April sixteenth from London

in other parts of the world have not been solved and that it is still necessary to safeguard exchange resources to meet needs not covered by special forms of assistance.

Sir Kingsley next reviewed the various steps taken during the past year to prevent undue inflation. These included: the extension of rationing to clothing, soap and food, limitation of supplies, heavier taxation, the "unremitting efforts of the national savings movement" and perhaps most important of all the control and stabilization of prices. The general price level he said has remained steady for the past ten months, the index of food prices having actually declined. Wage rate increases during the past year have averaged only six per cent. Sir Kingsley declared that although the present situation does not justify any relaxation of vigilance it indicates that "the whole economic policy of the Government has attained a considerable degree of success".

Early in his speech the Chancellor referred to the criticisms frequently leveled at the Treasury in connection with the war effort and with a typically Keynesian

-4- #1908, April sixteenth from London

Keynesian touch offered a general justification of Treasury's war-time position. It is not the function nor the intention of the Treasury he said to impose brakes or checks upon the war effort yet it is responsible for seeing that waste and extravagance are eliminated. The Treasury is always willing to investigate any specific charges of this kind but it is often accused at one and the same time of laxness in allowing such conditions to exist and of interfering with the war effort when it undertakes to investigate and eliminate the practices complained of. "It is my own belief", the Chancellor added "that the Treasury walks this particular tight-rope with a substantial measure of care and skill".

3. The specific taxation changes proposed by the Chancellor include six modifications in the income tax as applied to wage earners. These are:

(A). That the minimum weekly pay packet after deduction of income tax be raised from £1.17.6 for single men and £2.17.6. for married men (regardless of size of family) to £2 for single men, £3 for married men with no children, £4 for married with one child and £5 for married men with two or more children.

(B).

-5- #1908, April sixteenth from London

(B). That the personal allowance for married women's earnings be raised from £45 to £80 for the war period.

(C). For seasonal employments where the complaint has been that during the thin-earning season deductions from wages are made in respect of assessment on the fat-earning period, the ingenious proposal is made that the payment for five months of tax on the better earnings shall be spread over seven months of lower earnings thus leveling out the deductions over the two half year periods. This system is to be elastic other periods being choosable where such would spread the deductions most evenly.

(D). In order to give the inland revenue sufficient time to assess weekly wage earners without as last year telescoping deductions into shorter periods and therefore making them a greater burden from week to week, the deduction periods are to start one month later beginning with the period due to commence July 1 this year when deductions in respect of the second half year's tax for 1941-42 would take place. These will begin instead on August 1 and continue to the end of January 1943. No deductions will therefore be made in July 1942 which will be a tax deduction holiday for the worker.

(E).

-6- #1908, April sixteenth from London

(E). That greater efforts be made to educate the masses of new income tax payers with regard to the provisions of the tax and the reasons therefor. The Chancellor announced that new literature explaining the tax in "simple terms" (laughter) was being prepared as well as a new and simpler form for making income tax returns.

(F). That official certificates be issued to income tax payers giving tangible evidence of the amount of post-war rebates promised and that the post-war credit be free from liability for tax arrears.

It would appear that without altering the basic system these changes meet in considerable measure all of the criticisms that have been advanced against the income tax on wage earners except that concerning the incidence of the tax on overtime earnings and the resulting alleged adverse effect on "marginal" effort. It is significant that the income tax in relation to weekly wage earners was made the subject of a special White Paper of sixteen closely printed pages analyzing the problem in detail, explaining the foregoing changes as well as the reasons for the rejection of some of the more commonly urged schemes.

No change

-7- #1908, April sixteenth from London

No change was made in the excess profits tax but a slight concession was allowed in one direction by the proposal that the post-war rebate be specifically confirmed by act of Parliament as a statutory liability subject only to the conditions that the tax has in fact been paid and that the rebate is not to be used for payment of dividends or the issuing of bonus shares.

The only other change in direct taxation was an alteration in the basis of assessment of income tax on farming profits designed to bring the small farmer into line with large farmers and other businesses. This will only increase income tax receipts by £3 million in the current year and by £7 million in a full year.

In announcing his drastic increases in certain customs and excise duties and entertainments tax the Chancellor of the Exchequer stressed the advantages of indirect tax increases from the revenue point of view. They not only involve no delay in operation as is the case with direct taxation but call for no new machinery or expenses in collection. He chose customs and excise duties which he said "have  
for years

18-#1908, April sixteenth from London.

for years stood up to any strain put upon them and are at present proving very lucrative" and noted furthermore that they are on products where the present supply is not equal to demand and where it would be entirely wrong to provide additional shipping space or deflect labor to increase the supply. The effects of these changes will be as follows: The British public will pay another 2 pence per pint for beer, another 4 shillings 8 pence per bottle for whisky (a bottle of whisky will now cost 22 shillings 2 pence) while the duties on wines are doubled; another 6 pence for 20 cigarettes, another 6 pence an ounce for tobacco (except by members of the fighting services purchasing tobacco and cigarettes in service canteens), they will also pay more for their movie, theatre, football etc. tickets, while the purchase tax on wholesale prices of a list of luxuries is to be doubled from 33-1/3 to 66-2/3 percent. These articles include such items as furs, silk articles, leather luggage, photographic and musical articles, jewelry, toilet preparations, fancy goods and works of art. The purchase tax increases on luxuries will bring an added £10 million in the present year which will be however

offset

-9- #1908, April sixteenth from London

offset by the exemption as from September of purchase tax on utility cloth and clothing, boots and shoes which are being produced in increasing quantities under Government specification and price control.

The changes in customs and excise duties will yield £160 million this year while the net result of changes in direct taxation will be a reduction of £2 million, the change in farming profits adding £3 million and the allowance for wives' earned income reducing receipts by £5 million this year. (in a full year added receipts from farmers' profits will be £7 million and the reduction resulting from the increased allowance for wives' earned income will be £25 million while the net increase in customs and excise duties will be £164 million). The most lucrative items in the customs and excise list are tobacco, including cigarettes, and beer which together will bring in an added £130 million this year.

4. The totals of the new budget follow:

Total expenditure he put at £5,286 million or £510 million over expenditure in 1941-42. Since he is treating the assistance from the Canadian Government as a cash receipt the £225 million from that source

is not

-10- #1908, April sixteenth from London

is not deducted from the vote of credit figure of £4,500 million, but the latter figure does not include provision for lease-lend goods from the United States. He estimated that with lease-lend "the grand aggregate of the total resources at our disposal under all heads in the coming financial year will probably exceed £6,500 million, compared with a total of less than £4,000 million in 1940-41 and less than £5,500 million in 1941-42.

Of the exchequer total of £5,286 million civil supply services are placed at £444 million (as compared with £400 million last year) the fixed debt charge at £325 million (£257 million last year) and £17 million for contractual sinking funds; with £4,500 million or an increase of £700 million over the last year for votes of credit (including this year non-lease-lend payments to United States and substantial payments to Canada). For social services £234 million is included in the totals as well as a sum exceeding last year's £125 million for price stabilization subsidies and £32 million for the higher pay to soldiers etc. already committed.

Examining the resources available to meet the

£5,286 million



-11- #1908, April sixteenth from London

£5,286 million expenditure he considered that foreign disinvestments including the growth in sterling balances <sup>of</sup> overseas countries together with the Canadian Government's contribution would reduce to £4,500 million the figure required from domestic resources which compared with £3,800 million estimated in the new White Paper for the calendar year 1941 and £2,600 million in 1940. His proposed tax changes together with increasing yields he estimated would raise revenue to £2,402 million (as compared with £2,074 million received in 1941-42) leaving £2,100 million to be derived from extra-budgetary funds, company depreciation and sinking funds and personal and institutional savings which he compared with about £2,000 million as estimated in the new White Paper as achieved in the calendar year 1941.

5. As is customary in the budget speech before dealing with this year's changes and estimates the Chancellor of the Exchequer reviewed last year's figures not only of the Exchequer returns but also of the estimates contained in last year's and in the new White Papers. Since an analysis of these figures

-12- #1908, April sixteenth from London

figures would have to be long and involved if the reader has not a copy of the White Papers available, full discussions of these statistics will be dealt with in a mailed memorandum. The Chancellor of the Exchequer's general conclusions may be briefly summarized as follows:

He found that his forecasts of domestically financed expenditure were "fairly close" that the target for savings had been "substantially attained" that there was an actual increase in Government stocks of essential goods and that he could "say with confidence that there had been no dangerous inroad into private stocks although supplies of non-essential goods no longer produced were naturally drying up." As for his actual Exchequer returns revenue at £2,074 million was £268 million above estimates while expenditure at £ 4,776 million exceeded the estimate (as revised in December by adding £300 million for non-lease-land payments to the United States) by £269 million. The year's budget deficit was therefore £2,702 million as compared with the original estimate of last April of £2,421 million with which the £300 million added in December for payments to the United States would have been £2,721 million.

6. Press

-13-#1908, April sixteenth from London.

6. Press reaction to the new budget was generally favorable, eight out of ten leading London newspapers viewing the budget as realistic, austere and sound. On the whole there was no unfavorable criticism of the new tax increases on beer, tobacco etc., typical comment being: "it is a small enough price to pay for victory" (NEWS CHRONICLE April 15). "The increases are severe especially when regard is had to the size of the imposts most of these commodities were already bearing but no one will contend that they involve any real **hardship** or that the war economy will not benefit from reduced consumption" (DAILY TELEGRAPH April 15).

With regard to the income tax press comment was favorable on the increase in married women's allowances, the raising of the minimum weekly wage after payment of income tax and the proposed method of adjusting taxation in the case of seasonal wage earners. Some papers however notably the MANCHESTER GUARDIAN and the DAILY HERALD urged that the Chancellor of the Exchequer had not gone far enough and expressed the hope that deduction of income tax on current earnings would be considered at a later date.

The fact that the Chancellor of the Exchequer dic

-14- #1908, April sixteenth from London

not make any change in excess profits tax is widely regarded as the most disappointing feature of the budget. The DAILY TELEGRAPH predicted that more would be heard of excess profits tax before the finance bill became a law.

The removal of the purchase tax on utility clothing was regarded universally as an excellent proposal. The MANCHESTER GUARDIAN pointed out that it was the only really unusual feature of the whole budget.

Press comment on the alteration in the tax assessment on small farmers was generally favorable.

THE DAILY HERALD and the FINANCIAL NEWS were the two papers which criticized the budget. The former criticised it as unrealistic, mediocre, mild and merciful because it "still leaves a great gulf between the well-to-do and the rest of the community." The FINANCIAL NEWS which has continually stressed the importance of the role of incentives in war production claimed that the budget emphasized revenue first, avoidance of inflation second and encouragement of the war effort last, whereas this order should be reversed.

M.THEWS

CSB

April 18, 1942

Mr. Livesey

Mr. D. W. Bell

Will you please send the following cable to the American Embassy, London, England:

"From Treasury.

Reference No. 1468, April 8, midnight.

1. Procedure outlined in telegram No. 1468, April 8, midnight, relative to checks drawn on Treasurer of United States and the sale of U. S. currency is hereby extended to the London branches of the Bankers Trust Company of New York and the Central Hanover Bank & Trust Company of New York.

2. The London branches of the Bankers Trust Company and the Central Hanover Bank & Trust Company are hereby designated depositories of public moneys of the United States in order to carry out the procedure in telegram No. 1468, April 8, midnight.

3. Please advise the London branches of the banks designated and other Government officials appropriate parts hereof."

EDB:mlb 4-17-42  
Copy:bj:4-18-42

## TELEGRAM SENT

PH

GRAY

April 18, 1942

Noon ~~TT~~

MEMBLISSY

LONDON (ENGLAND)

1645

FROM TREASURY

QUOTE. Your 1468, April 8, midnight.

1. Procedure outlined in telegram no. 1468, April 8, midnight, relative to checks drawn on Treasurer of United States and the sale of U. S. currency is hereby extended to the London branches of the Bankers Trust Company of New York and the Central Hanover Bank & Trust Company of New York.

2. The London branches of the Bankers Trust Company and the Central Hanover Bank & Trust Company are hereby designated depositories of public moneys of the United States in order to carry out the procedure in telegram no. 1468, April 8, midnight.

3. Please advise the London branches of the banks designated and other Government officials appropriate parts hereof. END QUOTE.

WELLES  
ACTING  
(FL)

FD:FL:MBcB

In reply refer to  
SD 390.1115/2866

April 18, 1942

My dear Mr. Secretary:

I have received your letter of April 11, 1942, inquiring whether arrangements for the mutual exchange of American and Japanese officials have been completed and whether Treasury officials in the Far East including Messrs. William Taylor and Walter Freese at Hong Kong, are included in the list of American officials to be exchanged.

Although negotiations have not yet been completed, the agreement of the Japanese Government has been obtained in principle and on a basis of reciprocity to the exchange of official personnel in Japan and Japanese-occupied areas, with the exception of the Philippines. The Japanese Government has not agreed to the inclusion in the exchange arrangements of American officials ~~xxx~~ ~~other nationalities~~ in the Philippine Islands or other American territory under the occupation of its armed forces. It is expected, however, that except for those persons ~~xxx~~ in the Philippines, the Treasury personnel in ~~any~~ territory listed in the enclosure to your letter of February 6, 1942, as well as Mr. Taylor and Mr. Freese, will be repatriated on the first Japanese exchange vessel, the date of whose departure has not yet been determined.

Sincerely yours,

Sumner Welles

Acting Secretary

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

APR 11 1942

My dear Mr. Secretary:

I have received unofficial information that arrangements have been made for the exchange of United States officials in the Far East. I shall be glad if you would inform me whether such an exchange has been arranged and whether Treasury officials in the Far East and Messrs. William Taylor and Walter Freese in Hong Kong are included in the list of American officials to be exchanged.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The Honorable

The Secretary of State

cc - H.M.C.  
Copies to London

By Messenger 11:50 *Simmons*

ISF/efe  
4/10/42

Return to Sec'y office



## TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE April 18, 1942

TO <sup>for Chauncey</sup> Secretary Morgenthau  
 FROM Mr. Dietrich

## CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£18,000
Purchased from commercial concerns	£11,000

Open market sterling held at 4.03-3/4, with no reported transactions.

The Canadian dollar discount narrowed to 12-5/8%, as against 12-13/16% yesterday and 13-1/8% a week ago.

The Cuban peso improved slightly to an offered rate of 1/4% premium.

In New York, closing quotations for the foreign currencies listed below were as follows:

Argentine peso (free)	.2370
Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2064
Uruguayan peso (free)	.5295
Venezuelan bolivar	.2860

There were no gold transactions consummated by us today.

No new gold engagements were reported.

TO THE SECRETARY

April 19, 1942.

In compliance with the request made to you by Mr. Richard Jenkins of Arizona, we were able to arrange for the appearance of Mr. Charles Laughton on Sunday evening, the 19th, in Tucson.

Ted R. Gamble

MOST SECRET  
U.S. SECRET

Copy No: 13

19th April, 1942.

OPTEL No. 127

Information received up to seven A.M. 18th April, 1942.

1. NAVAL

MURMANSK Harbour was heavily bombed on the 15th. One British Merchant ship is a total loss and another is aground badly damaged. Two Platoons of Royal Marines were landed from two of H.M. Destroyers during night 15th/16th on the Greek island of KOUPHONESI south-east of CRETE and destroyed the W/T station, the enemy retreated with casualties, four Royal Marines were slightly wounded. One medium sized British Merchant vessel was reported sunk on the first off Cape HATTERAS, other attacks on shipping are reported from south-west Pacific, Atlantic, West Indies and off BEIRUT where a seven thousand ton British Tanker and a small Free French Trawler were sunk.

2. MILITARY

BURMA. Irrawaddy Front. 15th/16th. Our forces were attacked and withdrew to an area about seventeen miles south of YENANGYAUNG. The King's Own Yorkshire Light Infantry successfully broke off their delaying action near MYINGUN and have rejoined, they inflicted heavy casualties and suffered small loss

Bittang Front. Chinese forces at SWA have withdrawn to new positions near PYINMANA.

3. AIR OPERATIONS

Western Front. 17th. A total of thirty Bostons and eight Hurricane bombers with fighter escort attacked CHERBOURG docks, a power station and ship yards at ROUEN, a shell factory at MARQUISE and a parachute factory at CALAIS. At ROUEN direct hits were made on the power station, on four ships (one of three hundred feet) and on three oil cisterns. At MARQUISE the main factory building was hit. Fighter command despatched over six hundred and fifty offensive sorties. Enemy casualties were three destroyed, two probably destroyed and four damaged. We lost three Spitfires (two pilots safe) and one Boston.

German defensive patrols involved three hundred and thirty sorties but their fighters seemed unwilling to become involved. Twelve Lancasters were sent to attack a naval armament factory at AUGSEURG, four were shot down by fighters en route and three by A.A. over the target. Preliminary reports show that a damaging attack was delivered and that thirty-two one thousand pound bombs were dropped from two hundred - four hundred feet. 17th/18th. 236 aircraft despatched. HAMBURG 175. ST NAZAIRE 22. Aerodromes 20. Preliminary reports state visibility at HAMBURG was good and many fires were started. Nine bombers are missing. One enemy aircraft was shot down over this country and another over France.

MALTA. During fifty-four hours ending one P.M. 17th no bombs were dropped.

4. HOME SECURITY

17th/18th. Some mild scattered bombing occurred in southern counties there were some service casualties at a supply depot near Southampton.

BRITISH MOST SECRET

(U.S. SECRET)

OPTEL No. 128

Information received up to 7 A.M., 19th April, 1942.

1. NAVAL

16th. Dutch tanker torpedoed and sunk off TRINIDAD.

2. MILITARY

BURMA. IRRAWADDY FRONT. 16th/17th. The Japanese established a road block north and south of the PIN CHAUNG just north of YENANGYUANG. The results of our attack on the morning of the 17th to clear this block are not yet known.

KARENNI FRONT. The Chinese report an unsuccessful attempt by 700 enemy to cross the HTU CHAUNG North of PASAWNG.

3. AIR OPERATIONS

WESTERN FRONT. 17th. Correction. We lost one Spitfire not three.

17th/18th. HAMBURG. 113 aircraft dropped about 74 tons of high explosive (including twelve 4,000 pounders) and about 105 tons of incendiaries (including nearly 500 250-pounders). No cloud, visibility good except for haze but much searchlight glare and intense anti-aircraft. Many fires seen. 16 R.C.A.F., 10 R.A.A.F. and 9 New Zealand aircraft participated without loss.

19th. 16 Squadrons of Spitfires swept over Northern FRANCE. Enemy reaction slight, no losses either side.

MALTA. 18th. Between 0415 and noon about 110 bombers escorted by fighters attacked. One bomber was destroyed and two others probably destroyed by anti-aircraft. Damage was caused at HAL FAK, LUQA and GRAND HARBOUR, and serious damage by bombs and fire to workshops at KALAFRANA where many aircraft under repair were destroyed.

BURMA. 16th/17th. United States aircraft bombed the docks area at RANGOON. Poor visibility prevented observation.

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HONORABLE HENRY MORGENTHAU JR

SECRETARY OF THE TREASURY

I AM PLEASED TO COMPLY WITH YOUR REQUEST TO PARTICIPATE IN  
A RADIO BROADCAST WITH YOU IN YOUR OFFICE AT WASHINGTON ON  
THURSDAY EVENING APRIL TWENTY THIRD STOP I ESTEEM IT A  
PRIVILEGE AND A PLEASURE TO DO SO

WILLIAM GREEN PRESIDENT AMERICAN FEDERATION OF  
LABOR.

WUWE9 40 NT

BUFFALO NY APR 19 1942

HENRY MORGENTHAU

1942 APR 20 AM 7 48

SECRETARY OF TREASURY

RETEL SHALL BE VERY GLAD TO JOIN WITH YOU IN A BROADCAST FROM  
YOUR OFFICE THURSDAY EVENING IN CONNECTION WITH SALE OF WAR  
SAVINGS BONDS PLEASE ADVISE AS TO TIME ALSO SEND ME AIR MAIL  
COPY OF SCRIPT REFERRED TO

T C CASHEN.

745AM APR 20.

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HENRY MORGENTHAU JR

TREAS

WILL BE PLEASED BROADCAST WITH YOU THURSDAY TWENTY THIRD  
STOP WILL BE NEWYORK THURSDAY AND FRIDAY KINDLY ADVISE WHAT HOUR  
WILLIAM P WITHEROW.

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WASHINGTON DC APR 18 1124P 1942

HENRY MORGENTHAU

SECY OF TREASURY

I SHALL BE HAPPY TO SPEAK ON THURSDAY NIGHTS

DEFENSE BOND RADIO PROGRAM

CLAUDE WICKARD SECY OF AGRICULTURE.

749(-AM APR 20.

APR 20 1942

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Treasury Department  
Division of Monetary Research

82

Date April 20, 1942 19

To: Mr. Graves

From: Mr. White

Mr. Philip Murray of the C.I.O. telephoned me at 9:30 Monday morning. He said he tried to get the Secretary, who was reported to be out. He said he received a telegram from Secretary Morgenthau, asking him to appear on a radio program Thursday evening, but unfortunately, he had a long-standing appointment for that evening, to appear at a public event in Philadelphia. He said he would be very happy to participate at any other time. He asked whether I would communicate that to the Secretary and I replied that I would report it at once to Mr. Graves who was, I believe, in charge of the program.

April 20, 1942  
11:00 a.m.

DEFENSE SAVINGS BONDS

Present: Mr. Sloan  
Mr. Gamble  
Mr. Sparks  
Mr. Graves  
Mr. Callahan  
Mr. Gaston  
Mrs. Klotz  
Mr. Kuhn

H.M.JR: Go ahead, Harold

MR. GRAVES: We have now completed the state and county quotas for May, June, and July. I thought that we perhaps should on Friday release the state quotas for May, only the state quotas, and tell what the aggregate of those quotas is. It is seven hundred million. And then say that June and July quotas will be subsequently announced. Our quotas fixed for June and July are eight hundred twenty-five million, and a billion. The county quotas we sent last week to our state administrators, asking them to make any suggestions for revision that might occur to them. We don't know too much about these county quotas here. I think it would be unwise to release them until our state people had had a chance to release them.

H.M.JR: Before you go further, may I argue with you a little bit?

MR. GRAVES: Yes, sir.

H.M.JR: I have come back Monday tired because I have been doing nothing but thinking about this thing. We all agree that we should hit a billion dollars, I take it, of "E" Bonds by July.

- 2 -

MR. GRAVES: Not "E" Bonds, total.

H.M.JR: All right. One of the many handicaps which I have to fight against now is the fact that our sales rate is still running below March by eighteen or nineteen percent, so I just wondered - and you see, I have told them I wanted until the first of July to make good. I had in mind - what will we do this month?

MR. GRAVES: I think we will do about three hundred twenty million of "E" Bonds.

H.M.JR: I mean total.

MR. GRAVES: And the total, I think, will be five hundred and twenty or so.

H.M.JR: Well, I was thinking in terms of six, eight, and a billion. I wanted to make it low enough so we could hit it, you see. I would much rather hit it and go over than to go under. It would be a tragedy if we went under.

MR. GRAVES: You are referring to our suggested seven hundred million in May?

H.M.JR: Yes, I had six. Let's say we do five hundred. Twenty percent increase is a hundred million, so that is six hundred million, isn't it? Then you take twenty percent of that is another hundred and twenty million, is seven hundred. Well, at any rate, I was thinking of six, eight, and a billion. Now, if we go over - I mean, here it is the twentieth of April and we have got so much to do. Supposing we did - went over - well, if we did seven hundred, it would be wonderful. But if we only did five hundred, everybody would be harping, you see, that it is a failure.

MR. GRAVES: That is right.

H.M.JR: And we still haven't got the pay roll thing working smoothly. Incidentally, I wish we could have

- 3 -

some one person so if I ever want to talk pay-roll deduction I would send for Mr. Jones. Will you think of that?

MR. GRAVES: Yes.

H.M.JR: Just some fellow. That is big enough for just one fellow. Some one person would be "pay roll Jones."

MR. GRAVES: All right.

H.M.JR: Because there are so many things. So I shoot at Dan. Dan oughtn't to have anything to do with it. Here you have got fifty-four thousand concerns, and there is this whole question of licensing, as I call it, and so forth and so on. I think this thing is big enough that there should be - isn't there some fellow like Ted Gamble in the field who has made an outstanding success of handling that?

MR. GRAVES: The best man we have in my opinion is the man I mentioned the other day, Mr. Seese in Chicago. He has done better on pay-roll savings than - you remember I tried at your suggestion to get him here, and found that he was sick.

H.M.JR: What is the matter with him?

MR. GRAVES: I think he has worn himself out on this job.

H.M.JR: Well, I don't want anybody that is worn out. That is my privilege. Is he better than Keller?

MR. SPARKS: Well, he is the man that sold Keller on the idea of putting the plan in and guided him in his steps.

H.M.JR: Well, is Seese well enough to be here tomorrow?

MR. SPARKS: I think so. I think it was just a temporary thing.

- 4 -

H.M.JR: Is he well enough to be here tomorrow?

MR. GRAVES: I think so.

MR. SPARKS: I think so, Mr. Secretary.

MR. GRAVES: He would have come before, but I thought he should not be asked to come.

H.M.JR: He could be here anyway to talk about that Thursday meeting. You got my telegram on the Thursday meeting, didn't you?

MR. GRAVES: I did, yes. I think that you have the wrong impression of what that meeting is. It is eight hundred people to be at that meeting, and they are not people outside International Harvester. It is just, as I understand, people within that company.

H.M.JR: Well, my informant was George Buffington, that there were eight hundred manufacturers.

MR. GAMBLE: What the International Harvester people would have done if you had come out was to invite some outside people, but the eight hundred are their own people. When they learned you were not coming, they confined it to their own company, and it has been suggested that a similar meeting to what you suggested yourself be held in the Illinois area, possibly ten days later.

H.M.JR: Well, gentlemen, I would rather lower my sights for May for six hundred million, eight hundred, and then a billion. What do you think?

MR. GRAVES: Six hundred, eight hundred, and a billion. I think that would be better. You see, when we supposed we would announce the whole program much earlier - we have now lost so much time I think it would be better to drop that.

H.M.JR: We have lost ten days. What?

MR. GRAVES: We have lost more than ten days.

- 5 -

H.M.JR: Well, we were going to do it on the thirteenth.

MR. GRAVES: Yes.

H.M.JR: We are doing it now on the twenty-third.

MR. GRAVES: Well, the quotas, you see, we will not now be able to get them out until next Monday.

H.M.JR: I thought we never were going to do it before the thirteenth. Anyway, what did we do while we were losing time?

MR. GRAVES: I mean--

H.M.JR: We were having the most severe battle, inter-departmental battle, that I have ever been in. I haven't recovered from it yet. But what do you think, gents?

MR. SPARKS: I think six, eight, and ten is a better arrangement.

H.M.JR: What do you think, Herbert?

MR. GASTON: Yes, I think so. You say we don't want to set a thing we can't reach. It is better to go over it. It would be a very fine effect if we would sell a billion in June on an eight hundred quota.

H.M.JR: Anybody object to six, eight, and ten?

MR. GRAVES: George Haas will be the only one that will object.

H.M.JR: Why?

MR. GRAVES: He has got to do this job over again.

H.M.JR: Well, George doesn't mind that.

MR. GRAVES: Would you like to see what it looks like?

- 6 -

H.M.JR: Well, what do you men think?

MR. GRAVES: I think you are right.

H.M.JR: Especially if you say we have lost time?

MR. GASTON: You will just have to take eighty percent of each figure. That isn't hard.

H.M.JR: Well, Tickton and George had the privilege of staying home Saturday and Sunday, and their crowd.

MR. GRAVES: Here are the average monthly sales from last July through January.

H.M.JR: And this is what you are going to give them?

MR. GRAVES: We will cut it down now.

H.M.JR: This is the average?

MR. GRAVES: Average monthly sales.

H.M.JR: And if you do that, it would be how much?

MR. GRAVES: That would be on a basis of seven hundred million for May, eight twenty-five for June. It would be a billion for July.

H.M.JR: Well, I would cut it to six, Harold. Do you think so?

MRS. KLOTZ: I would, definitely.

H.M.JR: Don't you think so?

MR. GRAVES: Yes.

MR. SLOAN: Six, eight, and ten, yes.

H.M.JR: Six, eight, and a billion.

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MR. GRAVES: Now, you will recall that we were ready to send out earlier this month the General Electric pamphlet with a letter for your signature which was drafted by Mr. Odegard. I think we ought to go ahead with that now.

H.M.JR: With just the GE pamphlet?

MR. GRAVES: That will be the first of a series. We are getting fifty thousand copies of a similar pamphlet from General Motors which we ought to have in a couple of weeks, and we will do the same thing with that.

H.M.JR: Will you say this is the first of a series?

MR. GRAVES: That is what we do say. It is number one of a series of case histories.

H.M.JR: Would you mind putting it in the letter? Just add on a p.s., "This is the first of a series."

MR. GRAVES: Yes, we do say that.

H.M.JR: But in the light of everything that has happened, I would like to reread this letter. When do you want a clearance on this?

MR. GRAVES: Well, I think we ought to get it out as quickly as we can. I will leave that with you if you like.

H.M.JR: When, tonight? I mean, I can read this after supper. And then please, somebody, make a note for Mr. Graves, I want a letter to go to every Senator and every Congressman. "My dear -" along this line. "My dear Senator Barkley: I take pleasure in sending you herewith enclosed a copy of a letter and a leaflet which is going to each of fifty-four or fifty-five thousand manufacturers who employ twenty million workers. After reading the same, I would be glad to receive any suggestions or criticisms from you. Yours sincerely," see? And that will go to the Vice President, to all of these people who



- 8 -

have been fighting this like Henderson and Eccles, and all the members of the Federal Reserve Board, the twelve presidents of the Federal Reserve Board, each director of the twelve banks of the Federal Reserve Board. I mean, of the regional - they each have directors. And then this list which Mrs. Klotz has or Miss Chauncey has, has about twenty-five or thirty heads of independent agencies in Washington. Each one of those should get that, you see. Miss Chauncey knows which of those I sign. I think I only sign those which go to the Cabinet. This would go to the Cabinet, the heads of the thirty-five independent agencies, every Senator and every Congressman, and the whole Federal Reserve Board here and every director and member of the twelve banks of the Federal Reserve Board, you see.

And I think a little something in the letter should read like this "I am counting on your cooperation to assist me in putting this plan over." That ought to go out at this time.

MR. GRAVES: Very good.

H.M.JR: All right.

MR. GRAVES: Now, would you like Mr. Callahan to tell you what we have tentatively decided upon as publicity for this thing?

H.M.JR: We will keep talking until Ferdie comes in with my talk as editor.

(Mr. Kuhn entered the conference.)

H.M.JR: We were just talking of the devil. Here he comes - a nice devil. We will stop everything now for you, Ferdie.

MR. KUHN: I talked to Mr. Weir. He had only two minor suggestions.

H.M.JR: Will you give them to me? What was the reaction?

- 9 -

MR. KUHN: Very good, except the two minor points.

H.M.JR: Let me read a paragraph and stop, and then we will get Mr. Weir's suggestion and anybody else's in the room. Let me read the whole thing through once to you until you get it. This is, so to speak, the opening gun. You are all interested. This is for the news reel at two thirty. "In a nation at war "spending as usual" is as dangerous as "business as usual." We can't have all we want for ourselves and at the same time give our fighting men all they must have. Every one of us is as deeply involved in this war as our soldiers at the front and our sailors on the sea. It is time for us as individuals to make our own declaration of war against the Nazis and the Japanese - now. We have got to think war and act war in our personal everyday lives.

"There is no better way for civilians to get behind the war effort than to cut down spending, to save materials, to buy War Savings Bonds."

MR. KUHN: Weir has one suggestion there. We would like to make that," and most important of all, buy War Savings Bonds." I question whether we are entitled to say that our show is more important than Mr. Nelson's.

MR. GASTON: It isn't so.

H.M.JR: No. We crossed that in some other speech. You remember, we kept watering it down. You remember, Mrs. Klotz, it was some speech you were worried about. It was the speech I made in Baltimore.

MR. KUHN: We have never said it was the most important. We have said it was the easiest--

MR. GASTON: I think there is a very great danger to morale in saying that, giving people the idea that by buying three percent bonds they are doing all they need to do.

H.M.JR: Right. "Nearly ten million Americans are now buying War Bonds, but at a leisurely pace and in modest amounts."

- 10 -

MR. KUHN: Now here is Mr. Weir's second suggestion. He thinks it is bad psychology to emphasize the leisurely pace and the modest amounts. He would prefer to say, "But with the war costing us a hundred million dollars a day, we have got to raise vastly greater amounts than before, or we have got to subscribe at a much greater pace than before."

H.M.JR: I like that.

MR. GASTON: O.K.

MR. KUHN: It fits in well there, doesn't it?

MRS. KLOTZ: That is right.

H.M.JR: I like that. Get your figure right. I think it is a hundred million.

MR. KUHN: I think it is an improvement.

H.M.JR: I think that is all right, Ferdie.

MR. KUHN: I think it is an improvement. I think it is worth knowing that it is bad psychology to talk about the leisurely investment.

H.M.JR: Are those the only two suggestions?

MR. KUHN: Yes.

H.M.JR: The one he wins on, and the other he doesn't. Do you agree with that?

MRS. KLOTZ: Absolutely.

H.M.JR: "We have got to step up the sale of War Bonds to a billion dollars every month. Every community in this country will have to do its share to reach its quota. Everyone who earns regular pay should set aside an average of at least ten percent of it every week for buying War Bonds. The most convenient way of doing this

- 11 -

is through the payroll savings plan, under which you authorize your employer to set aside a part of your earnings every payday.

"So let's stop needless spending and start to save for victory. It's not only smart to be thrifty, but our future depends upon it. Remember, what you save now serves your country today and yourself tomorrow."

MR. KUHN: I asked him especially about the "smart to be thrifty." He said he liked it. He said first of all you wouldn't make it sound frivolous and flip. Secondly, he said that phrase has become part of the American language; and secondly, the last part of the sentence, "our future depends on it," protects it completely from any suggestion of flippancy.

H.M.JR: Mr. Gaston thought it was kind of flippant to say it is smart to be thrifty. I kind of lean toward it. Starting with Harold, any suggestions?

MR. GRAVES: I was wondering whether that "average" belongs in that sentence. "Everyone who earns regular pay should set aside an average of at least ten percent." I wonder if the "average" belongs in there. You could say, "Everyone should set aside at least ten percent."

MR. KUHN: We don't say that, Harold, because we always recognize the fact that some people can't set aside ten percent.

MR. GRAVES: But when you say, "Everyone should set aside an average of at least ten percent," to me that means that some weeks it would be eight and some weeks twelve, but for every person it would average ten percent. That is the meaning of your sentence as I get it.

H.M.JR: I think that is what he does mean.

MR. KUHN: I mean all of us together who get regular pay should set aside an average of at least ten percent.

- 12 -

MR. GRAVES: To change your word "everyone," and say "All of us who earn regular pay should set aside an average," that then, I think, does affect it; but to say "Everyone should set aside an average of at least ten percent," I think it is different.

H.M.JR: I don't get it.

MR. GASTON: Yes.

MR. KUHN: Well, the point is you are not setting an individual quota. We don't do that in this campaign. What we talk about is an average of what employed persons get in any factory. So if we were to say, "All of us who are on regular pay should set aside an average of at least ten percent," I think that is more accurate.

H.M.JR: To say what?

MR. KUHN: "All of us."

(The Secretary held an unrecorded telephone conversation with Mr. Bell)

H.M.JR: He says he thinks it will be a hundred and twenty-five.

MR. KUHN: It is very high.

H.M.JR: You are impressed?

MR. KUHN: Yes.

H.M.JR: I was impressed when it was ninety. I tried this. People don't realize we are spending that much.

MR. GASTON: You talk about a billion a month from Savings Bonds. You might say three and three-quarters billions a month is what we are spending.

H.M.JR: No, I like it on a per day basis. It hits you between the eyes, a hundred and twenty-five million dollars a day. If you are going to do it, I like to do

- 13 -

it on a per day basis. You made a suggestion, Harold. Anything else?

MR. GRAVES: Nothing else.

H.M.JR: Vince?

MR. CALLAHAN: I would like the word "should" taken out, "Everyone who earns regular pay should," and substitute, "owes it to his country," or something like that.

H. M.JR: Where is that?

MR. CALLAHAN: At the bottom of the same page. I would like to put in the word "must," or "owes it to his country," or "it is his duty to." To me it is a very indifferent word.

H.M.JR: We use "must" there once, and I let it go by. There is one "must" in there now. Where do we say "must"? There is one place we say it.

MR. KUHN: "Every community must do its share." That is all right. But when you get down to "everyone," or "all of us--"

H.M.JR: No, You say "Every community will have to do its share." You don't think "should" is powerful enough?

MR. CALLAHAN: I don't think "should" means anything.

H.M.JR: Well, if you say "must," then the fellows will say, "What is the difference between that and having forced savings?"

MR. CALLAHAN: That is what you want to tell them, I think, that they must do it to win the war instead of having forced saving.

H.M.JR: I don't think so. It is pretty powerful, I think, as it is. It is all right. Got anything else?

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MR. CALLAHAN: No.

H.M.JR: I think I will leave that. Sloan?

MR. SLOAN: No, sir.

H.M.JR: Sparks?

MR. SPARKS: Mr. Secretary, my feeling is that people who listen to the Secretary of the United States Treasury forget about themselves and think about the Secretary; and where we say in the first paragraph, "Everyone of us is as deeply involved in the war as our soldiers," I am a little bit fearful that the listener may be thinking of Cabinet Officers and such, whereas if we said "everyone of you" or "you and you and all of us must do it," and pin it right on the person who is listening. That is the second sentence in the first paragraph.

H.M.JR: Well, why am I not as deeply involved as the man listening to me?

MR. SPARKS: You are as deeply involved, but my point is that we want to make him feel that he is just as deeply involved as the Secretary of the Treasury.

MR. KUHN: You would like to put it "Everyone in this audience is as deeply involved in this war as the soldiers and sailors"?

MR. SPARKS: That is right.

MR. GRAVES: I think that that is a good point.

MR. KUHN: I would be glad to change it to that.

H.M.JR: "Everyone in this audience"?

MR. KUHN: "Everyone in this audience."

MR. GRAVES: It personalizes it.

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H.M.JR: That is all right. I am willing to take that. "Everyone in this audience."

MR. SPARKS: That is all I have.

H.M.JR: I think it is good. I had something earlier than that. I wanted to say, "You and I," and you didn't want me to say that. But this doesn't talk down to them.

MR. KUHN: No.

H.M.JR: I think it is all right. I think it is good. Ted?

MR. GAMBLE: Mr. Secretary, I like the talk very much with the exception of the closing paragraph. I don't think it has enough force. It is the parting shot that is the thing that they are likely to carry away with them, and I don't think - I think it flattens out a little bit. I don't think it gets across the thing that we are attaching so much importance to, and that is, we are going to start looking for ten percent of everybody's income right now, and it is of vital concern. And then to start quoting phrases, "It is smart to be thrifty," and so forth, I don't think it has enough punch to it. And I am thinking of theater audiences. I know what they get out of newsreels. You have their full attention. You have made no gesture to - such as a person would if they were addressing a person, and it is shut off in a hurry, as you know, when you see people speak in a newsreel.

MR. KUHN: Ted, would it meet your point if we were to take that sentence about the declaration of war out of the first paragraph and put it down to the end, and say, "It is time for everyone of us to declare war against the Axis now"?

MR. GAMBLE: Yes, it would.

MR. GRAVES: I think that would be very good.

MR. GAMBLE: I think we should leave the thought with them in the closing line that they have got a job



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to perform. This is not a casual talk by the Secretary of the Treasury. There is a reason for it.

H.M.JR: Would that do it?

MR. GAMBLE: Yes, I think that would do it, and I think you should have something to say in the closing paragraph that gives you a chance to close your remarks.

MR. KUHN: I think this would help it.

H.M.JR: Just that one line, that "It is time for us to make our own war now"?

MR. GAMBLE: Yes.

MR. GASTON: Wouldn't you lift that out and leave this last paragraph as it is, but let that sentence follow it?

MR. KUHN: That is what I thought.

MR. GAMBLE: That is it. Close with it.

H.M.JR: Well, instead of saying "It is time for us," let's say "It is time for you."

MR. GAMBLE: That is right.

H.M.JR: "It is time for you as individuals to make your own declaration of war against the Nazis and the Japanese." Then I can say, "Let's do it now."

MR. GAMBLE: That is right. And that is the kind of talk you should make, and that is the kind of impression they should take away.

H.M.JR: "It is time for you as individuals to make your own declaration of war against the Nazis and the Japanese. Let's do it now."

MR. GAMBLE: That is it. If you will do it just that way.

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H.M.JR: I will do it. I think it is O.K.  
Herbert?

MR. GASTON: I think that is good.

H.M.JR: How about you?

MRS. KLOTZ: It starts out with a punch, and ends  
with one.

H.M.JR: Now, have it all on one page, please.

MR. KUHN: We don't want the big blown-up letters.  
I don't think it is any good.

H.M.JR: As soon as it comes back, I will begin to  
learn it.

MRS. KLOTZ: I still feel that you ought to read it.

MR. KUHN: Supposing you had a slanting thing on your  
desk with the thing up like that. Then you would be able  
to look at the audience.

MRS. KLOTZ: Yes, they do that.

H.M.JR: I wonder if I couldn't stand up instead of  
siting down at the desk? Everybody sits down. How about  
standing up?

MR. KUHN: With one of those reading things in front  
of you? Ted, would that be all right?

MR. GAMBLE: Yes, if it is possible with their  
equipment.

H.M.JR: I think, if you stood up--

MR. GAMBLE: If they have got proper angles, it  
would be all right. Otherwise, they may not be able to  
do it.

H.M.JR: The trouble with my glasses, if I --

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MR. KUHN: I think if it is blown up, Mr. Secretary, you look over the heads of the people in the audience. You never look them right in the eye.

MRS. KLOTZ: That is right. And that is why sitting puts you at the level.

H.M.JR: Do you like it blown up or not?

MRS. KLOTZ: Oh, I do, but I don't like the standing up.

H.M.JR: How did you mean?

MRS. KLOTZ: Sit down and work it out so that you can read this thing in front of you.

MR. KUHN: My feeling is that this business of having letters on a wall is bad, because you are looking over their heads at some letters, and you are trying to catch them.

H.M.JR: No, have it just below the lens of the cameras. Let's try it once more.

MRS. KLOTZ: It is still better than looking up and down. That is awful.

H.M.JR: Let's try it once more. The trouble was, I didn't have these glasses. I have got these

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glasses now; and if it is there, you see, I can see it.

MR. KUHN: I was thinking of something on the desk which would hold the paper like that.

H.M.JR: That doesn't help. Let's have George Haas do the letters once more. Let's try it. What?

MR. KUHN: O.K.

H.M.JR: And you see what they can do is to have it in two pieces. They can do first one, and then they can stop the camera, and then do the second half. But with these glasses, I can see some distance. There is all the difference in the world with these glasses. I can see fifty feet with these. Let's have it done both ways, but the reading copy should be done just as quickly as possible so I can familiarize myself with it.

MR. KUHN: Do you want this part, "It is smart to be thrifty," in or out?

H.M.JR: I like it in. Does it rub you the wrong way?

MR. CALLAHAN: It had no effect on me at all.

MR. SPARKS: I am conscious of it, but I think it is mainly because I come from New York. I think outside of New York no one has ever heard the phrase.

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H.M.JR: You mean you are thinking of Macy's?

MR. SPARKS: Yes.

H.M.JR: Well, they have done pretty well on it.

MR. SPARKS: They have done very well on it. I don't think that is an objection for a national usage on it.

MR. GAMBLE: I don't mind it so long as we have gotten the force of it in.

MR. KUHN: Would you mind if it were left out?

MR. GAMBLE: I don't think it is a bad reference, the idea of thrift.

H.M.JR: I like it. I will use anything. I will use "eventually, why not now," Pillsbury Flour, anything. I think it is good. I think it is all right.

MR. KUHN: I will get this typed and come back.

H.M.JR: Ferdie, you are going to have it done for me on the board so I can try to read it?

MR. KUHN: Yes, sir.

H.M.JR: Now, Mr. Callahan, you wanted to speak.

MR. CALLAHAN: I have got some suggestions here, the first of which cover an intensive campaign for the first week. It starts off on--

H.M.JR: Talk a little louder.

MR. CALLAHAN: I have a plan here covering an intensive campaign for one week beginning Thursday night with the broadcast with labor, management, the Secretary of Agriculture. On the next morning, Friday, April 24,

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we release quota figures of the country and of the individual states. Simultaneously we furnish newspapers with a map of the country with the quotas printed in each state. The next thing that happens in the campaign is the President's talk from the White House. That is next Monday.

H.M.JR: Yes. You don't let anybody - that is supposed to be a secret, you know.

MR. CALLAHAN: I know that.

H.M.JR: Closely guarded. And what he has agreed to do now, is to back us up if I go first.

MR. CALLAHAN: That is what we have in here. The following Thursday or Friday, May 1, we are going to release the quota figures of the various counties throughout the country. Simultaneously with that we will release a map of each state containing the quota figures.

MR. GRAVES: For each county?

MR. CALLAHAN: For each county. In other words, we will have the state of New York with all of the counties and all of the quota figures in that. We feel that these maps will be carried by most of the papers and we have arranged a rush job so we will have these maps there in time. They will be matted and plated. They will go not only to the daily newspapers, but to the weekly newspapers. On Thursday, April 30--

H.M.JR: Excuse me. Are you going to try to get that into weekly papers through our county chairmen?

MR. CALLAHAN: No, sir, through the Western Newspaper Union. We can't do it through the county chairman. There is too much of a time lag there. Western Newspaper Unions have the facilities and the entree. On April 30, Thursday, special broadcast over local radio stations with state and county chairmen presiding and introducing

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labor and management, duplicating the Washington meeting--

H.M.JR: When will that be?

MR. CALLAHAN: That will be Thursday, April 30.

H.M.JR: That is a week from this Saturday?

MR. CALLAHAN: Yes. What we will do, we will take the Thursday talk here, use that as an example, and try it in as many cities as possible, getting the local people to do the same thing. On Friday, May 1, we are asking the Governors of the states and the mayors of the cities to go on the radio and make talks. They will be introduced by our state chairman and by our county chairman. Also on May 1, we are sending out a series of transcribed one minute announcements in which we have people in every walk of life talk about the campaign. We have a bunch here, a baker, a motorman, and so forth and so on. We expect to get about forty of them altogether, so we will have the people talking to the people.

H.M.JR: Good.

MR. CALLAHAN: On the same day we are sending out releases and other special material for future issues for the newspapers. One feature of that is one and two column boxes in which direct appeals are made to the readers of the newspapers. Not publicity, but a plea to buy bonds, buy them now, and tell them where they can be purchased.

Also on the same day we are sending a special letter and a copy of your Thursday night talk to all business publications and house magazines. We may do that before May 1. We are also asking newspapers sometime during the month of May, or as soon as figures are available on the quotas, that is, the amount of money they are raising, to run thermometers or something similar to that to

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show the progress of the campaign. On the same day, May 1, we are going to try to round up a series of statements from the Vice President and leading members of the House and Senate to release from Washington to the newspapers, their comments on the campaign.

H.M.JR: Incidentally, they had an Oregon state meeting Sunday night at which McNary was present, and it was reported to Kuhn and me that McNary was very much in our corner and so is Justice Douglas. You know, there is no reason - I don't know why a Justice of the court shouldn't go on for us, on this thing. Put down Justice Douglas.

MR. CALLAHAN: I have got him down. We thought we would get ten or twelve.

H.M.JR: Put down Justice Douglas. He is in our corner and he usually is with the crowd which has been fighting us.

(The Secretary held an unrecorded telephone conversation with Under Secretary Bell.)

H.M.JR: Go ahead, please.

MR. CALLAHAN: We are back to the same day, Friday, May 1, a broadcast on the blue network of radio correspondents from different parts of the world. Now, these correspondents talk about the soldiers who are fighting and how happy they are to hear that this campaign has started and the people are going to back up the soldiers with money.

MR. GASTON: Let some of them talk about how the Japanese, in order to build up their material to fight us with, live on a handful of rice and a small fish once a week.

MR. CALLAHAN: It is a very good idea.

H.M.JR: Well, when you are through, I have got a



couple of suggestions.

MR. CALLAHAN: Now, we are asking newspapers throughout the country, the daily newspapers, to run special editorials and cartoons. We hope that we can send out your Thursday night speech, if we can get it tomorrow, to a selected list of newspapers for comment on the following day. I don't know how practical that will be, but we have done that before, and we have been very, very successful in it. I think we did it about six months ago and we got tremendous response, editorial response. We are going to ask the Office of Facts and Figures to turn over the program, "This is War," to us on Saturday, May 2. We are asking them this morning. I don't know whether we will get that or not. Sunday, May 3, we would like to have a national broadcast with representatives of the Catholic, Jewish and Protestant faiths.

H.M.JR: We have got that set-up right here in Washington, if you want it.

MR. CALLAHAN: Well, this is all subject to your approval.

H.M.JR: Well, the reason that I suggested here in Washington, you don't have to argue who is going to pick. They have an inter-faith group with Bishop Freeman, Rabbi Gerstenfeld, and some Protestant. They are all here in Washington, and the Catholics, you see. They have a forum of the air here in Washington, so my suggestion is use that, and then you don't get down to which Catholic and which Protestant and which Jew and so on. It would save a lot of time, unless you want to pick them.

MR. CALLAHAN: No, I want to get out of picking them.

H.M.JR: Well, then if you don't, there is a group and if they say, "Well, why pick those?" "Well, they are in Washington and four of them have been going on the air together. So we picked those." If you have

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a better suggestion O.K.

MR. CALLAHAN: I haven't.

H.M.JR: But there is that group right here and they are all good talkers. Could I interrupt you a minute? And I wish you would make a note of this. I would like to have, as an assistant to every county chairman, a man who would contact the press locally, because I know the difference between a man in Dutchess county walking into the Poughkeepsie newspaper and saying, "I would like to have you put this in the paper," than getting some from Washington. There is all the difference in the world.

MR. CALLAHAN: I agree with you a hundred percent, and that is what we are endeavoring to do now, Mr. Secretary.

H.M.JR: I think we should have thirty-two hundred volunteer people in the thirty-two hundred counties whom you can send stuff to and tell them, "Now, would you mind sending us the clippings from your county," and Graves is going to get a million dollars a month to run this organization and he is going to have plenty of money to do this thing. But I am very strong for a man in each county who would go to the local papers, you see. He would be responsible. And then make them send the stuff in. There is all the difference in the world.

Saturday night I made a little talk. There were no copies of my speech. The local paper was there. Nobody had given out any copies. I happened to have an extra copy. I gave it to the fellow. He couldn't get a copy of my speech. And then he ran it in full in the Sunday paper. The New York Times got it somewhere, I don't know where--

I say, what I am very strong for is to have in every county a volunteer assistant to the chairman

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who will contact the local press, because you can send out all the press releases from Washington, but they don't get in the same as if Mr. Jones, a prominent citizen of the county, goes to the local paper. No argument about that. Let me speak a minute, now. Instead of your foreign correspondents, I want to get - if you will let me know tomorrow. I have asked Mr. Hopkins to go on as our guest star Thursday night. I don't know whether he will or not. It will be the first time in a year he has been on the air. If he doesn't, I want Lt. O'Hare, the fellow who brought down six Japs, and instead of correspondents we can get enough people coming back now all the time. On these big broadcasts we can get an aviator - not this stuff - look how wonderful we were - this morning I heard on the air that Bataan is the same as Valley Forge - in other words, I want to put on the people who won, like Lt. O'Hare, you see, who licked the enemy. Now, there are enough of them around. We will know tomorrow. I will know from Hopkins tomorrow. Then the other thing, I don't know whether they are going to let us get away with it, but I want to give you this. There is a Netherlander in this town and I am going to find out who it is who saw the President and who is a Filipino citizen, who escaped from Hong Kong, and he is the only man that has come out of Hong Kong, and he is here in Washington and he saw these atrocities. Now, if we could put this - talk about getting to hate our enemies - if we could get this fellow to go on the air and tell what he saw in Hong Kong with his own eyes and say, "Any children listening please get off the air because this is only for grownups." But I am throwing it out at you. The O'hares, if we can get them to go on, I think it would be great stuff. Don't you?

MR. CALLAHAN: So do I.

MR. KUHN: Van Mook is coming to Washington today or tomorrow, and he was all through the Java business.

H.M.JR: Those are the kind of people. The fellow who sold me on it is Lowell Thomas with his guest star.

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You know how he does it.

MR. CALLAHAN: Yes. We ought to do that on a transcription series.

H.M.JR: Right.

MR. CALLAHAN: Which is the only outlet we have for material of that kind.

H.M.JR: Right, but I would get everyone of them. In other words, I want to put on the fellows who licked the enemy. They can get up and say, "I did so and so and so and so. But I got down six Japs." Now, we want the audience to give us the bonds to keep the O'Hares flying, not just keep the Air Corps, but the O'Hares. They have got to have more planes and more bombs and they will have to have them faster, and there are many O'hares. This is just one, a typical American aviator, you see. Go ahead, please.

MR. CALLAHAN: I want to put out--

H.M.JR: I want to press on you, a volunteer press contact in every county.

MR. CALLAHAN: That is what I wanted to mention to you. We do not send out releases as other Government Departments do. If we have something which we think is news, we send it to the press associations only, but we do not issue general statements about anything to the general newspaper list. We don't do it, because we find that it doesn't get printed.

H.M.JR: Well, but supposing you had something that wasn't - I mean, that was good a week from now as well as today. You could send it to your county chairman. He wouldn't care what day they printed it.

MR. CALLAHAN: The county chairman can get it into the papers where we just can't.

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H.M.JR: You and I agree.

MR. CALLAHAN: Absolutely.

H.M.JR: The rest of the stuff is a waste of paper.

MR. CALLAHAN: That is right.

H.M.JR: You are arguing on my side, I take it.

MR. CALLAHAN: I wanted to point out to you that we did not issue releases. Now, in addition to these things I have mentioned in the intensive campaign, we are sending out regular material which we have been sending out before and we are changing our radio programs to conform with the War Bond Quota Campaign. We are also sending to city, state, and county chairmen a list of suggestions as to how they can publicize the campaign in their own areas. We probably will have fifty to sixty suggestions about news stories, about radio. It is a long list. We are setting down a campaign which they can follow.

H.M.JR: Well, at first blush, O.K., see. There are two things which I have done which will keep this thing fluid. One is - Graves, did you tell them about my editorial board which will meet every morning at ten-thirty?

MR. GRAVES: I did not.

H.M.JR: I am having an editorial board meeting every morning at ten-thirty, and everything that has to do with reaching the public would clear that board, you see. It would go to Mr. Kuhn, too, you see. You would get it cleared every day.

MR. CALLAHAN: Fine.

H.M.JR: And if I have any suggestions to make that I want, I will tell the board and they will tell it to you. They will pass on mine and then Kuhn will keep in touch with Macleish to make sure that we are in tune with Macleish, you see, but I want my own editorial

board. Then the other thing, tomorrow the head of the Advertising Council--

MR. KUHN: Miller McClintock.

H.M.JR: .....is coming down and I want to put them to work and my thought particularly - I mean, I would tell them my whole problem, but I particularly want to get them helping in the communities, each agency in the communities, to get the factories going with their publicity on the pay-roll deduction. The first job I was thinking of giving them was that. There is nothing in your stuff about pay-roll deduction. So if Mr. McClintock will take the job, taking what General Motors and General Electric have and these fifty-four thousand which I hope will be seventy-five thousand and getting this stuff over to the workers, and working with the unions to sell the people on pay-rolls, you see. There is nothing in your list on that. Right?

MR. CALLAHAN: That is right.

H.M.JR: And especially as they have people in every fairly large community. They can say, "Now, will you put your whole group to work on a sales campaign to the factory workers of America?" having them, you know, keep in tune. But that is what I had in mind.

MR. KUHN: I believe that he corresponds, in a way, to Harmon in the movie industry. He has been appointed to be a contact man with the Government on any job of this kind.

MR. SPARKS: He is being subsidized, Ferdie, by most of your big business firms that have big advertising as a civil policing agency to keep unethical practices down to a minimum.

H.M.JR: What is that concern in New York?

MR. SPARKS: Better Business Bureau. The Better

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Business Bureau does it pretty much through its membership and gets down into local--

H.M.JR: That isn't the man--

MR. KUHN: That is not his entire job.

MR. SPARKS: No, that is one phase of it.

MR. KUHN: One of the things he does.

MR. CALLAHAN: This is a combination of the four A's and the ANA, the Association of National Advertisers, and this is the most responsible group of advertising men in the country.

H.M.JR: Well, we will have him down and then this is all right. But, you see, there is nothing in there about movies.

MR. CALLAHAN: This is purely publicity, that is all. This is publications and radio.

H.M.JR: Well, now, who does movies?

MR. CALLAHAN: Mr. Duffus.

H.M.JR: Well, has he got a campaign, Harold?

MR. GRAVES: Duffus is away, is he not, now? No, we have not--

MR. GAMBLE: He has something, Mr. Graves.

MR. SPARKS: One thing he has in mind is going out-- unless he has changed while I was away, he had a group that was going out to International Harvester to make actual moving pictures in the plants out there.

H.M.JR: Well, Harold, put down on your thing, if we can't get the moving picture industry in view

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of this intensive drive, to send somebody down here to be with us.

MR. GRAVES: Well, I am sure we can.

H.M.JR: I mean, somebody who will come down from their war group, some fellow. I am not going to name him. Let them pick somebody to see us through the next month.

MR. KUHN: Mr. Secretary, Duffus has got three newsreel crews going around the country doing the thing by localities.

H.M.JR: And nobody has ever asked me to see one.

MR. KUHN: Oh, there are scores of them.

H.M.JR: I know, but I haven't yet been asked to see one.

MR. CALLAHAN: Mr. Secretary, you were asked about two months ago. Mr. Duffus told you about it and said he had them available downstairs, and I think they are down there now.

H.M.JR: Well, all I can say is, it is like the pledge campaign. If you don't remind me a half dozen times I don't see it. Anyway, Harold, let's get somebody down here. I don't want to say Howard Dietz. Let them pick somebody who will come down and help us from the movie industry.

MR. GAMBLE: They are well organized to do it, too.

H.M.JR: The radio seems to be well under hand and the newspapers. All right now? Harold, when are you going to be ready to talk to me about this thing that Odegard wrote out?

MR. GRAVES: Right now if you like.



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H.M.JR: No. Are you ready?

MR. GRAVES: I think so. As I told you over the phone--

H.M.JR: Well, would you be ready at eight-thirty tonight?

MR. GRAVES: I expect we would.

H.M.JR: Or would you rather let it go until tomorrow morning?

MR. GRAVES: Whatever you say.

MR. GAMBLE: We are ready any time, sir.

H.M.JR: I am not ready now, but I would be good for an hour at eight-thirty. Unless that is crowding you fellows too much.

MR. GAMBLE: I think it would be well for us to submit it at the earliest possible time so we can move forward.

H.M.JR: Who would that be, Harold?

MR. GRAVES: Well, I think Mr. Sparks, and Mr. Gamble, and I, perhaps, would be adequate for that.

H.M.JR: All right. At eight-thirty at my house?

MR. GRAVES: Yes.

H.M.JR: Can you stand up at eight-thirty?

MR. GRAVES: Sure.

MR. KUHN: May I come along?

H.M.JR: Eight-thirty, one hour. Class is excused.

DRAFT OF SECRETARY MORGENTHAU'S  
TALK FOR THE NEWSREELS - APRIL 20, 1942

(actually *pond*  
on 4/20/42)

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In a nation at war "spending as usual" is as dangerous as "business as usual". (~~Everyone in this audience knows that our enemies will stop at nothing to divide us and destroy us.~~) Every one of us is as deeply involved in this war as our soldiers at the front and our sailors on the sea. It is time for us as individuals to make our own declaration of war against the Nazis and the Japanese -- now. We have got to think war and act war in our personal everyday lives.

*cut down spending to save materials, save money and*  
There is no better way for civilians to get behind the war effort than ~~by buying~~ War Savings Bonds. Nearly ten million Americans are now buying War Bonds, but at a leisurely pace and in modest amounts. We have got to step up the sale of War Bonds to a billion dollars every month. Every state and every county will have to

reach its share of this quota. Everyone who earns regular pay should set aside an average of at least ten per cent of it every week ~~or every month~~ for buying War Bonds. The most convenient way of doing this is through the payroll savings plan, under which you authorize your employer to set aside a part of your earnings every payday.

So let's stop needless spending and start to save for victory. (Let's decide now how much we can cut down our spending of all kinds so that we can enlist our savings in the war.) It's not only smart to be thrifty, but our future depends upon it. Remember, what you save now serves your country today and ~~serves~~ yourself tomorrow.

*news reel talks made 4/20/42 by [unclear]*

In a nation at war "spending as usual" is as dangerous as "business as usual." We can't have all we want for ourselves and at the same time give our fighting men all they must have. Every one in this audience is as deeply involved in this war as our soldiers at the front and our sailors on the sea. We have got to think war and act war in our personal everyday lives.

There is no better way for civilians to get behind the war effort than to cut down spending, to save materials, — to buy War Savings Bonds. Nearly ten million Americans are now buying War Bonds, but with the war costing us one hundred and twenty million dollars every day, we have got to save and buy Bonds on a vastly greater scale. We have got to step up the sale of War Bonds to a billion dollars every month. Every community in this country will have to do its share to reach this quota. All of us who earn regular pay should set aside an average of at least ten per cent of it every week for buying War Bonds. The most convenient way of doing this is through the payroll savings plan, under which you authorize your employer to set aside a part of your earnings every payday.

So let's stop needless spending and start to save for victory. It's not only smart to be thrifty, but our future depends upon it. Remember, what you save now serves your country today and yourself tomorrow. It's time for us as individuals to make our own declaration of war against the Nazis and the Japanese. Let's do it now!

COPY OF TELEGRAM SENT TO STATE ADMINISTRATORS IN CONNECTION WITH  
PAYROLL SAVINGS PLANS:

April 20, 1942.

The Secretary has requested that information be secured from you relative to the following firms employing over 5,000 people and which are not reported as having a payroll savings plan:  
(list of firms here)

Also he has requested information on the following firms in your State which have defense contracts and which are not reported to have a payroll savings plan:  
(list of firms here)

Please advise me direct as quickly as possible.

Ted R. Gamble  
Assistant to Mr. Graves

*(In response to  
Secy's memo to  
Mr. Gamble dated  
and filed 4/16/42*

April 20, 1942

My dear Mr. President:

I am sending you herewith a unique document. As far as I know, this is the first time that a Committee has ever reprinted an advertising campaign in a Committee Hearing Report.

I am sure that you will be interested in leafing through it.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

The President,  
The White House.

*Attached Committee Hearing Report*

*n.m.c.*

*Secret Service 4:15*

## THE UNDER SECRETARY OF THE TREASURY

WASHINGTON

April 20, 1942

TO THE SECRETARY:

I received the following telephone report this morning from Mr. Jones of the Federal Reserve Bank of New York on the status of designating the following companies as issuing agents to sell United States War Savings securities:

United States Steel Corporation: The bank officials appreciated that this would be a rather difficult company to deal with, so they asked one of their directors, Leon Frazer, who is also a director of United States Steel, to take the matter up with the corporation. He reported today that he was having some difficulty but is still working hard on the matter. He contemplates talking with the Chairman of the Board either today or tomorrow and will report again to the Federal Reserve Bank after that conversation.

Bethlehem Steel Corporation: The main offices of this company are apparently in Philadelphia and Mr. Jones asked Mr. Donaldson of the Federal Reserve Bank of Philadelphia to look into this corporation. He said that he understood that the matter had been passed by the company's Executive Board and we would hear more about it in the next few days. He said he understood there was also a question involved on getting priority on the material needed to handle the bonds.

New York Central Railway: Mr. Williamson, the President, is also a director of the Federal Reserve Bank of New York. He is giving it very earnest consideration and hopes to have a decision in the next few days. Here again is involved the question of equipment.

FOR DEFENSE



BUY  
UNITED  
STATES  
WAR SAVINGS  
BONDS

- 2 -

Western Electric Company: This is a subsidiary of A T & T and I believe the only subsidiary that has not qualified as an issuing agent. It has so many offices throughout the country that they have found some difficulty in working out a program. They are interested in the subject and are trying to work out a procedure whereby the bonds will be issued in New York and Chicago for all of their offices. The question of equipment is also involved here.

Great Atlantic and Pacific Tea Company: The Federal has been working on this company for some time. At first they were turned down cold. They had another interview with them last week and they believe they are now getting the company interested in the matter as they have asked the Federal representative to come back for another interview on Wednesday of this week. They have a great many stores throughout the country but there are very few employees in each store, so they are trying to work out a scheme whereby the bonds will be issued in say, four or five places rather than in each city where they have stores.

Woolworth and J. C. Penney Companies: These companies have not yet been contacted. The man that the Federal wants to use on these contacts has been in Albany for the past few days, but will be back tomorrow morning. He will then take up these two companies and we will get a report on it later this week.

*sub*



THE UNDER SECRETARY OF THE TREASURY  
WASHINGTON

April 20, 1942

TO THE SECRETARY:

The following telephone report was received this morning from Mr. Williams, President of the Federal Reserve Bank of Philadelphia, on the status of designating the following companies as issuing agents to sell War Savings securities:

Bethlehem Steel Corporation: He is now advised that this company will qualify as an issuing agent and be ready by June 1. The delay is due to working out a procedure for all of their offices and the matter of equipment.

Pennsylvania Railroad: Mr. Williams has had several conferences with Mr. Deasy, Vice President in charge of Operations, and he has been rather disappointed at the results. He says he did not want to go at this time to the President as he is a man of rather quick decisions and he did not want him to say no, which is what he thought he might say at this time. He expects to have another conference with the Vice President in charge of Finance either today or tomorrow to see what can be done about it. He says the last conversation he had with representatives of the company were more encouraging than the previous ones, but they have not come through yet.

Dupont Company: The Executive Committee has approved the company's designation as an issuing agent. There has been a great deal of correspondence between the company officials and the Federal Reserve Bank of Philadelphia regarding the responsibility of the company for losses, thefts, etc. He expects these matters to be ironed out within the course of a few days.

FOR DEFENSE



- 2 -

New York Shipbuilding Corporation: This company has taken a very definite stand against becoming an issuing agent. They say there is too much paper work and they have not sufficient office space to do this job. They say that they are working as hard as they can on producing ships and they do not think they should be required to do all this paper work in addition. However, Mr. Williams is still working on them with the hope of getting them to change their views.

Reading Railroad: Mr. Hare, the Secretary-Treasurer, with whom the conversations have been held, has shown little interest in the matter. Apparently he is following the progress of conversations between the Federal Reserve Bank and Pennsylvania Railroad officials. Mr. Williams feels that if they can get the Pennsylvania to qualify, the Reading will follow suit.

Baldwin Locomotive: So far they have had no success with this company. They claim they do not have the space and they do not have the personnel to handle the increase in the volume of work which would result if they became issuing agents. Mr. Williams is going to contact the President of this company within a day or so to see if he will not take a personal interest in the matter.

*sub*

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE April 20, 1942

TO Secretary of the Treasury  
FROM Mr. Houghteling

Saturday afternoon I had a long and very satisfactory talk with William Green, President of the American Federation of Labor, about the War Savings Program.

(1) Mr. Green expressed himself as satisfied that a voluntary program for the investment of 10% of all gross pay rolls was both possible and reasonable. In some of the lower wage brackets and in a few special cases, he believes that 10% cannot be reached, but in general he saw no reason why a worker earning \$35.00 a week should not set aside \$3.50 to buy War Bonds; those in the higher wage brackets should be stepped up to 15%, 20% and even 25%. He stated that he would like to work out a suggested schedule along these lines, for transmission to members of his executive council and through them to the entire membership of the A.F. of L.

(2) President Green said that he thought it was reasonable to put at the disposal of the Treasury a great many of the organizers employed by the national union of the A.F. of L. He stated that the central body itself had 120 or more organizers who could certainly be made available to work for the Treasury on this campaign.

(3) Mr. Green stated that many national unions of the A.F. of L. and a few of the larger local unions are very anxious to have the \$50,000 limit on the purchase of Series F and Series G Bonds materially increased. He realizes that this is not a substitute for the purchase of E Bonds by individual members, but states that he believes considerable additional money can be raised by the Treasury by increasing the \$50,000 limit.

(4) Mr. Green would be very glad to join in any program of broadcasting in a follow-up of the official pronouncement which is to be made on April 27.

(5) He was much pleased when I told him of Philip Murray's suggestion that Green and Murray call on the Secretary of the Treasury to discuss this matter and to present a joint front in favor of the Secretary's program.

Mr. Green thoroughly approves of the Secretary's stand in favor of voluntary action and understands the necessity of demonstrating before July 1 that we can reach a goal of \$1,000,000,000 of bonds per month. The only regret that he has is that the executive council does not meet until the middle of May. He wishes to have a full discussion of this matter with his council at that time.

*J. Houghteling*

MEMORANDUM FOR THE SECRETARY.

April 20, 1942.

Special Mail Report on "Ringing  
Every Doorbell in the Country"

Of the 19 letters elicited by the Secretary's proposal to ring every doorbell to stimulate sale of war bonds, 10 express enthusiastic approval of the plan, 1 endorses it by suggesting a slogan, and 8 voice disapproval, usually for entirely personal reasons.

*Frank*

Favorable Comment

Lee Armstrong, San Antonio, Tex. Your future plan to "ring every doorbell in the country once a month", is a highly commendable one. \* \* \* Apparently there is something wrong with the present approach and it may well be corrected in a very simple manner. Instead of "Defense Bonds", a new issue called "Victory Bonds" may be the answer.

W. K. Carr, Secretary-Manager, Chamber of Commerce, Wagoner, Okla. Your idea to sell war bonds and stamps door to door is excellent. It will work if properly organized. \* \* \* A courteous, well informed salesman armed - if thought advisable - with war bonds and stamps, could do a swell job of not only selling his wares but also selling Uncle Sam and an "all out" for war consciousness.

Harry J. Hartley, Syracuse, N. Y. Door to door with War Bonds is a great idea. (Applies for job as salesman.)

D. G. O'Heron, Sales Manager, Los Angeles Furniture Co., Los Angeles, Calif. In one of your recent newspaper articles you mentioned soliciting "house to house" for Government Defense Bonds. In my opinion, your idea hits the nail right on the head. \* \* \* I firmly believe that voluntary contribution would be of greater value to our liberty loving people than compulsory measures.

Charles F. Dunville, Citizens Motor Company, Madisonville, Ky. Wish to state that, being an automobile dealer, \* \* \* I feel that you have something that will really get results. Yes, I am leading up to a plan whereby the present unemployed automobile salesmen and dealers might be gainfully employed and at same time make a contribution to the war effort in the field at which they are best qualified.

Unfavorable Comment

George K. Weeks, New York. I know as a matter of fact through my efforts to expedite the sale of these bonds that one of the principal adverse factors is the uncertainty on the part of citizens as to approximately what their tax liability in respect to this year's earnings will be. \* \* \* I am sure that important results cannot be had from the door-to-door canvass planned by the Secretary of the Treasury until the provisions of the 1942 tax law are known by our citizens generally.

Theodore H. Joseph, Electrical Engineer, New York. I have made out applications yesterday for four \$1,000 bonds. However, if I am to be pestered with monthly calls from solicitors, I will not present these applications now but will hold them back and make monthly subscriptions, through the solicitors, unless the Treasury Department will furnish the solicitors with lists of persons who have already bought bonds and instruct them that these persons are not to be solicited.

April 20, 1942

Dear Francis:

I wish to thank you for your letter of April 14 concerning an employee of a naval aircraft factory who states that deductions are being made from his pay for the purchase of War Savings Bonds and that he is not receiving any receipts for these deductions and has not as yet received his Bonds.

I should be very happy to have this matter investigated further if you would care to give me the name of the factory in which this gentleman is employed.

Certainly, we do not want anything of this kind to hamper the program that we are working so hard to put over. I think you know something of the fight which I have been putting up recently to make it possible for the people of our country to take part in the financing problems of the war in a voluntary manner. I sincerely believe that because of the voluntary aspects of the War Savings Program, the morale of our people is strengthened. It is of utmost importance that we do not have an occurrence of the kind of situation which you have brought to my attention.

I deeply appreciate the interest which prompted you to call this matter to my attention.

Sincerely,

(Signed) H. Morgenthau, #WJ

Honorable Francis Biddle  
The Attorney General

*File to Thompson*  
*cc. M.M.C.*  
By Messenger *Bundy 5:10*

April 14, 1942

PERSONAL

Dear Henry:

I am in receipt of a letter from a man I know, who does not want his name used, to the following effect:

"The fact which occasions me to write this letter is that I, employed at the Naval Aircraft Factory along with some six thousand others, have for the past twelve weeks had \$3.75 deducted from our pays for the purpose of buying Defense Bonds. As yet there have been no receipts in our envelopes and no Bonds. Aside from this the management is rotten in other respects and should be replaced."

I thought I should transmit this to you.

Sincerely yours,

*James B. [unclear]*

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



APR 20 1942

My dear Mr. Hunter:

Thank you very much for the suggestion contained in your letter of April 13. The Treasury is exploring all possible means of increasing voluntary saving at the present time, and we are interested in any sound device for making saving more attractive.

However, at the present stage in our examination of the question, we see several difficulties in Government participation in any plan which would link saving now with the delivery of particular consumers' durable goods in the post-war period.

The Government is not a producer of consumers' durable goods and therefore could not guarantee the prices of such goods in the post-war period. Moreover, designs change and therefore it would be difficult to say how much money saved now would be needed to buy the article which the consumer would want to have several years from now. Furthermore, tastes change; in the post-war period the consumer may want an airplane and not an automobile.

Most people save, at least in part, as a safeguard against special needs, illness, death in the family, etc. Therefore, they prefer to have their savings convertible into money, which they can use for any purpose they please. They do not want their money tied up for a durable article. It is consequently quite uncertain that many individuals would prefer to buy durable goods certificates rather than regular savings bonds.

It is certainly true that individuals would be willing to do some additional saving even if only in exchange for a priority right to buy an automobile (or any other durable article), without specifying the particular article to be bought or the particular price to be paid. Further, it is also true that the certificates for the purchase of durable goods could be made convertible into cash, provided the purchaser of the certificate wished to give up his priority right. But if these refinements are made, administrative difficulties arise and administrative costs increase. We would be justified in incurring these costs only if it seemed likely that the sale of certificates

- 2 -

entitling consumers to priority rights to purchase durable goods would result in a considerable net increase in individual saving.

These difficulties appear to us to be serious at the present stage in our examination of your suggestion. It may be that they can be surmounted by further thought and investigation.

You may be confident that we will continue to explore any method which may lead to an expansion in the voluntary saving which is so greatly needed at this time.

Very truly yours,

~~WILLIAM H. DORRANCE~~

Secretary of the Treasury.

Mr. Howard O. Hunter,  
Commissioner of Work Projects,  
Federal Works Agency,  
1734 New York Avenue, N.W.,  
Washington, D. C.

*File to Thompson  
to file N.M.C.*

FEDERAL WORKS AGENCY  
WORK PROJECTS ADMINISTRATION

1734 NEW YORK AVENUE NW.  
WASHINGTON, D. C.

April 13, 1942

Honorable  
Secretary of the Treasury

Dear Mr. Secretary:

Here is an idea in connection with the overall problem  
of excess income.

After increased taxes, withdrawal taxes, forced savings,  
etc. there will still be a substantial excess national income.

Why not encourage and promote the use of this excess  
income to buy certain capital consumers goods such as automobiles,  
radios, etc. for future delivery?

For instance, a consumer could pay in money and receive  
certificates for purchase of an automobile after the war and  
after automobile production can get started again. This would  
siphon off that excess income now and, just as important, provide  
a large backlog for immediate production after the war and for  
immediate employment.

These purchases would be guaranteed by the government.  
It would also be possible to have the government hold the money, to  
be released to the particular automobile manufacturer after the war.

Insofar as automobiles go, the Germans have been selling  
cars for a long time although they do not either make or deliver  
cars. Cars are to be delivered after the war (they hope). In the  
case of the Germans, of course the government takes the money and  
spends it. In our case we would hold the money and distribute it  
to private manufacturers after production can be started.

Incidentally, manufacturers could employ a certain  
number of salesmen now to promote this plan and to secure commit-  
ments from individuals, thereby helping with one of the most  
serious employment dislocation problems we have at the moment.

Sincerely yours,

  
Commissioner

## UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During  
 First Sixteen Business Days of April, March and February 1942  
 (April 1-18, March 1-19, February 1-19)  
 On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	April	March	February	April over March	March over February	April over March	March over February
Series E - Post Offices	\$ 48,478	\$ 55,342	\$ 63,391	-\$ 6,864	-\$ 8,049	- 12.4%	- 12.7%
Series E - Banks	<u>140,678</u>	<u>160,158</u>	<u>234,408</u>	- <u>19,480</u>	- <u>74,250</u>	- <u>12.2</u>	- <u>31.7</u>
Series E - Total	189,156	215,500	297,799	- 26,344	- 82,299	- 12.2	- 27.6
Series F - Banks	22,530	26,146	36,565	- 3,616	- 10,419	- 13.8	- 28.5
Series G - Banks	<u>98,095</u>	<u>120,491</u>	<u>187,638</u>	- <u>22,396</u>	- <u>67,147</u>	- <u>18.6</u>	- <u>35.8</u>
Total	<u>\$309,780</u>	<u>\$362,136</u>	<u>\$522,003</u>	-\$ <u>52,356</u>	-\$ <u>159,867</u>	- <u>14.5%</u>	- <u>30.6%</u>

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

April 20, 1942.

Source: All figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds.

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals.

## UNITED STATES SAVINGS BONDS

Daily Sales - April, 1942  
On Basis of Issue Price  
(In thousands of dollars)

Date	Post Office Bond Sales Series E	Bank Bond Sales				All Bond Sales			
		Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
April 1942									
1	\$ 2,476	\$ 10,517	\$ 2,380	\$ 9,608	\$ 22,504	\$ 12,993	\$ 2,380	\$ 9,608	\$ 24,980
2	2,999	8,264	2,119	7,570	17,953	11,263	2,119	7,570	20,953
3	3,222	7,572	1,185	6,235	14,992	10,794	1,185	6,235	18,214
4	2,778	9,292	1,387	5,334	16,013	12,070	1,387	5,334	18,790
6	4,961	13,035	2,329	8,027	23,391	17,996	2,329	8,027	28,352
7	2,958	5,722	834	8,983	15,539	8,680	834	8,983	18,497
8	2,309	9,610	1,142	6,562	17,314	11,919	1,142	6,562	19,623
9	2,906	9,304	955	5,715	15,974	12,210	955	5,715	18,880
10	2,730	8,052	1,573	5,261	14,885	10,782	1,573	5,261	17,615
11	2,150	5,224	668	2,720	8,613	7,374	668	2,720	10,762
13	4,619	17,572	2,432	8,604	28,609	22,192	2,432	8,604	33,228
14	2,513	6,152	1,076	3,333	10,561	8,665	1,076	3,333	13,074
15	2,584	5,102	1,251	5,374	11,728	7,686	1,251	5,374	14,312
16	3,472	10,008	1,400	7,773	19,180	13,480	1,400	7,773	22,652
17	2,690	8,076	850	3,695	12,621	10,766	850	3,695	15,311
18	3,111	7,175	948	3,303	11,426	10,286	948	3,303	14,537
Total	\$ 48,478	\$140,678	\$ 22,530	\$ 98,095	\$261,302	\$189,156	\$ 22,530	\$ 98,095	\$309,780

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

April 20, 1942.

Source: All figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds.

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals.

CONFIDENTIAL

## POSTAL SAVINGS STAMPS

Estimated Total Value and Number of Units Sold  
by Denominations and by Months  
May 1941 - March 1942

(All figures in thousands)

Month	Number of Units by Denomination						Total Value
	10¢	25¢	50¢	\$1.00	\$5.00	Total	
1941							
May	2,444	5,170	1,169	673	111	9,567	\$ 3,349
June	1,557	5,595	855	457	60	8,524	2,738
July	1,739	7,859	1,111	571	51	11,331	3,520
August	2,617	9,946	1,198	751	55	14,567	4,372
September	4,120	12,347	1,318	687	69	18,542	5,192
October	4,664	14,526	1,516	787	68	21,563	5,985
November	5,799	14,996	1,575	847	78	23,295	6,354
December	53,528	53,022	4,983	2,636	384	114,553	25,657
1942							
January	110,440	85,992	7,158	3,653	279	207,522	41,169
February	100,023	82,749	6,504	3,327	262	192,865	38,580
March	<u>100,253</u>	<u>85,440</u>	<u>6,742</u>	<u>3,786</u>	<u>287</u>	<u>196,507</u>	<u>39,976</u>
Total	<u>387,183</u>	<u>377,641</u>	<u>34,130</u>	<u>18,175</u>	<u>1,705</u>	<u>818,834</u>	
Total Value	<u>\$38,718</u>	<u>\$94,410</u>	<u>\$17,065</u>	<u>\$18,175</u>	<u>\$8,524</u>		<u>\$176,893</u>

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

April 20, 1942.

Source: Division of Postal Savings, Post Office Department. Total dollar sales for May through January are audited figures. Number of units by denominations for these months, as estimated by the Post Office Department, are prorated in this table to agree with audited dollar sales. Dollar sales and number of units for February and March are reported by central postal savings depository offices and those first class offices supplied directly by the Post Office Department.

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals. For the same reason, the sum of units times denominations does not necessarily agree exactly with the total value.

From  
Leona Henderson

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To

HENRY MORGENTHAU

PERSONALLY

AND I REALLY MEAN  
PERSONAL

FROM THE DESK OF  
LEON HENDERSON, ADMINISTRATOR  
OFFICE OF PRICING ADMINISTRATION  
AND CIVILIAN SUPPLY

4-20

72

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Henry Morgenthau

For your own  
special - private -  
confidential - secret  
information,  
see attached.

Leon



DUPLICATE

4-20

FROM THE DESK OF  
LEON HENDERSON, ADMINISTRATOR  
OFFICE OF PRICE ADMINISTRATION  
AND CIVILIAN SUPPLY

42

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L-  
Till further  
notice - increase  
my purchase  
of war savings  
bonds to 10% of  
income

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April 20, 1942  
1:02 p.m.

HMJr: Hello.  
Operator: They said Mr. Henderson has gone to lunch.  
HMJr: Well, I'll - leave word I'll call and I'll call again.  
Operator: Right.  
HMJr: Thank you.

April 20, 1942  
2:23 p.m.

HMJr: Hello.  
Operator: Leon Henderson.  
HMJr: Hello.  
Leon Henderson: Hello, Henry.  
HMJr: Leon, I got your triple confidential note in its fifteen envelopes.  
H: (Laughs) Yeah.  
HMJr: And I got quite a thrill out of it.  
H: Well, thought we ought to go along and where you're going to be, we know we're back there pitching.  
HMJr: Well, I'll.....  
H: I'll add to it.  
HMJr: What's that?  
H: I'll get - we'll think up ways that we can help in our organization, too.  
HMJr: Well, you can help a lot, and we're stressing

- 2 -

the thing, that is, about being smart to be thrifty, but now I say our future depends upon it.

H: Yeah.

HMJr: And our whole thing is now going to stress people have to save.

H: Yeah.

HMJr: And not to spend less, which is down your alley.

H: Yeah. It will be helpful.

HMJr: And you don't know - does your thing go when the President speaks, is that the idea?

H: I don't know. I haven't had the official word yet.

HMJr: I see.

H: I hope so.

HMJr: Well.....

H: And - because we're ready and sort of getting - chewing the - chewing at our bit.

HMJr: Were you serious about that you didn't want me to show this to anybody?

H: Oh, well, I mean.....

HMJr: Was that humor?

H: Well, I mean, I didn't want any publicity or anything like that on it.

HMJr: Oh, no.

H: I didn't want it spread.

HMJr: I get you. No, I won't. Well, anyway, I hope to see you soon; and the sooner you get started, the sooner it will help us.

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H: All right, Henry.  
HMJr: Thank you.  
H: Good-bye.

April 20, 1942  
2:18 p.m.

HMJr: Hello.

Operator: Mrs. Rosenberg.

HMJr: Hello.

Mrs. Anna  
Rosenberg: Hello.

HMJr: Good afternoon.

R: How are you?

HMJr: Fine.

R: Are you calling me?

HMJr: No, they said you called me Friday.

R: Oh, I called you Friday, and when I couldn't get you, I wrote you a letter. I don't know if you've received it yet.

HMJr: No.

R: At Friday's meeting, the President read a telegram from Ingersoll of the PM.....

HMJr: Oh, yes.

R: .....about a plan of his. I don't know if you know anything about the plan.

HMJr: No, I don't.

R: He had called the labor people together and showed a plan to them for outdoor advertising. In other words, his ideas about how to get the idea of - a more militant idea of the war across to people.

HMJr: Oh, yes.

R: Phil Murray was terribly enthusiastic about it.

HMJr: Yeah.

- 2 -

R: And Green's man equally - Green didn't see it himself.

HMJr: Oh.

R: ~~It~~ They asked the President to see it, and the President asked that I get in touch with you to have you and Archie MacLeish see it.

HMJr: Fine.

R: Now, I got Archie MacLeish and told him, and then I wrote to you and sent you a copy of the telegram and asked you to take the - I'm sure you will have to take the lead in it, because Archie's a little bit slow about these things.

HMJr: Well, when and how can I see it?

R: All you have to do is get in touch with Ingersoll. He's awaiting your call.

HMJr: Well, that's.....

R: He was notified that the President had turned it over to you and to MacLeish.

HMJr: Well, I'll call him today.

R: I haven't the least idea if the plan is good, bad, or indifferent.

HMJr: Yeah. Well, we're starting our - well, you saw, I don't know whether you noticed - our opening gun today.

R: I did. I thought it was fine.

HMJr: And then I've got this group of industry, agriculture, and labor. We're going on a joint broadcast Thursday night.

R: Yes.

HMJr: The President's asked me to go ahead of him on the thing.

R: Yes.

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HMJr: He wants me to go first.

R: Yes.

HMJr: And - which I'm going to do - and so anything on the publicity thing.....

R: I don't know what this is. I - from what the labor people told the President, he has - Ingersoll felt that the outdoor advertising as a method of advertising has not been used.

HMJr: Well, he's wrong. We've got, I think it's either thirty or thirty-five thousand billboards.....

R: Yes.

HMJr: ....with our sign on it now.

R: Oh, that's the Defense Bonds.

HMJr: Yes.

R: This is a general war effort.

HMJr: I know, but I mean - oh, I thought he meant the billboards hadn't been used.

R: No, they all agreed that you have used them, but generally, on the war effort, they haven't been used. So I say, I haven't the least idea if the plan is good or not.

HMJr: Well, I'll call Ingersoll this afternoon.

R: Fine. The President said that he felt that if you and MacLeish saw it, and then told him what you thought of it.

HMJr: You know, MacLeish wrote us a letter, going on record against the volunteer plan.

R: He did?

HMJr: Yeah.

R: Good God!

- 4 -

HMJr: But I had him over here for lunch.

R: For a morale building, I'm a little bit astonished.

HMJr: Well, you.....

R: I should imagine he would be the strongest advocate.

HMJr: Yeah. You watch us go to town now.

R: Oh, I haven't the least doubt that you're going to make it much more than if you had a compulsory one.

HMJr: Well, everybody seems to think so.

R: I'm quite certain of it, and it's going to be the one thing that people will feel is their own - they can do.

HMJr: Right. Well, if you get any more ideas, call me.

R: Fine. Now, this isn't mine, as I say. He just asked - this was on Thursday, at the labor meeting.

HMJr: Righto.

R: And so he asked me to get in touch with you.

HMJr: Thank you.

R: All right.

HMJr: Good-bye.

R: Good-bye.



April 20, 1942  
2:28 p.m.

HMJr: Henry Morgenthau, Jr.

Ralph  
Ingersoll: How are you?

HMJr: Fine.

I: This is Ralph Ingersoll.

HMJr: Before I get to the purpose of my call, may I tell you I think you're doing a wonderful job?

I: Well, from you, that means a great deal, sir. Thank you kindly.

HMJr: In fact, I think along the lines of the war effort, you're doing the best job in America.

I: I'm terribly pleased with that. I wish we could do twice as well.

HMJr: Well, keep up what you're doing. Mr. Ingersoll, I got a message from the President via Anna Rosenberg.....

I: Yes.

HMJr: .....that you have a billboard plan.

I: Yes.

HMJr: I'd love to see it.

I: I'd like to bring it down and show it to you.

HMJr: Any time.

I: Well, now, it requires getting together some fellows, but it would only take you fifteen minutes. I have to get some exhibits together.

HMJr: All right. What day do you want to do it?

I: Well, let me see. I'm "calendar looking at" here. I have one or two things that I've got to - how about tomorrow morning?

- 2 -

HMJr: Oh, well, now wait a second.

I: No fair, eh?

HMJr: No, no. How early?

I: Any time. Eleven o'clock?

HMJr: No, I've got - it's - could you do it at ten?

I: Ten o'clock.

HMJr: Yes.

I: Fine.

HMJr: Ten o'clock in my office?

I: Ten o'clock tomorrow morning in your office we'll be there.

HMJr: Well, now - well, all right. And then I'll leave word that you'll come so they'll let you in.

I: Right.

HMJr: All right. I'll be looking forward to it.

I: We'll come to the Treasury and ask for your office, and they'll expect me.

HMJr: That's right.

I: And I'll have a fellow with me with a big bundle of papers. I showed this to Murray and two or three others, but I think I can just bring it down and show it to you direct. I don't need them with me.

HMJr: You show it to us, because with this volunteer bond plan, why we're ready to go on anything.

I: All right. I'll be there tomorrow morning at ten o'clock.

HMJr: Thank you.

I: Right.

Meeting in the Secretary's Office  
 Monday, April 20, 1942  
 3:00 P.M.

Presents: The Secretary

Mr. Acheson  
 Mr. McCloy  
 Mr. McCabe  
 Mr. Baker  
 Mr. Moyes  
 Mr. White  
 Mr. Hicks

The meeting was called to discuss the results of negotiations between the War Department and the Lend-Lease Administration on the question of taking over British supply contracts in the United States. The Secretary recalled that he had been trying for a year to have some of these contracts purchased, but that the agreement reached between the Lend-Lease Administration and the War Department, as reported by Mr. McCloy's memorandum to Mr. McCabe of April 14, was not very encouraging. The Secretary said that he would like to have a letter from the War Department stating what it would do in such form that he could take it to the President and get his O.K.

Mr. McCabe said that he and Mr. McCloy had had another conference since the date of the memorandum and had agreed upon the following program:

- (1) The War Department would take over non-aircraft British contracts with ordnance funds amounting to over \$100 million;
- (2) The Lend-Lease Administration would provide up to \$100 million through more liberal eligibility interpretations on British Lend-Lease requests; and
- (3) The British and the Lend-Lease Administration would share equally the costs of civilian pay for the construction of American bases in the Sterling Area, thus providing an additional \$200 million that the British would not have if all such civilian pay were to be taken as reciprocal aid.

- 2 -

Mr. McCabe explained that this program would provide \$400 million for the British, or as much as could be provided through the War Department's purchase of British supply contracts.

Mr. McCloy explained that Mr. Lovett was still unwilling to use air funds for the purchase of British contracts, and that the War Department was still unwilling to purchase British supply contracts without requesting additional funds from Congress. However, the War Department felt that if the program could be reduced to \$100 million of ordnance contracts, there would be sufficient funds to finance the project without going to Congress.

The Secretary said that he did not like indirect methods. He said that it would be preferable to assume the English contracts and openly request Congress for the funds. He emphasized the difficulty of the British dollar problem by informing the Meeting that the British had recently been forced to agree to pay in dollars its monthly trade balance of \$5 million to a certain country in order to keep that country neutral.

Mr. McCloy said that he also felt direct methods were preferable, but that he thought that it had been agreed that it would be politically impossible to obtain the funds by requesting them from Congress.

The Secretary then raised the question of payment for planes diverted from British dollar contracts, stating that Mr. Stimson's recent letter on the subject was not entirely clear.

Mr. McCloy replied that the Army was willing to pay cash for planes diverted before January 1, 1942, but that payment for those diverted since that date would be made as a credit on Britain's Lend-Lease account. Those diverted before January 1 were said to amount to between \$75 and \$80 million.

Mr. White remarked that if the British should obtain \$100 million on planes, \$100 million on ordnance, \$100 million in additional Lend-Lease, and if the costs of civilian pay in the Sterling Area should be shared equally, the British would have an ample dollar balance. If, in addition to all of that, funds were to be requested from Congress to take over a large part of Britain's supply contracts, they would have more dollars than they need.

The Secretary said that he was not willing to accept the Lend-Lease program, but that he would accept Mr. McCloy's offer to provide \$100 million on ordnance contracts and \$100 million on planes diverted from the British. He asked if he might have a firm decision by tomorrow, and he asked whether it would be necessary for the War

- 3 -

Department to get the approval of the President. Mr. McCloy replied that the President's approval would not be necessary if the Budget Director and Mr. Stimson gave their approval. He said that he could get a firm decision quickly, although not necessarily by tomorrow.

E. Hicks

April 20, 1942  
3:52 p.m.

HMJr: Hello.

Operator: James Rowe.

HMJr: Hello.

James  
Rowe: Jim Rowe, Mr. Secretary.

HMJr: How do you do.

R: I've just been talking to Elmer Irey, and the Attorney General asked me to call you because I know more about it than he does.

HMJr: Yes.

R: About Father Coughlin. We'd sort of like a pretty full out investigation on the income tax and everything else.

HMJr: Yeah.

R: And Mr. Irey said of course he would, and he'd cooperate one hundred per cent, but he wanted - he asked if we'd call you, just to let you know about it.

HMJr: Well.....

R: To see if you might have some ideas on it.

HMJr: He might what?

R: You might have some ideas on it.

HMJr: Well, look, do you mind if I turn you over to Herbert Gaston?

R: Not a bit. I'll call him directly.

HMJr: No, if you'll just hang on, see.

R: All right, sir.

HMJr: Just hang on, and I'll tell him - you could

- 2 -

listen, and then I'll tell him to talk to you.  
Just a minute, please.

Operator: Operator:

HMJr: I want Mr. Gaston on this same wire, please.

Operator: All right.

HMJr: Keep Mr. Rowe on.

Operator: Right. Just a moment.

HMJr: Hello.

Herbert  
Gaston: Hello.

Operator: Go ahead. There's Mr. Gaston.

HMJr: Herbert.

G: Yes.

HMJr: Jim Rowe is on this wire, and he just called  
me up about Father Coughlin and some help that  
they want.

G: Yes.

HMJr: Of course, we'll give them all the help that  
we can, but I'd like you to handle it for me.

G: All right.

HMJr: He's on the wire now, and he'll talk to you.

G: Okay.

R: Hello.

G: Yeah, hello.

R: Hello, Herb.

April 20, 1942  
4:37 p.m.

HMJr: Hello.

Operator: Mr. Callahan.

HMJr: Hello. Vince.

Vincent  
Callahan: Yes, sir.

HMJr: I just had a thirty-five minute press conference that started off with the newspaper men giving me hell.....

C: Yeah.

HMJr: .....because your news release on Sunday never reached our Treasury press room.

C: Mr. Secretary, we called the Treasury press room Saturday and we contacted the press associations, and we got instructions from them as to what to do with the story.

HMJr: Well, now, listen. I tell you what I want you to do.

C: Yes, sir.

HMJr: Who handles press for you?

C: Mr. McCarty.

HMJr: Well, will you and McCarty please come over here now.

C: All right, sir.

HMJr: And get Chick, and the three of you go down to the press room and have a little talk with the boys, will you?

C: All rightie.

HMJr: Because they've been doing this for three months, and they're all full of complaints; and now's the time to get it out.



- 2 -

C: All rightie.

HMJr: And then they went back to the time we opened the Treasury Glass House - they said they never were invited there.

C: Yeah.

HMJr: And - it's worthwhile. I had to take it for ten minutes.

C: Uh huh.

HMJr: So take - come on over with McCarty, see?

C: All right.

HMJr: Who - I don't think I've ever met him.

C: A little short man.

HMJr: I don't think I've ever met him.

C: You met him once.

HMJr: Well, you and he come over, and get Chick, and the three of you go down and let them get it off their chest.

C: All rightie. Fine.

HMJr: Because they say that any releases like that should come to the Treasury press room. Work it out.

C: They're quite right.....

HMJr: What?

C: .....and that's what we tried to do Saturday, but we - the story wasn't ready until one o'clock and McCarty sat here in my office; and to take care of that situation, we did that.

HMJr: Well, they left here sore, and, oh, they've got all kinds of complaints; and I think if

- 3 -

the three of you walk down there, it will do a lot of good.

C: Be very happy to.

HMJr: Thank you.

C: Thank you.

HMJr: Please do it right away.

C: All right. Right away. Good-bye.

April 20, 1942  
5:00 p.m.

HMJr: Hello.

Keith Kane: Yes, Mr. Secretary.

HMJr: Mr. Kane. This is Henry Morgenthau, Jr.

K: Yes, Mr. Secretary.

HMJr: Dr. Likert is here in my office now, and I'm asking him and you whether we could get some help on making some tests in the community on why people do or don't buy our bonds.

K: Yes, sir. Well, we'll be very glad to, of course.

HMJr: Will you give us some help on that?

K: We'll be very glad to, right away.

HMJr: Can you turn Dr. Likert loose on this?

K: That is right, sir. The first step would be - if it meets with your approval - would be to arrange a conference with those in your department most familiar with the problem - two or three, perhaps, selected - and we can go right to work on it.

HMJr: Fine. Well, Ferdinand Kuhn is sitting here now with Dr. Likert.

K: Fine.

HMJr: And the man - when he comes down Wednesday - would be Peter Odegard.

K: Oh, yes.

HMJr: And you could all get together.

K: Well, we can probably make a little progress even before Wednesday.

HMJr: But even if you could get this thing started - just sort of preliminary - I told Dr. Likert

- 2 -

what I'd like to have, if you people would let him go to it.

K: Fine. Well, we'd be very glad to, sir.

HMJr: And if you want any money from us, let us know.

K: Very good, Mr. Secretary.

HMJr: Thank you.

K: Thank you, sir.

April 20, 1942  
5:02 p.m.

HMJr: Hello.

Operator: Go ahead.

Abbott  
Mills: Mr. Secretary, this is Abbott Mills speaking.

HMJr: Go ahead.

M: You'll be glad to know that we've had our conference with the Automobile Industry and with the Army representative and the representative of the Comptroller General.....

HMJr: Yeah.

M: .....and everything points to the fact that we can work out a good plan that will be acceptable to the Army and the Comptroller General and the Industry.

HMJr: Wonderful. When?

M: And what they are doing, they will draft a plan and Colonel McEkron has already submitted it verbally to the Army and the Comptroller General will submit his representatives to Mr. McFarland on Wednesday.

HMJr: Yeah.

M: And with that accepted, it looks as though the automobile companies would become issuing agents. I have no promises, but there is a good deal of encouragement.

HMJr: Well, that sounds good. Now you think that may be cleared up by when?

M: Well, they will present the draft of the plan on Wednesday.

HMJr: Yes.

M: Then how long it would take to put that draft

- 2 -

in final form and through their Legal Department, they can't promise; but they're just as anxious as you are to get it through, and they see the importance of it.

HMJr: Now, what are you going to do the next day or two?

M: I was going to take a train at 5:50 and come back to Washington.

HMJr: Okay. All right.

M: And I'd like very much to see you when I get back and tell you more about it.

HMJr: I want to see you.

M: All right, sir.

HMJr: Thank you.

M: You bet.

HMJr: Good-bye.

April 20, 1942  
5:14 p.m.

Robert  
Patterson: This is Bob.

~~HMJr~~ Henry talking.

P: I looked into the Baltimore situation.

HMJr: Yeah.

P: It's reported good.

HMJr: Good, is it?

P: Yes. They had twenty-five hundred cars.....

HMJr: Yeah.

P: .....but they say they can take four thousand,  
without danger of congestion.

HMJr: I see.

P: There are eight ships there now loading, and  
seven expected.

HMJr: Good.

P: More - seven more expected.

HMJr: Good.

P: But he says that the port can handle much more  
cargo, and still remain liquid.

HMJr: I see. Well, until I get some more complaints.....

P: All right.

HMJr: .....I - we'll let her ride.

P: Right.

HMJr: I see they reported the bill out on the Hill.

P: Yes.

- 2 -

HMJr: Is that all right?

P: They say so.

HMJr: What?

P: Yes, they say it is. I haven't read the text of it, but my men are not excited.

HMJr: Okay.

P: It's all right.

HMJr: Thank you.

P: Thank you, Henry.

HMJr: Thank you.

P: Good-bye.



THE UNDER SECRETARY OF WAR  
WASHINGTON



April 20th, 1942.

Dear Henry:

I have inquired into the cargo situation at the port of Baltimore. I am told that there are eight ships there now loading with seven more expected in the near future. There were 2500 freight cars in port on April 16th. The port can take 4000 or more cars without congestion.

I am told that there is no congestion at the present time and that loading conditions are favorable.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "R. L. P. P. H." followed by a long horizontal line.

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

April 20, 1942

Dear Don:

I am enclosing herewith last week's report on the movement of bottom cargo from the various plants to the ports of Philadelphia, Baltimore and New York.

You will notice that 43,000 tons was the amount required and that 54,631 tons were delivered. This is by far the best week we have had to date and I want to thank you for the splendid cooperation which you have given Mr. Clifton Mack of the Treasury Procurement in making this possible.

Yours sincerely,

(Signed) Henry

Hon. Donald Nelson,  
War Production Board,  
Washington, D. C.

Copies to: Mr. Hopkins  
Mr. McCabe

*10/17 also sent to Mr Mack  
but was not indicated  
on ltr to Mr Nelson.*

Bottom cargo for Russelans sent from mill to port  
(In tons)

STRICTLY CONFIDENTIAL

		Philadelphia	Baltimore	New York	Total
Record of actual tonnage sent from mill to port:					
Sunday	April 12.....	1,576	684	500	2,760
Monday	April 13.....	2,268	2,148	3,356	7,772
Tuesday	April 14.....	4,205	2,573	1,919	8,697
Wednesday	April 15.....	2,949	2,638	2,377	7,964
Thursday	April 16.....	3,339	2,416	3,228	8,983
Friday	April 17.....	2,245	1,922	7,847	12,014
Saturday	April 18.....	<u>2,220</u>	<u>1,168</u>	<u>3,053</u>	<u>6,441</u>
Total actual shipments, April 12 - April 18.....		<u>18,802</u>	<u>13,549</u>	<u>22,280</u>	<u>54,631</u>
Amount required to be sent from mill to port for the week April 12 to April 18.....					
		18,000	6,000	19,000	43,000

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

April 20, 1942

Source: Procurement Division, Treasury Department.

Bottom cargo for Russians sent from mills to Philadelphia,  
total April 5 to 11 and daily April 12 to 18, 1942

Name of company and commodity	Tonnage							
	Total April 5 to April 11	Sunday April 12	Monday April 13	Tuesday April 14	Wednesday April 15	Thursday April 16	Friday April 17	Saturday April 18
<u>Brass</u>								
American Brass Co.....	513		75	39	92		131	
Shaw Brass & Copper Co.....	58						28	
Devere Copper & Brass Co.....	176		58	36	35	43		43
Scovill Manufacturing Co.....	97					39		
Wallingford Steel Co.....	16							
<u>Copper</u>								
American Brass Co.....			19					
Anacosta Wire & Cable Co.....	24							
<u>Nickel</u>								
International Nickel Co.....	200							
<u>Steel</u>								
Alan Wood Steel Co.....	152		405	365	115			
Allegheny Ludlum Steel Co.....	440	144	94	154	17			
American Rolling Mills.....							264	
Armco International Co.....	1,762		300	213	143	620	562	453
Bethlehem Steel Co.....	2,331	128	103	103	217	309	352	145
Brainerd Steel Co.....	50							
Carpenter Steel Co.....							5	
Cold Metal Products Co.....	50			26		42	45	36
Collyer Insulated Wire Co.....	15							
Crucible Steel Co.....						27		
Elliott Bros.....					65	44		
Great Lakes Steel Corp.....	1,420	37						
Greer Steel Co.....								64
Inland Steel Co.....	547				55			
Jessop Steel Co.....						3		
Johnson Steel & Wire Co.....	24							
Jones & Laughlin Steel Corp.....	837		41		58	310	53	334
Keystone Steel & Wire Co.....	330		109			93		
Madison Wire Co.....	81			34		31		34
McLouth Steel Co.....	622	135	52	76	44	29	28	
National Standard Co.....						50		
National Tube Co.....	185							
New England High Carbon Wire Co.....	9							
Newport Rolling Mills.....	90				85		119	
Otis Steel Co.....	772		99	102	52	215	111	37
P & M Co.....	255							
Pittsburgh Steel Co.....	457							
Republic Steel Corp.....	3,838	1,074	254	1,258	862	126	189	38
Seneca Steel Co.....	30					46	38	
Sharon Steel Co.....			37				62	
Superior Steel Co.....	217				25			
Thomas Steel Co.....	234		60					
Thompson Steel & Wire Co.....	200			98		38	75	38
Union Drawn Steel Co.....	460			136				
U. S. Steel Export Co.....	309		269	1,122	701	955	154	929
Universal Cyclops Co.....	9							
Vulcan Crucible Co.....	1							
Wallingford Steel Co.....	138			52		26		
Weirton Steel Co.....	231		71		74	62		69
Wheeling Steel Corp.....	1,365		193	132				
Youngstown Sheet & Tube Co.....	221	58	29	199	309	231	29	
<u>Miscellaneous</u>								
Electro Co.....	130							
Vanadium Corp.....	56							
<b>Total.....</b>	<b>18,952</b>	<b>1,576</b>	<b>2,268</b>	<b>4,205</b>	<b>2,949</b>	<b>3,339</b>	<b>2,245</b>	<b>2,220</b>

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

April 20, 1942

Source: Procurement Division, Treasury Department.

STRICTLY CONFIDENTIAL

Bottom cargo for Russians sent from mills to Baltimore,  
total April 5 to 11 and daily April 12 to 18, 1942

Name of company and commodity	Tonnage							
	Total	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	April 5 to April 11	April 12	April 13	April 14	April 15	April 16	April 17	April 18
<u>Brass</u>								
American Brass Co. ....	329		47	45		48	47	
Chase Brass & Copper Co. ....	42					40		
<u>Steel</u>								
Allegheny Ludlum Steel Co. ....	11					33		
Armco International Co. ....					116			
Bethlehem Steel Co. ....	334		70	141	96	270	178	161
Elair Strip Steel Co. ....	19		23		33		39	
Brainerd Steel Co. ....	50							
Colonial Steel Co. ....	33							
Colorado Fuel & Iron Co. ....					548	658	590	
Eaton Steel Co. ....								6
Follansbee Steel Corp. ....						24	34	
Great Lakes Steel Co. ....	731		247	45	226	92	87	
Inland Steel Co. ....	1,010							
Johnson Steel & Wire Co. ....	44				25			
Jones & Laughlin Steel Corp. ....	3,342		92	339	167			
Otis Steel Co. ....	293						89	135
P & M Co. ....	51							
Republic Steel Co. ....	3,830	253	448	643	689	718	444	504
John A. Roebling & Sons. ....	33							
Seneca Steel Co. ....	54				37			
Sharon Steel Co. ....	194		71	50	59	28		
Thomas Steel Co. ....	35				25	25	25	37
U. S. Steel Export Co. ....	2,736		334	491	285	291	202	254
Weirton Steel Co. ....	644		106		35	106	107	71
Youngstown Sheet & Tube Co. ....	1,310	431	710	819	297	83	80	
<u>Miscellaneous</u>								
McKenna Metals Co. ....	353							
Total.....	15,478	684	2,148	2,573	2,638	2,416	1,922	1,168

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

April 20, 1942

Source: Procurement Division, Treasury Department.

STRICTLY CONFIDENTIAL

Bottom cargo for Russians sent from mills to New York,  
total April 5 to 11 and daily April 12 to 18, 1942

Name of company and commodity	Tonnage							
	Total April 5 to April 11:	Sunday April 12:	Monday April 13:	Tuesday April 14:	Wednesday April 15:	Thursday April 16:	Friday April 17:	Saturday April 18:
<u>Brass</u>								
Phelps Dodge Co.....	113							
Revere Copper & Brass Co.....							71	
<u>Iron</u>								
Oliver Iron Co.....	22							
<u>Steel</u>								
Allegheny Ludlum Steel Co.....							330	
Armco International Co.....	530		356	283	252	113	84	147
Bethlehem Steel Co.....	123		65		195	117	410	134
Cold Metal Products Co.....	53							
Colorado Fuel & Iron Co.....							629	
Crucible Steel Co.....	28			60			68	54
Great Lakes Steel Co.....	1,641	230	84	126		39	22	
Halcomb Steel Co.....	66				34			
Heppenstahl Co.....	59			46				
Indiana Steel & Wire Co.....	135		137		55		92	
Inland Steel Co.....	956		1,783		148	786	456	168
Jones & Laughlin Steel Corp.....	469		46	46		61	409	
McLouth Steel Co.....								144
National Tube Co.....							3,804	2,057
Otis Steel Co.....	981		90	289	375	259	150	
P & M Co.....	51							
Pittsburgh Steel Co.....	1,473						403	
Republic Steel Co.....	391	52		97	52	103	158	120
Sheffield Steel Co.....	65							
Thomas Steel Co.....						30	51	30
U. S. Steel Export Co.....	3,103	52	597	632	1,224	1,282	516	165
Wallingford Steel Co.....							25	
Washington Tin Plate Co.....	34							34
Weirton Steel Co.....	45							
Wyckoff Drawn Steel Co.....	348	166	84	127	42	125	107	
Youngstown Sheet & Tube Co.....	2,939		114	213		245	130	
<u>Miscellaneous</u>								
National Standard Co.....	54							
Total.....	13,679	500	3,356	1,919	2,377	3,228	7,847	3,053

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

April 20, 1942

Source: Procurement Division, Treasury Department.

April 20, 1942

Dear Mrs. Weber:

Secretary Morgenthau has asked me to reply on his behalf to your letter of April 12th addressed to him.

You may be interested to know that the Secretary's younger son, Robert, is now on active duty in the war zone aboard a United States destroyer. His older son, Henry, is awaiting a call to Army service and intends to enter the service as a private.

I feel that if you had known the facts you would not have written the Secretary as you did.

Sincerely,

Ferdinand Kuhn, Jr.  
Assistant to the Secretary

Mrs. Maude Weber  
1855 Lincoln Avenue  
E. E. Pittsburgh, Pennsylvania

FK:blb

Pgh Pa  
14-12-1942

167

Mr Morgenthau

Please inform me why your son Henry is not in Camp in uniform. The same as my son and the rest of the million boys. I have one son in Camp and another son to go. Leaving good jobs only recently obtained. So the Administration wants a united people, it is so easily seen why the country is divided. For example, your son who will do his fighting from



3

are being deferred in Hollywood.  
I love my sons as well as  
you love yours, but am not  
in a position to use my  
influence to have them  
deferred to sit in a swivel  
Chair.

Address to  
Mrs M and E Weber  
1805 Lincoln Ave  
P.O. - Pittsburgh Pa

2

swivel chair. ~~with~~ the  
millions of our boys in camp  
ready to give their all.  
in a war not of their  
making. Most of them are  
as able as your sons, who  
can sit in a nice clean  
office and receive a fat  
salary. Paid from the  
taxpayer's money. (Why)  
should the movie people  
be deferred. They are not  
termed essential in England  
who are the people who

**MORGENTHAU'S SONS**

To the Editor of the Post:  
Sir—May I say that Secretary Morgenthau's youngest son, Robert, is now on active duty in the war zone aboard a United States destroyer.  
His older son, Henry, interested in the services as a private.  
**168**  
JULIUS LEVINSON.  
41 Greenock street, Dorchester.

**SONS IN SERVICE**

To the Editor of the Post:  
Sir—The following editorial is from a national magazine:  
"Henry Morgenthau, 33, 23 years old, is the eldest son of the Secretary of the Treasury. Recently, he was appointed a housing specialist in the Division of Housing Co-ordination, Office of Emergency Management. He will be stationed in Cleveland." etc.  
Good luck to Henry Morgenthau. swell job. One of my sons, 22 years old, left a good job in the Carney Hospital to defend democracy. Another is in the U. S. marine corps. He is 18 years old. He left a good job with the N. Y. N. A. W. H. rank to serve democracy's principals. **168**  
I. J. MAHONEY.  
24 West Fourth street, South Boston.

Ferdinand Kuhn <sup>W/20</sup> 170  
Assistant to the Secretary

Sir: April 20, 1942  
Perhaps you  
will be interested  
in the enclosed  
clipping

Julius Levinson  
43 Greenock St  
Dorchester, Mass.

Indivisible with  
liberty and justice  
Drall

Ferdinand Kuhn Jr.  
Treasurer Department  
Washington, D.C.



I just read your letter of 4/13,  
and you are right when you say,  
I feel that if you had known  
the facts you would not written as  
you did.

Signs means the best way, but  
one way of finding out the facts  
is to directly investigate them.  
I think all things prove that  
there is need of publicizing these  
facts - or publicizing them.  
One way is to inform others in  
personal conversations - at meetings -  
and elsewhere to look for misleading  
statements and to correct them.

I am in the next minute  
writing the information you  
sent me to the Editor of the  
Boston Post

Sincerely  
Julius Levinson  
125 Central St  
Dorchester, Mass.



DEFENSE  
BONDS AND STAMPS

172



AFTER 6 DAYS, RETURN TO

Julius Levinson  
125 Central St  
Dorchester, Mass.

No. in Treasurer's Office

Ferdinand Kuhn Jr.  
Secretary to the Treasurer  
Treasury Dept  
Washington, D.C.

Embrace with Liberty and Justice  
for all

April 13, 1942

Dear Mr. Levinson:

Secretary Morgenthau has asked me to reply on his behalf to your post card of April 8th addressed to him.

You may be interested to know that the Secretary's younger son, Robert, is now on active duty in the war zone aboard a United States destroyer. His older son, Henry, is awaiting a call to Army service and intends to enter the service as a private.

I feel that if you had known the facts you would not have written the Secretary as you did.

Sincerely,

Ferdinand Kuhn, Jr.,  
Assistant to the Secretary.

Mr. Julius Levinson,  
43 Greenock Street,  
Dorchester, Mass.

FK/cgk

April 13, 1942

Dear Mr. Levinson:

Secretary Morgenthau has asked me to reply on his behalf to your post card of April 8th addressed to him.

You may be interested to know that the Secretary's younger son, Robert, is now on active duty in the war zone aboard a United States destroyer. His older son, Henry, is awaiting a call to Army service and intends to enter the service as a private.

I feel that if you had known the facts you would not have written the Secretary as you did.

Sincerely,

Ferdinand Kuhn, Jr.,  
Assistant to the Secretary.

Mr. Julius Levinson,  
43 Greenock Street,  
Dorchester, Mass.

FK/egk

Morgan here  
Secretary of the Treasury  
Washington, D. C.



174

Sir:

I read a letter in the Boston Post by a man whose two sons left good jobs - one to go into the service - and in a second branch of the service, deeply resenting your son being out of the more dangerous job, appointed a housing specialist - "but you think there is something more seriously dangerous waiting and guaranteeing to the welfare of this - our country - by such an action as yours, pictured above?"

Mr. Rowland is deeply admired because his sons are in the danger zone. Also Mr. Johnson. I doubt you demand approval of your boy for a soft spot? Duty you will see the about the serious thought and decisions it must have, I am

Very truly yours  
Julius Swinton

43 Greenock St, Dorchester, Mass

(T. D. )

TITLE 26 -- INTERNAL REVENUE

CHAPTER I

SUBCHAPTER E, PART 458, SUBPART I

INSPECTION OF EXCISE TAX RETURNS

Regulations governing the inspection of  
excise tax returns.

TREASURY DEPARTMENT,  
Washington, D. C.  
April 15, 1942

TO COLLECTORS OF INTERNAL REVENUE  
AND OTHERS CONCERNED:

Section 458.610 Introductory. (a) Section  
55 (a) (2) of the Internal Revenue Code, as amended,  
provides:

"And all returns made under this chapter,  
Subchapters A, B, D, and E of Chapter 2, sub-  
chapter B of chapter 3, chapters 4, 7, 12, and  
21, subchapter A of chapter 29, and chapter 30,  
shall constitute public records and shall be  
open to public examination and inspection to  
such extent as shall be authorized in rules and  
regulations promulgated by the President."

(b) Section 55 (Title I) of the Revenue Act of  
1932, as amended by section 218 (h), Title II, of  
the National Industrial Recovery Act, approved June  
16, 1933 (48 Stat. 195, 209), provides:

"Returns made under this title shall be  
open to inspection in the same manner, to the

- 2 -

same extent, and subject to the same provisions of law, including penalties, as returns made under Title II of the Revenue Act of 1926; and all returns made under this Act after the date of enactment of the National Industrial Recovery Act shall constitute public records and shall be open to public examination and inspection to such extent as shall be authorized in rules and regulations promulgated by the President."

(c) Section 55 (a) (Title I) of the Revenue Act of 1934, provides:

"Returns made under this title shall be open to inspection in the same manner, to the same extent, and subject to the same provisions of law, including penalties, as returns made under Title II of the Revenue Act of 1926; and all returns made under this Act shall constitute public records and shall be open to public examination and inspection to such extent as shall be authorized in rules and regulations promulgated by the President."

Sec. 458.611 Inspection of excise tax returns.

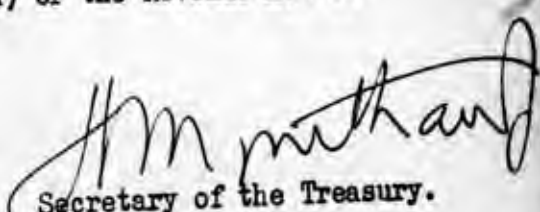
Pursuant to the above-mentioned provisions of law excise tax returns filed with respect to any tax imposed by chapter 7 or 12 or 21, or subchapter A of chapter 29, or chapter 30, of the Internal Revenue Code, or filed after June 16, 1933, with respect to any tax imposed by Title IV, V, or VII of the Revenue Act of 1932, or filed with respect to the tax imposed by Title IV of the Revenue Act




- 3 -

of 1934, or by any of the above-mentioned provisions as amended, shall be open to inspection to the same extent as provided with respect to income tax returns in subpart B and sections 463C.31, 463C.32, 463C.33(a), 463C.34, 463C.35, 463C.36, and 463C.37 of subpart D of Treasury Decision 4929, approved August 28, 1939, as amended by Treasury Decision 4991, approved July 20, 1940 [26 C.F.R., 1939 Sup., 458.301 to 458.307, both inclusive, 458.331 to 458.337, both inclusive, 1940 Sup., 458.333(a)].

(This Treasury decision is issued under the authority contained in section 55 (a) (2), as amended, of the Internal Revenue Code (53 Stat. 29, 26 U.S.C. 55, 1940 ed.); section 55 (Title I), as amended, of the Revenue Act of 1932 (47 Stat. 189); and section 55 (a) of the Revenue Act of 1934 (48 Stat. 680).)

  
Secretary of the Treasury.

APPROVED:

  
THE WHITE HOUSE.

4300 Rugby road  
Baltimore, Maryland  
April 20, 1942

My dear Mr. Secretary:

It was very good of you to take the time to write me about my tax poem and I am extremely proud of your letter. Although I feel very strongly and very humbly that this war is going to be won by the soldiers and sailors rather than the writers, I am very anxious to contribute anything that I can and I hope that you will call on me if there is any way I can be of use.

Sincerely yours,

*Ogden Nash*

OGDEN NASH



OFFICE OF  
CHIEF COORDINATOR

TREASURY DEPARTMENT  
TREASURY ENFORCEMENT AGENCIES  
WASHINGTON

April 20, 1942.

TO: Mrs. Klotz  
FROM: Elmer Ireby

Attached is a clipping from the New York World-Telegram of March 16, 1942, containing the article written by Walter J. Weir, of Old Greenwich, Connecticut, entitled "Wanted--For War, Fighting Spirit of 1918."

Enc.

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## Wanted—For War Fighting Spirit of 1918

The following article, written by W. J. Weir, copy director of Lord & Thomas, and published in *Printers Ink*, is reprinted here by permission of *Printers Ink*.

By W. J. WEIR.

Don't get me wrong—I'm just an ordinary guy. I am not trying to pose as an expert on the molding of public opinion. I'm not talking big about what I'd do if it was my job to whip up the country on the war effort.

I'm talking as an average citizen. I'm saying, not what I'd like to tell them, but what I'd like to be told. Soon.

Because I'm concerned, and I've been concerned, about my reaction to all that's been happening. Sure, I'm buying bonds. I'm paying taxes. I'm doing with less sugar.

But deep down inside, down where it really matters, something hasn't taken place yet that I feel ought to take place. I'm all a weller of confusion there. It keeps me scratching my head and mopping my brow when I know I ought to be clenching my fists.

You understand? It's like this:

I want to be told—not to buy Defense Stamps or Defense Bonds. I want to be told to buy Victory Stamps or War Bonds.

I want to be told—not about the construction of houses in Defense Areas. I want to be told about the construction of houses in War Production Areas.

I want to be told—not to remember Pearl Harbor. I want to be told to take Tokyo, to bomb Berlin, to raze Rome.

I want to be told—not to do my part to keep Nazism or Fascism from these shores. I want to be told to do my part to spread Americanism to all shores.

I want to be told—not to help keep our world and our way of life from being lost. I want to be told to help build a new world and a better way of life.

I want a positive program instead of a passive one. I want something to fight for—I'm sick and tired of having only something to fight against. I'm hungry for something to get pepped up about—I'm repelled from having only something to fear. I want something to do—not just to wait for.

It hasn't been so long since the last war that I forgot what happened then. I remember the parades and the speeches and the ringing slogans. Then we fought to make the world safe for democracy. We bought Liberty Bonds. We sang that the Yanks were coming.

We set out to avenge Belgium—not just to remember it. We made a vow that we'd reach Berlin or bust. We toyed with plans to hang the Kaiser. We warned the Hun to "keep your head down, Fritzle-boy!" We girded ourselves for a Crusade we didn't close the doors for a sign.

We hated the Kaiser—we didn't laugh at him. We likened his upturned handle-bars to the devil's horns—not to anything so harmless and pathetic as the famous hirsute prop Charlie Chaplin plastered on his upper lip. We saw nothing to be amused about in his vain and pompous posturings—as we do today in Mussolini's puffy strutting. We didn't pin our hopes on the defective eyesight of our enemy.

We planted war gardens. We poured our money into war chests. We had gasless Sundays and yelled "Stacker!" at anyone who dared to venture out in his Winton or Hopmobile or Stearns-Knight. We churned one pound of butter into two pounds and did it with as much will as if we were turning out ammunition.

We took the offensive psychologically long before we took it physically. And if we hadn't taken it psychologically we'd never have developed the drive to take it physically. And don't tell me we can't do the same now.

I want to sing that today we control our own destiny, tomorrow the destiny of the whole world. I want to sail against Germany, against Italy, against Japan. If they can sail against us and our allies, why can't we sail against them?

I want to construct a greater American co-operativity sphere. I want to correct the mistakes the Versailles treaty insofar as they allowed all this to happen. I want to win lebensraum for the democratic way of life.

I'm fed up with singing plaintive songs—I want to sing battle songs. Don't tell me there'll be bluebirds over the white cliffs of Dover. To hell with bluebirds. Tell me there'll be vultures and a deathly silence over Berchtesgaden.

I'm bored with keeping a stiff upper lip—I want to develop a stiff uppercut. I'm tired of being made to feel sad. I want the experience—the purging, marshaling, driving experience—of being made to feel mad. *Fighting mad!*

You got me?

## TREASURY DEPARTMENT

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## INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE April 20, 1942

TO Secretary Morgenthau  
FROM Mr. Hase  
Subject: The Business Situation,  
Week ending April 18, 1942.

Summary

(1) Transportation difficulties, due principally to the shortage of ships, are becoming the outstanding obstacle to the fullest prosecution of the war effort. The shipbuilding program is still behind schedule, due largely to shortages of steel and propulsion machinery. In order to avoid freight congestion at ports, a general embargo on all commercial exports has been put into effect.

(2) The general price level continues its steady advance. As a result of a further rise of 0.2 percent, the BLS all-commodity index in the week ended April 11 stood at 98.1, or nearly 31 percent above the pre-war level of August 1939. However, last week basic commodity prices receded slightly. Wheat prices fell to the lowest level since last November and the extended rise in hog prices has been followed by a downturn.

(3) Industrial stock prices last week sagged to the lowest levels since 1934, although trading activity was still light and prices firmed slightly at the end of the week. Apprehension over Laval's return to power in France was cited as a dominant factor in the decline, but continuing concern over the outlook for earnings and dividends doubtless contributed to the market weakness.

(4) Department store sales have shown the customary slackening after the Easter buying rush. In reflection of the unusually high levels attained in the opening months of the year, sales in March showed somewhat less than the usual seasonal rise. The advance in retail prices of department store items slowed down in March, but still stood 18.7 percent above year-earlier levels.

(5) Restrictions imposed on building activity have served to divert the construction industry to war work, rather than to reduce the aggregate volume of construction activity. Total construction contract awards in the first quarter of 1942, as reported by the F. W. Dodge Corporation, were 29 percent above year-earlier levels.

### Shipping difficulties menace war effort

While attention continues to be centered on production problems in the effort to speed up the war program, transportation difficulties, particularly ocean shipping shortages, threaten to become the primary obstacle to the fullest prosecution of the war effort. Thus, Admiral Land last week characterized shipping as the most serious bottleneck of the war program. He indicated that labor and management would have to increase production by 13 percent, and that steel promised by the WPB would have to be delivered promptly, to attain this year's shipbuilding goal.

Aided by increased conversion of strip mills to plate production, the steel industry's shipments of plates last month rose 16 percent to a record high of 879,000 tons. Furthermore, plate deliveries to shipyards for merchant ship construction actually increased 30 percent during the month. Nevertheless, lack of steel plate continues to be cited as a major factor in the lag in the shipbuilding program. Another retarding factor, according to press reports, is a lack of propulsion machinery, described by some shipbuilding executives as the most serious bottleneck of all.

### General embargo on exports put into effect

As a result of the shipping shortage, the Association of American Railroads last week put into effect a general embargo on loading of all goods for export, except war shipments, in order to prevent freight congestion at ports. In announcing this step, the railroads characterized it as a purely preventive measure and claimed that traffic conditions at all ports were "liquid". Since embargoes on normal commercial exports to certain areas were already operative, the effect of the order was merely to broaden existing restrictions. Nevertheless, this latest move serves to emphasize the growing pressure on transport facilities.

While the primary concern in the shipping situation is to produce more ships to move an increasing flow of war materials to far-flung battlefronts, it is also vitally necessary to maintain the inflow of essential raw materials. Moreover, the domestic transportation situation is being viewed with increasing concern. Among other developments, the shipbuilding and other war industry requirements seem likely to prevent the railroads from obtaining sufficient materials to build up their equipment facilities adequately.

### Price trend compared with that in first World War

General commodity prices continue a steady but gradual advance. In the week ended April 11, the BLS all-commodity index rose 0.2 percent to 98.1, which makes an increase of 30.8 percent since the pre-war level of August 1939, and 6.4 percent since the week before the Pearl Harbor attack.

As compared with the rise in early 1917, however, the present advance appears noticeably restrained. (See Chart 1, upper section.) In the previous war, severe inflation got under way before the first war-time price controls were imposed in the summer of 1917. Food prices (lower section of chart) are continuing to advance steadily, but in recent weeks they have diverged somewhat from the steep trend of the 1917 war period.

### Basic commodity prices in slight recession

Basic commodity prices receded slightly last week. (See Chart 2.) The recession was featured by further weakness in wheat prices, which dropped to their lowest level since November, after a continuous decline of five weeks. The weakness reflects the outlook for record supplies with the prospective large new crop, and uncertainty over storage space.

Prices for hogs declined last week, for the first time since January, on an OPA revision of the ceiling on pork prices. Prices for steers, on the other hand, advanced sharply to a new high point for the war period. Butter quotations, supported by Government purchases, continued their advance.

Among industrial raw commodities, wool and cotton prices declined slightly, and print cloth prices were reduced. Domestic consumption of cotton during March, although at a new record high, was somewhat disappointing on a daily basis in comparison with trade expectations. The CCC again sold its monthly quota of cotton for April.

Flaxseed prices declined for the second week from their high March level. The decline was due largely to realization that shipping space from Argentina had been booked for substantial quantities to be delivered this spring, and to the WPE order restricting private construction activities, which may result in reduced demand for linseed oil. Flaxseed prices will be supported, however, by a recent increase in the Government loan rate, designed to encourage planting of this crop.

#### Pork ceiling revised

The OPA wholesale price ceilings on pork have been revised to eliminate injustices resulting from the advantage taken of advance information by some wholesalers. These wholesalers manipulated their prices upward immediately before the ceilings were fixed, thus establishing artificially high margins for themselves during the base period of March 3-7. Subsequently, they were in a position to bid more for live hogs than those who traded as usual before the temporary ceilings were announced. To remedy the situation the OPA moved the base period back to the period of February 16-20. In order to comply with the price control act, which requires that temporary ceilings must be based on the level prevailing during the five days prior to their imposition, an adjustment was provided for the rise of hog prices between the February and March periods.

#### Parity formula to cover labor costs proposed

Announcement has been made by Representative Fulmer that he proposes to have the House Agriculture Committee hold hearings for the purpose of working out legislation to set up a new formula for parity prices. The proposal apparently would require inclusion of wages in the parity index. According to the press, Mr. Fulmer said, "The present parity formula is unfair to farmers, in that it does not take into consideration labor on the farm, as well as a fair and just portion of the national income compared with other groups". Secretary Wickard is reported to have opposed the plan, pointing out that present statutory authority would not permit inclusion of wages in the parity index, and that such inclusion in March would have raised the current index by only 2 points.

#### Stocks decline to new low

Stock prices last week sagged to new lows. The Dow-Jones average of industrial stocks at Friday's closing prices was down nearly 4 percent from week-earlier levels, and stood at the lowest point since 1934. At the same time, the average price of railroad stocks receded to a new low since 1940, while the Dow-Jones average of utilities eased to the lowest point since compilation was begun in 1929. The volume of trading stepped up slightly, but still remained at low levels. Adverse implications of Laval's return to power in France were apparently the dominant influence in the week's decline, although fears of lower earnings and dividends as a result of increased taxes and stiffening war restrictions were said to have contributed to the weakness.



The probability that foreign developments were only partially responsible for the decline is emphasized by the fact that industrial stock prices in the London market actually showed a gradual upward trend during the week. (See Chart 3.) It will be noted, in fact, that stock prices in the London market have been rising very gradually since the third week in March, in contrast to the weakening tendencies noted in the New York market.

Department store sales show seasonal downturn

With the Easter buying peak passed, department store sales in the week ended April 11 showed the customary decline, and fell below year-earlier levels for the first time this year. However, the decline from the corresponding week of last year is without special significance, since the 1941 period covered Easter week which fell a week later last year. (See Chart 4.)

On a seasonally adjusted basis, department store sales have shown some recession from the record levels attained in January, when the FRB adjusted sales index reached 138. The decline to 126 in February was followed by a further decrease to 122 in March, as the expansion in actual sales fell somewhat short of the usual seasonal showing.

The rise in retail prices of typical department store items, as measured by the Fairchild index, slowed down somewhat in March and advanced only 0.5 percent over the previous month. Nevertheless, the gain over year-earlier levels amounted to 18.7 percent. Since the value of March sales ran 24.7 percent above the corresponding month of 1941, it will be seen that the bulk of this year's sales gain was due to the rise in prices.

Although department store sales for the year to date have averaged 23 percent above year-earlier levels, a growing shortage of various civilian goods may reduce this margin later in the year, unless offset by price advances. However, department stores have anticipated this situation to some extent by building up stocks. In February the FRB seasonally adjusted index of department store stocks (in dollar value) jumped sharply to a new high, and stood 41 percent above the corresponding month in 1941.

Construction industry heavily converted to war work

While numerous restrictions on construction activity have been imposed by the WPB, the net effect of these has been to convert the industry to war work rather than to cause a reduction in aggregate construction activity. Thus, total

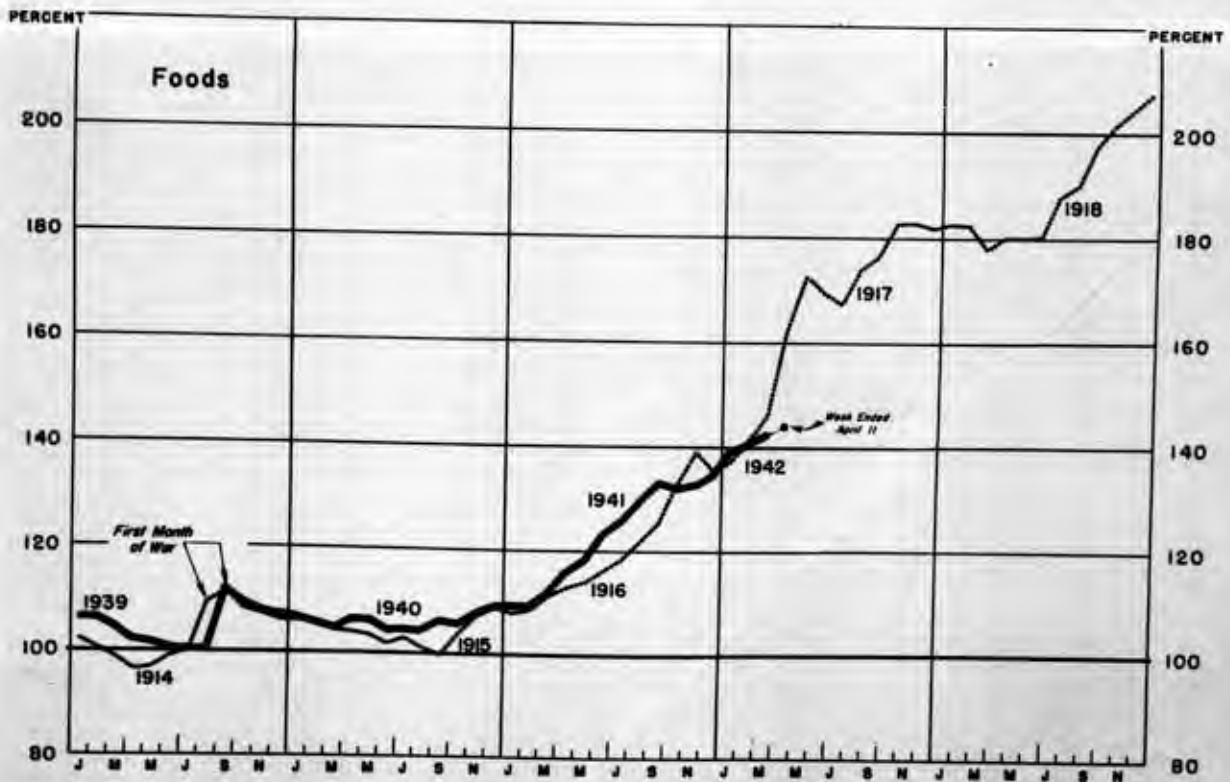
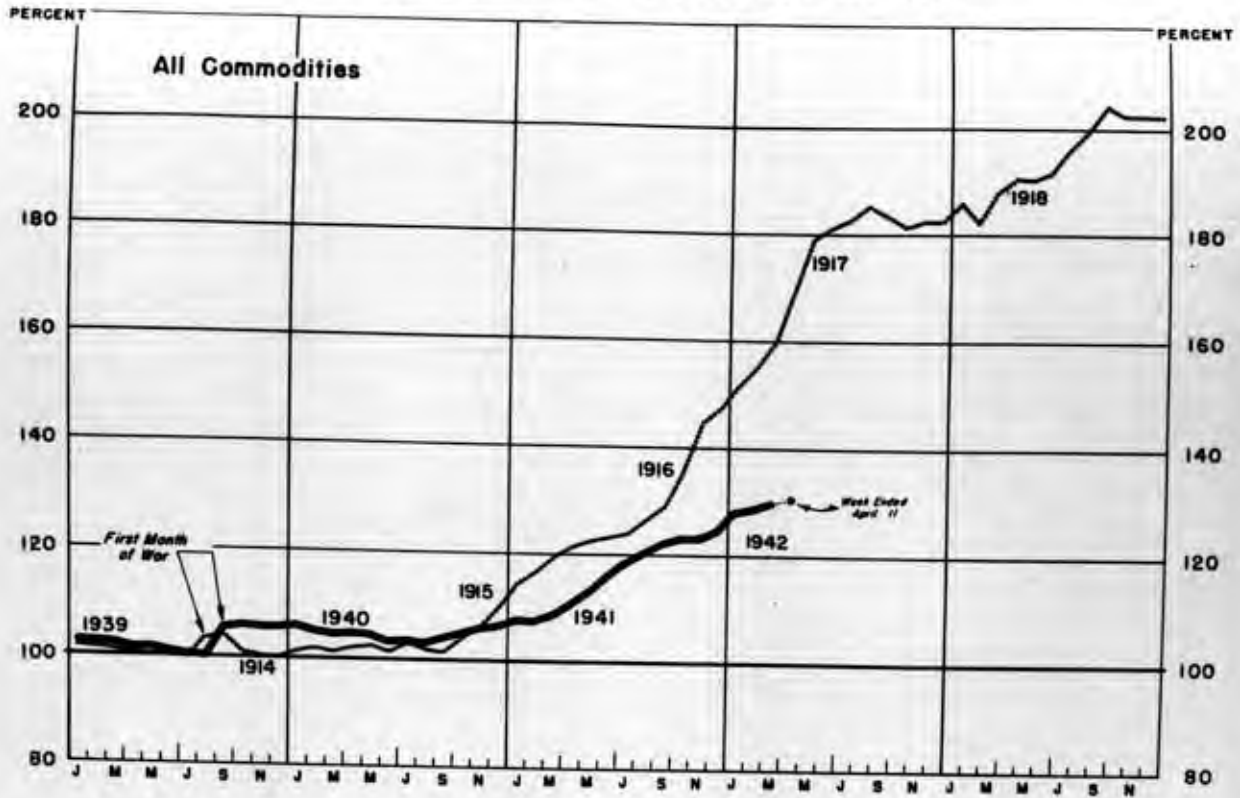
construction awards in March, as reported by the F. W. Dodge Corporation, were the highest for that month since 1927 and exceeded the corresponding month of last year by 27 percent.

Total construction awards during the first quarter of 1942 ran 29 percent above year-earlier levels. Restrictions on private residential construction were more than offset by gains in low-cost defense housing and various types of military housing, with the result that total residential construction awards in the first quarter were 31 percent above the corresponding quarter of 1941. The progress in converting the construction industry to war work may be seen from the fact that public construction contracts comprised 72 percent of total awards in the first quarter of this year, as compared with only 47 percent a year earlier. These figures, moreover, do not cover all war work, since large amounts of war construction have been let for private account.

Similar trends are revealed by heavy construction data compiled by the Engineering News Record. During the first three months of 1942 aggregate engineering construction awards were 36 percent above the corresponding period in 1941, and contracts have continued to be let at a high level during the current month. (See Chart 5.)

# PRICES, 1939 TO DATE COMPARED WITH 1914 TO 1918

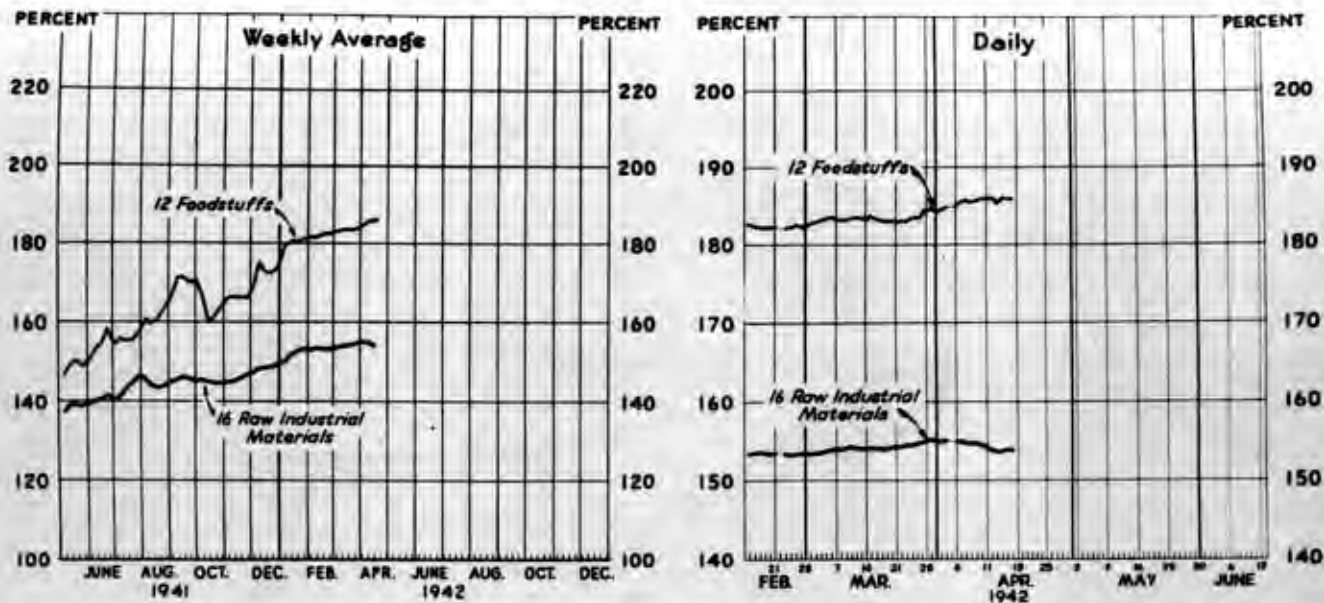
July 1914 = 100 World War Period; Aug. 1939 = 100 Present Period



Source: B.L.S.

# MOVEMENT OF BASIC COMMODITY PRICES

AUGUST 1939 = 100

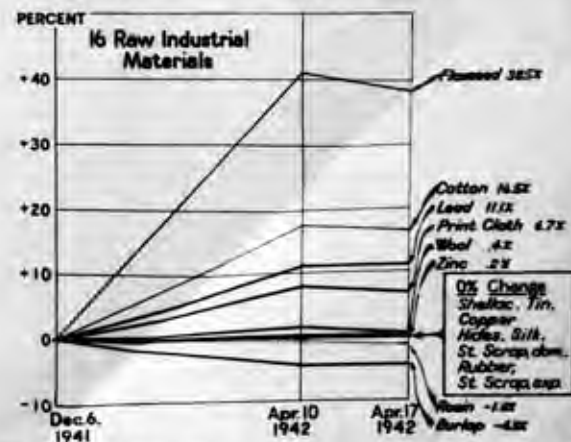
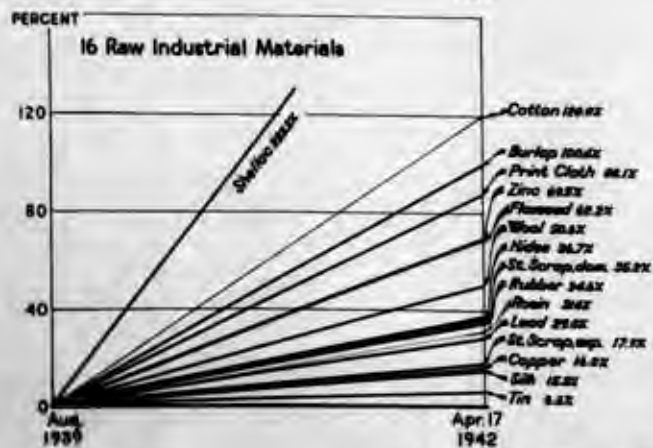
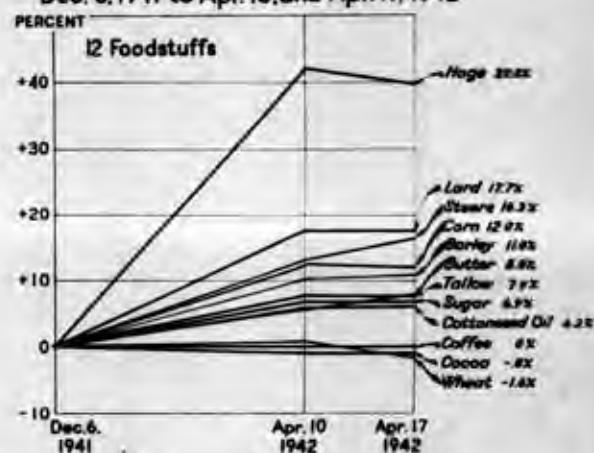


## PERCENTAGE CHANGE FOR INDIVIDUAL COMMODITIES\*

Aug. 1939 to Apr. 17, 1942



Dec. 6, 1941 to Apr. 10, and Apr. 17, 1942

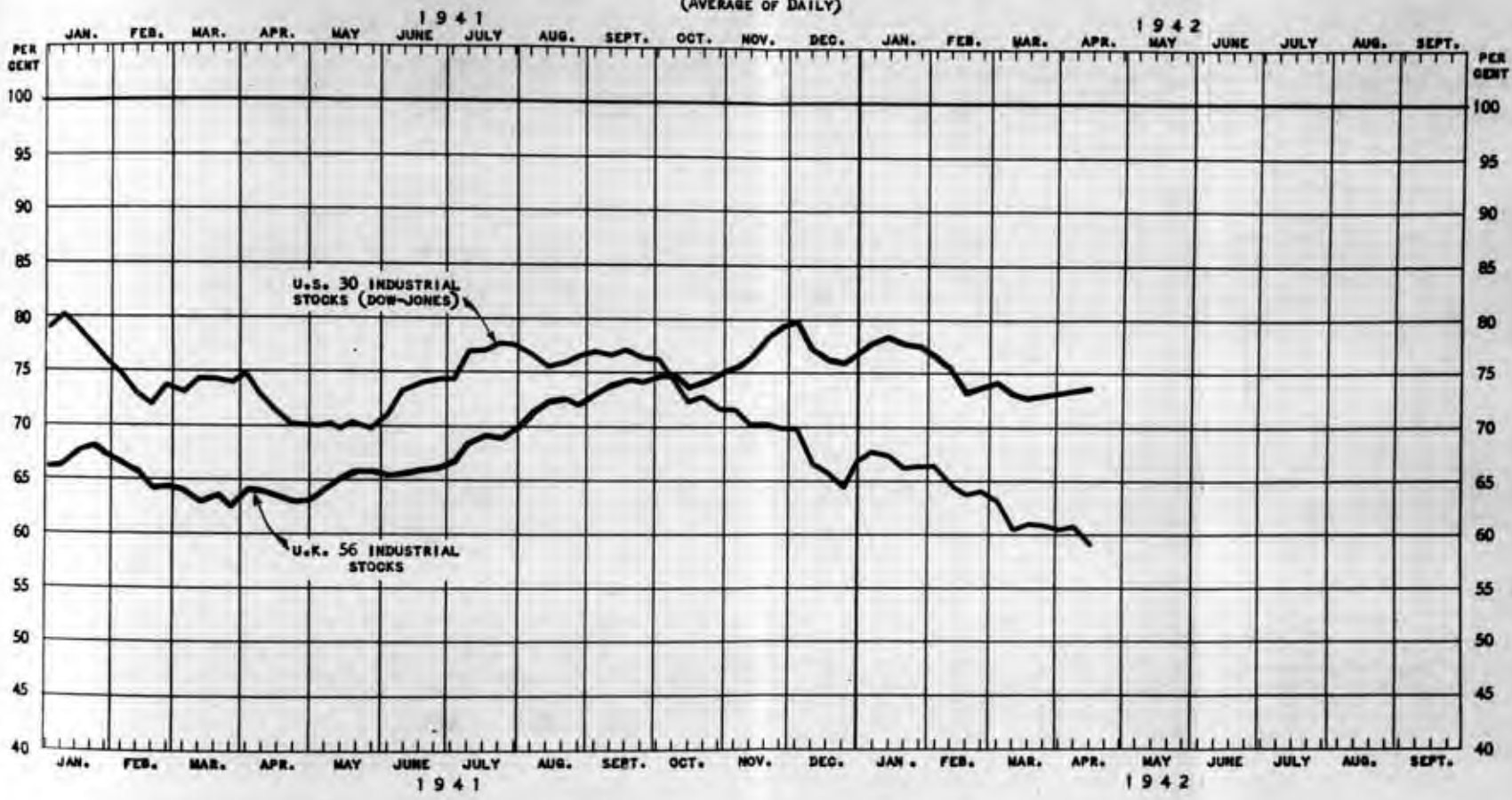


\* Black lines indicate commodities under price ceilings or other control

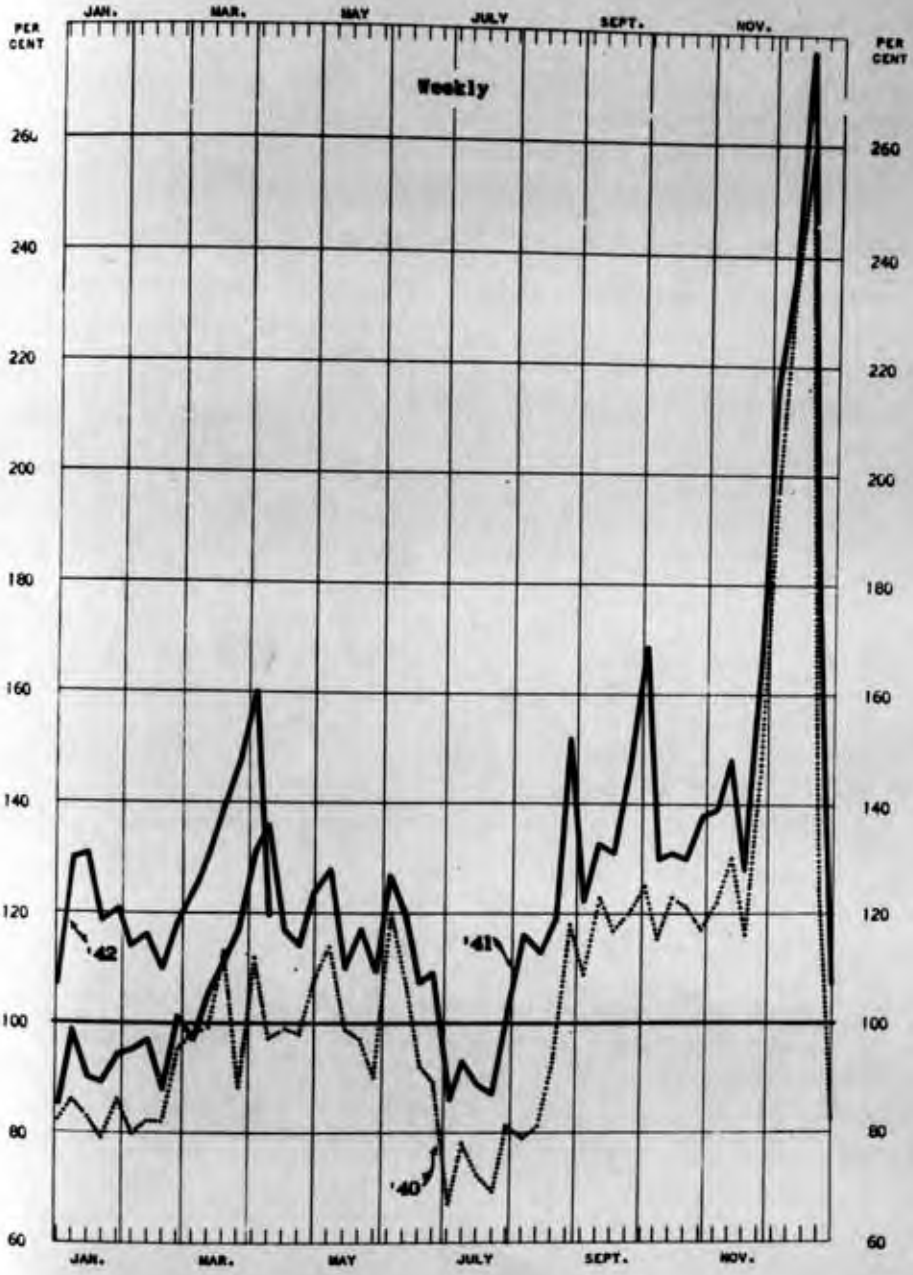
# INDUSTRIAL STOCK PRICES IN U.S. AND U.K.

AUGUST 1936 = 100

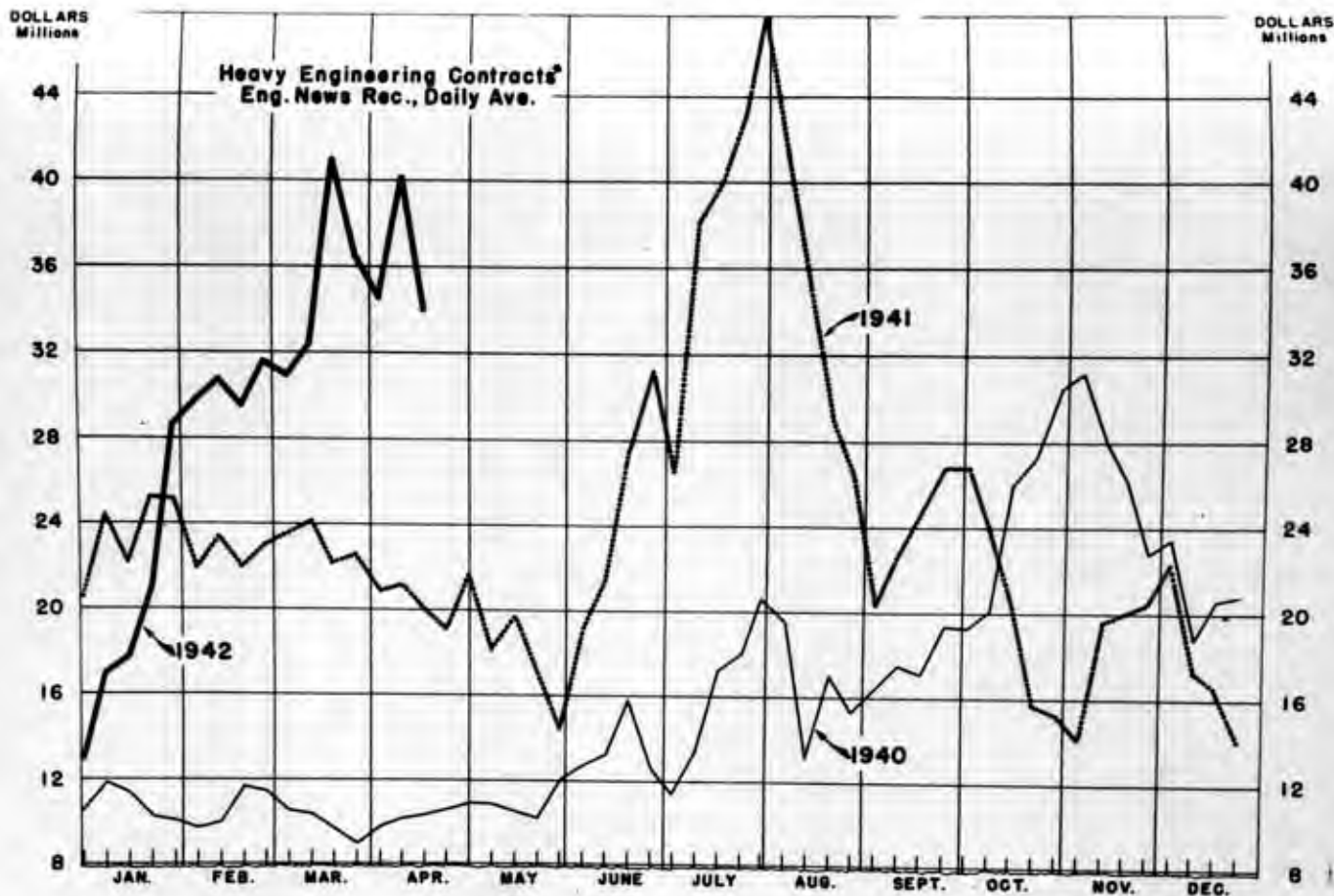
Weekly  
(AVERAGE OF DAILY)



DEPARTMENT STORE SALES  
1935 - '39 = 100, UNADJUSTED



# HEAVY CONSTRUCTION CONTRACT AWARDS



<sup>2</sup>Four-week moving average placed on fourth week

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

Chart 5

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C-393-A-1

Regraded Unclassified

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

E. R. Stettinius, Jr.  
Administrator

April 20, 1942

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

Dear Mr. Secretary,

Immediately upon receipt of the memorandum from Mr. McCloy, copy of which is attached, I telephoned Mr. Harry White and asked him if he would convey the answer to you. Mr. White tells me that he sent you the copy I sent over especially for him with the suggestion that you telephone me if there were any further questions.

In compliance with your suggestion, I will be very glad to talk with you about this subject at three o'clock this afternoon.

Sincerely yours,

*Thomas B. McCabe*

Thomas B. McCabe  
Acting Administrator

Attachment 30



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P  
YWAR DEPARTMENT  
OFFICE OF THE ASSISTANT SECRETARY  
WASHINGTON, D. C.

April 14, 1942

MEMORANDUM FOR MR. McCABE:

SUBJECT: Taking out British Contracts.

After an investigation of the moneys available in our existing or pending War Department appropriations (including those for articles for export to other governments), I find that there are as yet uncommitted funds which could be used to buy out British contracts in the following approximate amounts:

Air items	-	up to \$250,000,000
Ordnance items	-	as required (up to \$200,000,000)
Others	-	as required (up to \$20,000,000)

In every instance, however, these appropriations were or are being obtained on the basis of estimates which we submitted to Congress and which do not include the British contracts. If these moneys are utilized for the purpose of taking out the early British contracts, it will be necessary for us to reapply to Congress immediately for the restoration of these amounts for they will be needed for the programs we already have under way for our own Army and for the foreign governments whose interests are represented in the appropriations.

The particular items which are involved in the British contracts that are the subject of discussion are in many cases not items which the War Department would desire to procure and, in any event, it is certainly contemplated that the British will want (and no doubt will eventually receive) the articles that are covered by the contracts.

For this reason, as well as for the reason that the appropriations based on estimates for our own armies are so largely committed, or at least earmarked, we can look, as a practical matter, for money to take over British contracts, only to the appropriations set up for articles for export. These moneys are available in the quantities set forth above, but as

they were obtained on testimony which not only did not disclose that they might be utilized for the purpose now contemplated but created clearly the impression that they were to be used for purchases not yet contracted for, we feel that if they are to be employed for this purpose the Chief Executive, acting either directly or through the Budget Director, should so direct the War Department. Such direction is the more necessary because the operation is being urged primarily as a means for improving the British dollar exchange which is not normally a War Department function.

(Signed) John J. McCloy  
John J. McCloy  
Assistant Secretary of War

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE April 20, 1942

TO Secretary Morgenthau

FROM Mr. Kamarck

Subject: Shipment of Planes to British Forces, Week Ending  
April 14, 1942

1. In the week ending April 14, 1942, a total of 183 planes of all types (154 combat planes) were shipped to British forces.

2. The largest shipment of combat planes to the British Pacific forces to date occurred during the week with 45 Kittyhawks being sent to Australia and 15 Lockheed Hudson bombers being sent to New Zealand and Australia.

3. A total of 33 Grumman Martlet aircraft carrier-based fighters has now been shipped to India in 1942.

Table A - Shipments by Area

	Week Ending Apr. 14, 1942	Total Shipped in 1942 to date	Total Shipped since Jan. 1, 1941
<u>To the United Kingdom</u>			
Light and medium bombers	32	146	1,307
Heavy bombers	7	24	128
Naval patrol bombers	0	8	110
Pursuit	25	542	853
Army Cooperation	6	44	75
Trainers	0	0	24
Total to the United Kingdom	70	764	2,497
<u>To the Middle East</u>			
Light and medium bombers	7	186	516
Heavy bombers	0	0	5
Pursuit	0	163	1,011
Army Cooperation	0	12	12
Trainers	0	8	150
Total to the Middle East	7	369	1,694
<u>To the Canadian Forces</u>			
Light and medium bombers	1	27	195
Heavy bombers	0	1	1
Naval patrol bombers	0	23	31
Pursuit	0	30	72
Trainers	29	253	1,494
Total to the Canadian Forces	30	334	1,793
<u>To the British Pacific Forces</u>			
Light and medium bombers	15	121	216
Naval patrol bombers	0	0	27
Pursuit	45	113	281
Trainers	0	0	105
Total to Pacific Forces	60	234	629
<u>To the British Indian Forces</u>			
Pursuit	16	33	33
Total to Indian Forces	16	33	33
<u>Total</u>			
Light and medium bombers	55	480	2,234
Heavy bombers	7	25	134
Naval patrol bombers	0	31	168
Pursuit	86	881	2,250
Army Cooperation	6	56	87
Trainers	29	261	1,773
Totals	183	1,734	6,646

- 3 -

Table B - Shipments by Types

	<u>Week Ending Apr. 14, 1942</u>	<u>Total Shipped in 1942 to date</u>	<u>Total Shipped since Jan. 1, 1941</u>
Bell Airacobra	25	288	442
Boeing B-17	2	7	27
Boston III	0	5	29
Brewster Buffalo	0	0	168
Cessna Crane I-A (AT-17)	5	26	26
T-50	0	86	700
Consolidated Catalina	0	31	168
Liberator	5	18	107
Curtiss Kittyhawk	45	310	692
Tomahawk	0	0	544
Douglas Boston I and II	0	0	82
Boston III	0	0	410
Fairchild 24 R-9	6	46	68
Glenn Martin Baltimore	7	189	257
Maryland	0	0	150
Grumman Martlet II	16	38	79
Lockheed Hudson	35	228	1,198
Lightning	0	3	3
Ventura I	0	12	12
Ventura Bomber	12	44	44
North American B-25B	1	2	2
Harvard II	0	51	948
Mustang	0	242	322
Pitcairn Autogiro	0	0	5
Stearman PT-27	24	98	99
Vought Sikorsky Chesapeake	0	0	50
Vultee Stinson-049	<u>0</u>	<u>10</u>	<u>14</u>
Grand Total - All Types	183	1,734	6,646

Table C - Plane Shipments to the British by Weeks

198 Week Ended	Light and medium bombers	Heavy Bombers	Naval patrol bombers	Pursuit	Army Cooperation	Trainers	Total
Weekly Average of shipments in 1941	36	2.2	2.7	28.3	.6	30.2	100
January 6, 1942	24	0	5	30	4	9	72
January 13, 1942	3	0	2	58	0	42	105
January 20, 1942	8	0	0	14	0	60	82
January 27, 1942	24	0	1	100	5	13	143
February 3, 1942	9	0	3	10	4	4	30
February 10, 1942	33	0	3	59	0	4	99
February 17, 1942	12	0	2	41	7	0	62
February 24, 1942	33	0	2	86	7	1	129
March 3, 1942	26	0	1	80	6	0	113
March 10, 1942	29	2	0	78	1	0	110
March 17, 1942	34	1	0	94	8	0	137
March 24, 1942	94	9	12	79	0	84	278
March 31, 1942	49	1	0	58	4	10	122
April 7, 1942	69	2	0	8	4	5	88
April 14, 1942	55	7	0	86	6	29	183
Total shipments since January 1, 1941 to date *	2,234	134	168	2,250	87	1,773	6,646

\* These totals include a few aircraft shipped prior to March 17, 1942, which are not listed in the weekly figures. Due to a mistake by the source of the data, Lend-Lease aircraft flight deliveries were not included in the weekly statements. The correction has now been made in the totals.

188

Treasury Department  
Division of Monetary Research

199

Date: April 21 19 42

To: Miss Chauncey

If the Secretary has not yet read the Executive Order referring to the additional functions of the Board of Economic Warfare he should glance at the appended summary.

MR. WHITE  
Branch 2058 - Room 214½

TREASURY DEPARTMENT

200 ✓

INTER OFFICE COMMUNICATION

DATE April 20, 1942

TO Secretary Morgenthau

FROM Mr. White

Subject: Executive Order -- Board of Economic Warfare

1. The Board is to be responsible for determining and directing the "policies, plans, procedures" of the several Federal agencies with respect to the production and procurement (including the financing) of materials which are to be imported -- using W.P.B. directives as a guide.

For carrying out this responsibility and to take any other action "deemed necessary", the Board is to direct the organization and financing of a Government corporation.

2. The Board is to:

- (a) Advise the State Department on terms included in Lend-Lease agreements.
- (b) Arrange for receipt by the United States of any reciprocal aid and benefits received from Lend-Lease countries.
- (c) Represent the Government in dealing with other countries' economic warfare agencies -- and relate our effort to theirs.

3. The Board may "arrange through the Department of State" to send abroad representatives responsible to the Board.

Comment: The order leaves some points yet to be settled. For example, it can extend its activities as "deemed necessary to facilitate the war effort". The order does not say who is to make this determination.

Similarly, it is to "arrange through" State to send representatives abroad. There may be some conflicting interpretations of this provision.



EXECUTIVE ORDER

DEFINING ADDITIONAL FUNCTIONS AND DUTIES  
OF THE BOARD OF ECONOMIC WARFARE

By virtue of the authority vested in me by the First War Powers Act, 1941, approved December 18, 1941 (Public Law 354, Seventy-Seventh Congress), and the Act of March 11, 1941 (Public Law 11, Seventy-Seventh Congress), as President of the United States and Commander in Chief of the Army and Navy, it is hereby ordered as follows:

1. In addition to the responsibilities and duties heretofore conferred, the Board of Economic Warfare is authorized and directed to:

- a. Receive and be responsible for executing directives from the Chairman of the War Production Board as to quantities, specifications, delivery time schedules, and priorities of materials and commodities (other than arms, munitions, or weapons of war as defined in the President's Proclamation of May 1, 1937, as amended) required to be imported for the war production effort and the civilian economy; and determine the policies, plans, procedures, and methods of the several Federal departments, establishments, and agencies with respect to the procurement and production of such materials and commodities, including the financing thereof; and issue such directives, or initiate

such proposals in respect thereto as it may deem necessary.

- b. Direct, with the approval of the President, the creation, organization, and financing of a corporation or corporations, pursuant to subsection 3 of the fourth paragraph of section 5(d) of the Reconstruction Finance Corporation Act, as amended, the objects and purposes of which shall be:

- (1) To obtain from foreign sources such materials, supplies, and commodities (other than arms, munitions, or weapons of war as defined in the President's Proclamation of May 1, 1937, as amended) as are necessary for the successful prosecution of the war, and provide for the production, delivery, sale, or other disposition thereof; and
- (2) To take such other action as may be deemed necessary to facilitate the war effort and strengthen the international economic relations of the United States.

- c. Advise the State Department with respect to the terms and conditions to be included in the master agreement with each nation receiving lend-lease aid under the Act of March 11, 1941, entitled "An Act Further to Promote the Defense of the United States and for Other Purposes," and Acts amendatory or supplemental thereto.

- d. Provide and arrange for the receipt by the United States of reciprocal aid and benefits (other than arms, munitions, or weapons of war as defined in the President's Proclamation of May 1, 1937, as amended) from the government of any country whose defense shall have been determined by the President to be vital to the defense of the United States pursuant to the Act of March 11, 1941 (Public Law 11, Seventy-Seventh Congress), and determine the terms upon which such aid and benefits shall be received, including the authorization of other governmental agencies to receive such aid and benefits.
- e. Represent the United States Government in dealing with the economic warfare agencies of the United Nations for the purpose of relating the Government's economic warfare program and facilities to those of such nations.

2. For the purpose of carrying out its responsibilities, the Board of Economic Warfare may arrange through the Department of State to send abroad such technical, engineering, and economic representatives responsible to the Board as the Board may deem necessary.

3. The responsibilities, duties and powers transferred to and conferred upon the Board of Economic Warfare by this Order may be exercised and performed by the Chairman of the Board, or by the Executive Director of the Board, or such other officials or employees as the Chairman may designate.

- 4 -

4. Executive Orders No. 8839 of July 30, 1941; No. 8900 of September 15, 1941; No. 8952 of December 17, 1941; No. 8926 of October 28, 1941 are amended accordingly; and any provisions of these or other pertinent Executive Orders conflicting with this Order are superseded.

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE

April 13, 1942

COPY

## DEPARTMENT OF STATE

Washington

In reply refer to  
FF 840.51 Frozen Credits/6010

April 20, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits for the information of the Treasury Department copies of telegram no. 476, April 6, 1942, 5 p.m., to the American Embassy at Buenos Aires, and of the Embassy's reply thereto, telegram no. 654, April 11, 1942, 1 p.m., concerning the funds in the amount of \$103,995 deposited by Frederick J. Gilfillan, a native American citizen, in the Banco de la Provincia de Buenos Aires, January 13, 1942, via the Guaranty Trust Company of New York City, and which was later transferred to the name of his wife, a Swiss national, as well as a copy of a letter dated March 28, 1942, from Mr. C. Romanet, with its enclosure, a letter dated March 26, 1942, from Mr. Gilfillan.

The Secretary of State would appreciate being advised as to what reply, if any, should be made to telegram no. 654 from the Embassy at Rio de Janeiro. \*

## Enclosures:

1. Telegram no. 476 to Buenos Aires, April 6, 1942.
2. Telegram no. 654 from Buenos Aires, April 11, 1942
3. From Mr. C. Romanet, March 28, 1942, with enclosure.

\* Should be "Buenos Aires" instead of "Rio de Janeiro".--F.D.

COPY:lap-5/9/42

COPY

TELEGRAM SENT

BAS

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

April 6, 1942

5 p.m.

AMEMBASSY

BUENOS AIRES

476

Investigate and telegraph report concerning alleged transfer in January 1942 to Banco de la Provincia de Buenos Aires of funds totaling \$103,000 by Frederick J. Gilfillan, native American citizen. An applicant for passport facilities, he plans to visit Buenos Aires to buy wool with said funds for sale in the United States. He is said to be married to a Swiss citizen, maiden name Jeanne A. Eckert. Under terms of two marriage contracts most of his assets in Europe were placed under wife's control. He offers as reference Guaranty Trust Company of New York City.

WELLES  
ACTING  
(DH)

FF:PRA:LM PD

COPY:lap-5/9/42

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

Buenos Aires,

Dated April 11, 1942

Rec'd 1:21 p.m.

Secretary of State,

Washington.

654, April 11, 1 p.m.

Department's 476, April 6, 6 p.m.

\$103,995 was deposited by Gilfillan in the Banco de Brazil la Provincia January 13 through the Guaranty Trust Company of New York and this was later transferred to his wife's name by order dated January 17 the dollars being held in the Guaranty Trust Company in the general deposits of the local bank. The bank here does not know purpose but has offered to inform the Embassy before any substantial withdrawal is made. Further details are being reported by despatch. If the Department wishes to be consulted before withdrawal I should appreciate receiving instructions.

ARMOUR

RR

COPY:lap-5/9/42

COPY

Miami, March 26, 1942.

Coudert Brothers,  
Washington, D. C.

Gentlemen:

Thank you for your letter of the 25th, which has just arrived.

As the Passport Division seems to be desirous of having more information about me, especially in regard to the funds I sent to South America, allow me to give you some more details covering the case:

Hearing last September while in St. Paul, Minn. that the Government was issuing new passports, and having decided to go to South America, I sent in my old passports to the State Department in Washington and obtained a new one. I was in New York in October and intended to take a ship for South America at that time, but family reasons prevented me.

End of November, while in Winter Park, I inquired of my bank in New York whether there were any restrictions as to sending of funds to the Argentine. They answered that, excepting some cases of people who were "on the black list", there were no restrictions whatsoever and that I was entitled to send as much as I wanted there. Thereupon I instructed them to send funds which I judged sufficient to finance my export projects from the country in question, - which they did. There was no question whatsoever of applying for any license to enable me to do this at that time.

In December, I inquired of the Pan American office in Miami, by writing as to what papers were required for a trip to the Argentine, and was told by them that a passport, vaccination and police certificates and visas were necessary. I thereupon got all these papers for myself and wife, and bought the tickets.

Although the writing back and forth extended beyond January 15th, the Pan American Office wrote me nothing about any validation of my passport. When we arrived here in Miami and presented ourselves to their local office with all the required papers (and this was on the 11th of February), we were not told even then that a validation of my passport was required. We waited around till there was a chance to get off, and not till the day before there were 2 vacant places was I told that my passport needed a validation.



- 2 -

I understand that, in these troublous times, the Government has to be careful in allowing too much liberty of action to citizens whose part may be doubtful, but as I have no fear of my record being examined, I do not quite see why I should be condemned to sit around as a useless consumer for the duration, when I feel myself well and active enough to be up and doing something useful in this terrible emergency.

Thanking you for your efforts on my behalf, I am

Very truly yours,

FREDERICK J. GILFILLAN

F. J. Gilfillan  
c/o American Express Co.  
330 Flaglerstreet,  
Miami, Fla.

COPY:lap-5/9/42

COPY

COUDERT BROTHERS

The Bond Building

Russell I. Hare

Washington

March 28, 1942

Mrs. R. B. Shipley, Chief,  
Passport Division,  
State Department,  
Washington, D. C.

Re: Frederick J. Gilfillan.

Dear Mrs. Shipley:

Pursuant to Mr. Shay's letter to you of March 25, 1942, in connection with the application for validation of Mr. Gilfillan's passport, I now send you herewith copy of a letter received from Mr. Gilfillan giving us further information concerning his funds in the Argentine. Although Mr. Gilfillan, in a letter to us of March 10th, stated that he had been "permitted" to send money to the Argentine, it now develops from the enclosed letter that no license had been required for the transfer of the funds.

I am at your entire disposition for any further information you may require in this connection and remain

Respectfully yours,

C. ROMANET

CR  
Encl.

COPY:lsp-5/9/42

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YDEPARTMENT OF STATE  
WASHINGTON

April 20, 1942

In reply refer to  
FF 740.00112 European  
War/5249

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits copies of paraphrases of two telegrams, no. 1259, April 13, 1942, 11 p.m., from the American Embassy at Rio de Janeiro, and no. 844, April 1, 1942, midnight, to the American Embassy at Rio de Janeiro, concerning the release of funds to Martinique in the amount of \$150,000 a month.

## Enclosures:

1. Copies of paraphrase of telegram no. 1259 from American Embassy, Rio de Janeiro, April 13, 1942.
2. Copies of paraphrase of telegram no. 844 to American Embassy, Rio de Janeiro, April 1, 1942.

Copy:bj:4-21-42

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, Rio de Janeiro.  
TO Secretary of State, Washington.  
DATED: April 13, 1942, 11 p.m.  
NUMBER: 1259

Reference telegram 844, April 1, midnight, from the Department.

The Bank of Brazil's written acceptance of the conditions which the Treasury Department prescribed has been received by the Embassy. The French Commercial Attache has also accepted the conditions. Despatch by airmail.

CAFFERY

Copy:bj:4-21-42

PARAPHRASE OF TELEGRAM SENT

TO: AMEMBASSY, Rio de Janeiro  
FROM: Secretary of State, Washington  
DATE: April 1, 1942, Midnight  
NUMBER: 844

Reference is made to telegram 925, March 18, 3 p.m., from the Embassy at Rio de Janeiro.

The Treasury Department under the monthly license for release of funds to Martinique is prepared to permit under the following conditions the transfer of \$150,000 monthly to Brazil:

1. The Bank of Brazil should acquire the dollar amount of the remittance and credit the milreis equivalent thereof to an account with the Bank of Brazil in the name of the Commercial Attache of France (or some other acceptable designation).

2. The French Commercial Attache should clear in advance with the American Commercial Attache all payments from such an account.

3. The Bank of Brazil should have access to the French Commercial Attache's records of the account for the American Commercial Attache's inspection.

If these conditions are acceptable to the French Commercial Attache and to the Bank of Brazil, please telegraph.

WELLES  
Acting

INCOMING CABLEGRAM

Date: April 20, 1942

From: Caracas

Federal Reserve Bank of New York

#6

We are remitting approximately \$4,000,000 for our credit. After reception of remittance buy for our account \$4,000,000 in gold debiting our account plus charges, gold to be earmarked and left with you for our account. This gold is to strengthen our gold reserves. Cable execution.

Banco Central de Venezuela

(Received by telephone from Federal Reserve Bank of New York, New York, 3:30 p.m., April 21, 1942)

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215

DEPARTMENT OF STATE  
WASHINGTON

In reply refer to  
FD

April 20, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of telegram No. 431, dated April 18, 1942, from the American Embassy, Chungking, China, reporting that the Ministry of Finance has put into circulation a quantity of customs gold unit notes.

Enclosure:

From Embassy, Chungking,  
No. 431, April 18, 1942.

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4-20-42

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

Chungking via N. R.

Dated April 18, 1942

Rec'd 3:38 p.m.

Secretary of State,

Washington.

431, April 18, 1 p.m.

Ministry of Finance has put into circulation a quantity of customs gold unit notes. In order to give these notes a face value equivalent to one American dollar (or 20 Chinese fapi dollars) the gold content of the customs unit has been raised and customs duty schedules are being lowered in proportion. The gold unit value of the notes is approximately 100 million making the fapi value 2 billion.

GAUSS

JRL

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4-20-42



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APR 20 1942

Cable received by Chase National Bank from Guayaquil office of the Banco Central del Ecuador.

By order of and for account of Quito head office buy 50,000 ounces troy gold and earmark in Federal Reserve Bank and continue buying and earmarking up to a limit of 50,000 ounces more as our funds may permit. Wire execution.

Copy:lc;4/21/42

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For. Accts. Div.

April 20, 1942

Banco Central del Ecuador  
quito

1 Understand your Guayaquil office has requested Chase National Bank to arrange for the purchase of up to 100,000 ounces of gold to be earmarked with us in your name STOP We shall be pleased to apply to our Treasury Department for license to acquire such gold on your behalf on receipt of confirmation from you by cable that you require the gold for the purpose of strengthening your gold reserve STOP We believe such application would receive favorable consideration STOP With regard to the earmarking of this gold by us for your account Please confirm by tested cable that you have signed and are returning to us the copy of our revised letter of terms and conditions dated December 1, 1937, whereupon we shall be pleased to apply to our Board of Directors for its approval STOP For further details refer our letter June 20, 1941

FEDERAL RESERVE BANK OF NEW YORK

Copy:vw:4-21-42

DEPARTMENT OF STATE

219

WASHINGTON

In reply refer to  
FD 861.51/2953

April 20, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of telegram no. 318, dated April 18, 1942, from the American Embassy, Kuibyshev (Moscow), Union of Soviet Socialist Republics, concerning an announcement by the Soviet press that the 1942 National Defense Loan was over-subscribed within two days.

Enclosure:

From Embassy, Kuibyshev,  
no. 318, April 18, 1942.

eh:copy  
4-20-42

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

(Moscow)  
Kuibyshev

Dated April 18, 1942

Rec'd. 1:54 p.m.

Secretary of State,

Washington.

318, April 18, 3 p.m.

Reference Embassy's 316, April 15, the Soviet press of April 17 publishes an announcement that the 1942 National Defense Loan was over-subscribed within two days. Former loans have usually required from one to four weeks until fully subscribed.

Repeated to Moscow.

REINHARDT

HPD

eh:copy  
4-20-42

## TREASURY DEPARTMENT

221

## INTER-OFFICE COMMUNICATION

DATE April 20, 1942

TO Secretary Morgenthau  
 FROM Mr. Dietrich

**CONFIDENTIAL**

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£59,000
Purchased from commercial concerns	£61,000

Open market sterling remained at 4.03-3/4, and there were no reported transactions.

In New York, closing quotations for the foreign currencies listed below were as follows:

Canadian dollar	12-5/8¢
Argentine peso (free)	.2370
Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2064
Uruguayan peso (free)	.5295
Venezuelan bolivar	.2865
Cuban peso	1/4% premium

We sold \$4,988,000 in gold to the Central Bank of the Argentine Republic, which was added to its earmarked account.

The Federal Reserve Bank of New York reported that the Bank of Canada was making two shipments of gold with a total value of \$5,212,000 from Canada to the Federal for account of the Government of Canada, for sale to the New York Assay Office.

In London, spot and forward silver remained at 23-1/2d, equivalent to 42.67¢.

The Treasury's purchase price for foreign silver was unchanged at 35¢. Handy and Harman's settlement price for foreign silver was also unchanged at 35-1/8¢.

We made no purchases of silver today.

Copy No. 13

BRITISH MOST SECRET  
(U.S. SECRET)

OPTEL No. 129

Information received up to 7 A.M., 20th April, 1942.

1. NAVAL

Another ship in homeward Russian convoy has been sunk by enemy action, making four altogether.

2. MILITARY

BURMA. IRRAWADDY FRONT. By midday 17th road blocks mentioned yesterday had been cleared by our armoured forces and a heavy A.A. battery which had been overrun was relieved. Fighting is continuing. Demolitions at YENANGYAUNG were completed successfully.

3. AIR OPERATIONS

WESTERN FRONT. 19th/20th. 65 seamines were laid. Two aircraft are missing.

MALTA. Between noon 18th and 2 P.M. 19th about 200 bombers, escorted by fighters, attacked. Damage was caused to buildings at GRAND HARBOUR and at KALFRANA aerodrome. A.A. destroyed three bombers, probably destroyed three more and damaged five.

UNITED STATES GOVERNMENT  
COORDINATOR OF INFORMATION  
WASHINGTON, D. C.



**SECRET**  
COORDINATOR OF INFORMATION

April 20, 1942

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

Dear Henry:

The attached is a summary of the  
weekly French directive of the British  
Political Warfare Executive.

Sincerely,

*Bill*  
William J. Donovan

Attachment



UNITED STATES GOVERNMENT  
COORDINATOR OF INFORMATION  
WASHINGTON, D. C.

**SECRET**  
COORDINATOR OF INFORMATION

April 20, 1942

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

Dear Henry:

The attached is a summary of the  
weekly French directive of the British  
Political Warfare Executive.

Sincerely,

*Bill*  
William J. Donovan

Attachment





1. Fundamental Objectives.

a. To hinder use of French economic resources by the enemy and to demoralize the German civil and military forces of occupation.

b. To convince the French people, especially those in the unoccupied zone that the Vichy Government cannot be considered an independent sovereign power representing France itself. The Germans foster its existence because they know they can make it do what they want in the last resort.

2. Problems. It must be borne in mind: First.

With the return of Laval the end of the Vichy regime as we have known it seems apparent.

a. Laval will probably go slowly, at the beginning refraining from such startling concessions to Germany as handing over the French fleet or Mediterranean bases.

b. At the start he will probably concentrate most of his attention on improving the French internal situation liquidating his most dangerous opponents in some way or other and strengthening police precautions.

c. We may expect him to obtain some German concessions to cover his activities on their behalf. He may well obtain some relief of occupation costs and the return or conditional release of some prisoners, in order to show the relations between France and Germany in a new light.

d. Laval will not want necessarily to sever diplomatic relations with America. Bear in mind that he considers he is popular in America. He has family connections in America. Keeping France quiet during the spring campaigns and putting French economic resources and manpower at Germany's service is his immediate business.

e. Though lacking any sense of financial or political morality, nevertheless Laval brings to his task great skill in political maneuver and negotiation and great experience. His profound conviction that he is more than a match for anybody is his principal weakness. As a result he is a bad judge of public opinion.

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SECRET

f. Laval is fully aware that the new regime is against French public opinion. Therefore, he is ready to override public opinion, but will do utmost to avoid clash.

g. Laval is preferred to Darlan by the Germans, because Darlan's usefulness as a politician has been outlived.

Second. Strong measures to insure public order in Paris have been taken by Germany. Von Waldeck's presence, not yet confirmed, is an indication that strong repressive measures will be taken to keep Paris quiet if necessary.

Third. The wheat situation in France is becoming extremely serious. One of the main points of Vichy propaganda has been to persuade the peasants to hand over their wheat stocks.

### 3. Personalities.

Pétain. He should still not be attacked directly. He has been completely out-manuevered and too weak to resist. He no longer controls France.

Laval. The name Laval should as far as possible take the place of the name of Vichy, which should be named "the government of Laval." The distinction between Laval and the French people should be deepened.

Darlan. Despite his concessions he has failed to pacify France's German masters. Do not assume that he desires to hand over the French fleet to the Germans.

Dentz. The man who surrendered Paris, tried to surrender Vichy and then did not hesitate to shed Allied and French blood for the Germans.

Pecheu. He has been out-manuevered in his bid for power by police control by Laval. Do not spare Pecheu insofar as he invented the present French police system which has suppressed and muzzled the French people.

Deat. Used by Laval as the apostle of the German new order in France. Is not corrupt or venal but a Nazi and pro-German of conviction.

**SECRET**

COOPERATOR OF INFORMATION

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Doriot. Would-be leader of Nazified France.

The man who wore the swastika and the German uniform.

Benoist-Mechin. Treat with contempt as the creature of the Germans and the lackey of Laval.

4. France and Vichy. Toward the situation our attitude must to a large extent be governed by that of the American government. Do not anticipate on any account what these reactions may be. Press comment of America should be used to the full. Bear in mind that to resist Laval's accession is a challenge.

5. French merchant marine. With the advent of Laval, Germany's plan for the exploitation of the French merchant fleet with the hope of provoking a major clash between the French and British fleets now becomes more dangerous than any time before.



UNITED STATES GOVERNMENT  
COORDINATOR OF INFORMATION  
WASHINGTON, D. C.



April 20, 1942

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

Dear Henry:

The attached is from the British Political  
Warfare Executive German Weekly Directive.

Sincerely,

*Bill*  
William J. Donovan



German home front appreciation:

a. German home propaganda.

German mind has been centered on potatoes, ration, call-up and RAF offensive, since once again there is nothing but expectation in Russia and remote Far Eastern news to relieve tension. Appearing now are the first real evidences of the moral effect of the bombings. Their major worry is the ration cut and potato shortage, explanations of which are continuing. German propaganda, true to its tradition of attack, is trying to divert attention from man power crisis by attacks on "Forms of Bureaucracy".

b. Treatment of news.

In the coming offensive, delayed only by thaw, confident expectation is expressed. The Malta raids are emphasized. Stress on Cripps failure in India. The Mediterranean is still important. Shipping sinkings are even more important. Emphasis on "discomfiture of megalomaniac Roosevelt" is another important line.

Strategy points:

a. General picture.

Our picture, once again, is of Germany preparing last effort to break out of Anglo-Russian net. Russia and Britain share the chief responsibility for a strategy against Germany, and America is responsible for that against Japan.

b. Malta and Mediterranean remain serious major diversion. In describing Britains part in Anglo-Russian strategy, stress that Northern route is now such a menace that Hitler has been forced to organize major Air-Naval effort to try to interrupt it.

c. Wherever possible, German manpower crisis should be repeated in the news.

d. Commandos and RAF are holding down men and equipment.

vitally needed in Russia. The RAF offensive is systematic attack on German war machine, both inside and outside Reich.

e. Use the French crisis to illustrate:

1. Shortage of manpower.
2. Germany's fear of intervention in the west.

As part of combined strategy designed to push Germany's manpower crisis, resistance in occupied territories should be angled. We can now leave the 1917 and use the 1918 Spring parallel.

Naval points:

a. Indicate forthcoming action in the Baltic and the Black Sea, by the Russians.

b. Reiterate that German subs have been frightened off the vital Atlantic routes between America and Britain and between S. Africa and Britain.

Military points:

a. Libya. Rommel is faced with a time problem.

b. Yugoslavia. Diversion of German Allied forces should be stressed.

c. Russia. Local Russian attacks preventing necessary German withdrawals, mud notwithstanding.

Talks and features.

Stop all good-humored, easy stuff and generalities about heroism, freedom etc. and present information toughly. Our talks should be suited to the severity of internal German tension.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE April 20, 1942

TO Secretary Morgenthau  
FROM Mr. Kamarok  
Subject: Summary of Military Reports

R.A.F. Activity

(The magnitude of the R.A.F. daylight sweeps over western Europe is the greatest of the war. On April 17, the high point was reached with 650 fighters on offensive patrol over northern France, thirty Douglas bombers and eight Hurricane bombers attacking French targets, and twelve Lancaster bombers sent to bomb Augsburg.)

The Lancaster bombers have finally been unveiled. Their performance seems noteworthy: their speed is high enough to risk daylight bombing, yet each plane carried over two tons of bombs 500 miles into Germany and then dropped them, practically from roof-top level.)

(U.K. Operations Reports, April 16, 17, 18, 19, 1942)

Italian Armed Forces

After a long period of inactivity, Italian bombers have recently taken part again in offensive operations in the Mediterranean. Up to the 1st of April, the attacks on Malta were carried out exclusively by German planes. Since the 1st of April, Italian bombers have joined in the attacks. The renewal of Italian activity is believed to be partly due to popular dissatisfaction in Italy at the inactivity of the Italian air force, and partly due to German pressure to relieve the strain on the German bomber force during the present intensive attack on Malta.

(U.K. Operations Report, April 17, 1942)

According to a recently compiled list, since the start of the war, Italy has lost 44 percent of her merchant shipping; half of her submarines; more than one-third of her destroyers; one-third of her light cruisers and five out of seven heavy cruisers. Of the five Italian battleships, it is believed that the two newest are undergoing repairs, while the three in service were all constructed prior to World War I.

(C.O.I., "The War This Week", April 9 - 16, 1942)

Far East

A. Japanese Air Force

The Japanese are estimated to have 700 planes in Burma and the Bay of Bengal and 650 in the New Guinea area (i.e., a good third of the Japanese air force is accounted for in these two areas.)

(C.O.I., "The War This Week", April 9 - 16, 1942)

B. Weather in Burma

The weather in Burma will not be as important a factor in the fighting as the newspapers have been playing it up to be. The heavy monsoon rains generally do not come until around the end of May. In any case, the fighting has moved out of the worse rain belt. The rain will probably be heavy enough to impose some hindrances on the fighting but not enough to cause a cessation of military operations.

(C.O.I., "The War This Week", April 9 - 16, 1942)

Voice of the Chief

The "Chief" exposes a graft intrigue which has thus far prevented introduction of improved oxygen breathing apparatus in the Luftwaffe.

"For the third time, Chief Engineer Luchs of the German General Staff has rejected the new oxygen breathing apparatus invented by First Lieut. of Engineers Hensken, despite its approval by the Department for Laboratory Tests. Tests have proven that the Hensken equipment has much more stability against hits from fire arms, whereas the old Draeger containers will explode under the impact of the smallest splinter.

"Herr Luchs pretends that the difference in performance is not great enough to warrant mass production of the new containers. His real motive is, however, his silent partnership in the Draeger Works Limited at Luebeck.

"In a Hensken container, an explosion is as good as impossible. Nevertheless, the equipment contains just as much oxygen and is only 10 percent heavier than the Draeger container. But that is not enough to break the Draeger monopoly: For the ties between the Commune heads who profit from this war are iron-clad."

(Federal Communications Commission, April 15, 1942)



TREASURY DEPARTMENT  
Washington

FOR RELEASE, MORNING NEWSPAPERS,  
Tuesday, April 21, 1942.  
4/20/42

Press Service  
No. 31-25

The Secretary of the Treasury announced last evening that the tenders for \$150,000,000, or thereabouts, of 91-day Treasury bills, to be dated April 22 and to mature July 22, 1942, which were offered on April 17, were opened at the Federal Reserve Banks on April 20.

The details of this issue are as follows:

Total applied for - \$332,677,000  
Total accepted - 150,058,000

Range of accepted bids:

High	- 99.960	Equivalent rate approximately	0.158 percent
Low	- 99.914	" " "	0.340 "
Average Price	- 99.920	" " "	0.317 "

(85 percent of the amount bid for at the low price was accepted).

-oOo-

April 21, 1942  
9:11 a.m.

HMJr: Hello, Harry.

Harry Hopkins: Hello, Henry.

HMJr: How are you feeling?

H: Oh, I'm feeling pretty good. I went to bed at nine o'clock.

HMJr: You did.

H: I feel pretty good.

HMJr: Well, you certainly - I certainly take my hat off to you.

H: I really think I'm - these doctors have got hold of something with me now.

HMJr: You mean they've got a new wrinkle?

H: I think so. I think the last time I went to the hospital they got a combination of stuff for me that may do the business.

HMJr: Well, that'll be marvelous.

H: I'm very hopeful of it.

HMJr: Well, anybody - I couldn't take what you took the last two weeks.

H: Well, it wasn't as bad as it sounded.

HMJr: Yeah. Harry, did you and the President talk over about this broadcast?

H: No, I haven't, Henry.

HMJr: Oh.

H: He sounded the other day on the train - you know, he usually - he must have something in

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his mind.

HMJr: Well, let's forget it.

H: He'd have said "yes" right there.

HMJr: Well, let's forget about it.

H: I'd love to do it for you, you know.

HMJr: But - I mean, it isn't.....

H: It isn't that important. I can do it some other time.

HMJr: Well, I mean there are some other - we - I've got all of my speakers. It isn't as though - but some other time, maybe you'd go on alone.

H: Yeah. Sure.

HMJr: What?

H: Sure.

HMJr: Would you do that?

H: Oh, of course.

HMJr: Well, if you'd do that, then very soon I'd love to have you go on. Any time, I mean, that - let you go on alone, and we'll.....

H: All right, Henry.

HMJr: What?

H: I'd love to do it.

HMJr: Okay.

H: All right, old boy.

HMJr: Thank you.

H: Good-bye, Henry.

HMJr: Good-bye.

April 21, 1942  
9:13 a.m.

HMJr: Hello.

Operator: Mr. Callahan.

Vincent  
Callahan: Good morning, sir.

HMJr: Good morning, Vince. Vince, what would you think if we had a guest star on Thursday night in this Lieutenant O'Hare.

C: For a minute or two?

HMJr: Yeah.

C: I think it would be very good, sir.

HMJr: Well, I'd give him three minutes anyway.

C: Well, what I meant was two or three minutes, something like that.

HMJr: Well, would you take it up with the Navy?

C: Yes, sir. Mr. Gilchrist has a date with him at twelve o'clock today - with O'Hare.

HMJr: Oh, has he?

C: On the Treasury Star Parade.

HMJr: Oh, well I - oh, I didn't know that. Well, when I want him is for Thursday night.

C: Well, he could do both.

HMJr: Why not?

C: It would be a very good idea.

HMJr: I think it kind of peeps it up.

C: I think it would be swell. It will be the first time he's on, too.

HMJr: Yeah. Well, I'd - the President evidently

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is giving him a medal today.

C: Uh huh.

HMJr: And whatever music is going to be played Thursday night, I'd like it submitted to me.

C: Well, I think there'll only be about two numbers - one at the opening, and probably one at the close, but the.....

HMJr: Well, I thought one in the middle.

C: All right. Have you any ideas?

HMJr: Yeah.

C: All rightie.

HMJr: At the end, I want "The Star Spangled Banner".

C: All rightie, fine.

HMJr: And I thought at the beginning - what would you think of "Over There"? The Yanks are coming.

C: Uh huh.

HMJr: What?

C: Very good.

HMJr: And.....

C: "Over There".

HMJr: What?

C: I'm just telling Mr. Gilchrist, who's sitting here, to take it down.

HMJr: Yeah. I tell you, what you might do is this way. Put it this way. Let's open up with "Stars and Stripes Forever".....

C: All right.

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HMJr: .....which is one of my favorite bands.

C: All right.

HMJr: And then if we have O'Hare.....

C: All right.

HMJr: .....after O'Hare, we could play "Over There", the Yanks are coming. It would be very appropriate.

C: Very good.

HMJr: What?

C: I think it's very good.

HMJr: I mean we could have O'Hare, and then give them a little music right afterwards.

C: That'll be swell.

HMJr: See?

C: Yes, sir.

HMJr: And, as I say, I like "Stars and Stripes Forever". The Marine band would do it swell, and they can finish with "The Star Spangled Banner".

C: I think it would be swell. Now, we're pretty well lined up on the Thursday night.

HMJr: Well, I wrote you a whole series of memos this morning on my machine, which will be over to you in about a half an hour.

C: All rightie, fine.

HMJr: Okay.

C: Now I just wanted to tell you this. Everyone will be there except Mr. Murray.....

HMJr: Yeah.

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C: .....who's getting a degree in Philadelphia,  
and we're picking him up there.

HMJr: Fine.

C: Mr. Hawkes is in the hospital, and Mr. Leary  
will substitute for him.

HMJr: I don't know - who's Hawkes?

C: He's Chamber of Commerce.

HMJr: Right. Well, you'll get my suggestions, and  
you can let me know.

C: All right, sir.

HMJr: Thank you.

C: Okay. Thanks.

April 21, 1942  
9:17 a.m.

HMJr: Hello.

Secretary  
Stimson: Hello, Henry.

HMJr: Good morning.

S: Good morning. I have before me a proposal about this system of getting - urging men in the Department, or people in the Department to buy bonds.

HMJr: Yes, sir.

S: And also a proposed statement by me and by somebody else to say that I'm doing it myself and so on.

HMJr: Yeah.

S: And therefore they should do it.

HMJr: Yeah.

S: Frankly, Henry, I don't like it that way. Now, I mean it rather puts me in a false position.

HMJr: I see.

S: I've gone ahead - I've bought \$50,000 of those bonds some time ago.

HMJr: Yeah.

S: I'll buy any more that you want me to.....

HMJr: Yeah.

S: .....that I can afford.

HMJr: Yeah.

S: But you see, when you make me say that to the men here, they at once would feel that, "Why, that isn't anything for him to do, because his



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salary is larger than mine."

HMJr: Well.....

S: And it may be - it's a big sacrifice to me.

HMJr: Well, Henry, I haven't - I don't - I personally don't see what they write, so I don't know what they gave you.

S: Yes.

HMJr: I mean, I.....

S: I've got it right here. I mean, they put it a straight, flat thing that.....

HMJr: Well, I haven't seen it.

S: .....by saying that the War Department has inaugurated the plan whereby all men can purchase bonds by authorized deductions from their pay, and they suggest, I think, ten per cent - something like that.

HMJr: Well, frankly I.....

S: And I'm happy to.....

HMJr: Could I say this?

S: Yes.

HMJr: Yes. Two things. In the first place, I haven't seen it; and in the second place, what your own good, common sense and judgment tells you will be entirely agreeable to me.

S: Well, I don't like to be in the position of imposing or - I mean, or not helping out.

HMJr: No, no.

S: You understand me.

HMJr: No, I appreciate that. Well, any way you want to do it, I'll be delighted. See?

- 3 -

S: Yeah.

HMJr: Hello.

S: Yes.

HMJr: Any way that you think is good taste and proper, is satisfactory to me.

S: Well, I'll think it over and look it over and see if there's - what - I haven't talked with the man who, the finance officer, who represents me yet. This is.....

HMJr: Somebody in your own office may have written it. I don't know.

S: Very likely, very likely.

HMJr: What?

S: Very likely it was.

HMJr: I mean, I don't know whether the Treasury.....

S: What I - but I wanted to go right to you because I don't want you to misunderstand me.

HMJr: Well, I appreciate that; but anything that your conscience tells you is the right way to do it, will be more than satisfactory to me.

S: All right. I'll see what we can do.

HMJr: Now, while I've got you on the wire.....

S: Yeah.

HMJr: .....your Department and ours and the rest have been horse-trading on this aid to Britain money, and McCloy was over here yesterday. Hello.

S: Has been doing what on it?

HMJr: Horse-trading.

S: Frustrating?

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HMJr: Yeah. Ever heard that word?

S: Frustrate?

HMJr: Horse-trading.

S: Oh, horse-trading.

HMJr: Yes.

S: (Laughs)

HMJr: I don't know whether.....

S: I thought you said.....

HMJr: I don't know when you were the leading member of the.....

S: Oh, Lord, I've never been a very good horse-trader myself, but I've been in the job of being swindled by others.

HMJr: (Laughs) Touché.

S: (Laughs)

HMJr: Well, believe me, I told McCloy yesterday when he came over we were moving in such fast company, I sent my pocket-book out.

S: (Laughs) That's why - I mean, I feel I'm so bad that I send a man along like McCloy.

HMJr: Well, he's damned good. Well, he's got a proposal, and all I'm asking is - he's recommending it now.....

S: Well, I don't know what it's all about. What is it about, really?

HMJr: Well, it's - he'll give you the story, but all I'm asking is, I hope you'll say yes today. This has been going on almost a year.

S: Well.....

HMJr: McCloy will explain it. . After all, in the

- 5 -

letter you wrote me, you told me that if I didn't understand it, I'd have to get McCloy.

S: (Laughs)

HMJr: That was wonderful.

S: (Laughs) I begin to remember that I put some such sassy expression in a letter to you, but I'd forgotten what it was about.

HMJr: Well, it was a four-page letter, that would take a Philadelphia lawyer to understand it. At the bottom of it, you said.....

S: I'm sure it wasn't written by me.

HMJr: So I gathered.

S: Wasn't dictated by me.

HMJr: So I give you back McCloy to explain it.

S: All right, I'll fix him up.

HMJr: It'll cost you about two hundred million dollars.

S: (Laughs) For him to explain it?

HMJr: Yeah.

S: (Laughs) Well.....

HMJr: He's a high-priced man.

S: Well, what do you - no, what do you really mean? Is it the adjustment of.....

HMJr: It's an adjustment about these planes you took away from England.

S: Oh, now it comes back to me, yes. Now I remember. You mean.....

HMJr: You grabbed.....

- 6 -

S: .....about American dollars.

HMJr: Yeah. You grabbed a lot of planes, and.....

S: (Laughs) That's a good phrase, that's a good phrase.

HMJr: And up to now you haven't paid for them.

S: (Laughs) Well.....

HMJr: But I give you back McCloy. He will explain it.

S: (Laughs) Well - but as I remember it there, the point was that you were such a - your Department.....

HMJr: Yeah.

S: .....was such a good Philadelphia lawyer for my British friends.....

HMJr: Yeah.

S: .....that you not only - that they not only wanted the planes, but they wanted the same amount in dollars as well as the planes.

HMJr: Well, now I think it's gotten down to - you've got the planes, and all I want to get them is the dollars.

S: Well, as I understood it, we had neither - neither the planes nor, if you were lucky, the dollars.

HMJr: Well, I think you gave the planes to the Russians, but that's something else.

S: (Laughs) I know. All right. I've.....

HMJr: There's such a thing as - have you ever been to a county fair where they have such a thing called the shell game?

S: I have.

- 7 -

HMJr: Well, this - well, I'm trying to find the pea under the shell.

S: (Laughs) Well, I felt very much like the rube myself, when I thought that I was the fellow that was trying to follow the pea.

HMJr: (Laughs) Well, I think it's the - the War Department.....

S: The only thing that I know is that everybody else is getting the planes, and at the same time we're shelling out the dollars.

HMJr: Yeah. Well, McCloy seemed entirely satisfied yesterday; and he said he'd present it with a recommendation for action.

S: Well, if he does that, why it'll probably go through.

HMJr: Okay. Thank you.

S: All right.

HMJr: Good-bye.

April 21, 1942  
9:39 a.m.

HMJr: Hello.

Operator: Mr. Henderson.

HMJr: Hello.

Operator: Go ahead.

HMJr: Leon.

Leon  
Henderson: Yes, Henry.

HMJr: I was playing with the radio last night  
about ten minutes of ten, and I turned in  
and I got your program.

H: My program?

HMJr: Yeah.

H: Which one was that?

HMJr: Well, it was a program they said sponsored  
by your office on inflation, and it was  
wonderful. One of the best programs I ever  
heard.

H: Hmm.

HMJr: You don't even know about it.

H: Wait a minute. They shifted some from the  
twenty-third - that's right.

HMJr: They had a wonderful actor. I forget the  
man's name. He was a.....

H: They were just talking - was that the one  
where they just sat around and talked about  
what it meant?

HMJr: Well, about how the dollar was going down  
ten cents every month and how much it cost.  
I mean sitting around in a little.....

- 2 -

H: Yeah.

HMJr: .....town. Yeah.

H: That's right. Well, we had to rearrange on account of the President's schedule, and I thought that was going on the twenty-third.

HMJr: Well, it was one of the best I ever heard. Now, who does that for you?

H: Well, Bob Horton has a group that work - of radio people - that work with my publicity man.

HMJr: Yeah. Well, it was as good a one as I've ever heard.

H: Well, I'm very gratefully encouraged.

HMJr: Yeah. I thought you'd like to know it.

H: All right, Henry.

HMJr: I hope you do more like it.

H: Well, we've got some more coming along.

HMJr: Okay.

H: All right, Henry.

HMJr: Good-bye.



April 21, 1942  
9:56 a.m.

HMJr: Hello.

Allan  
Sproul: Hello, Mr. Secretary.

HMJr: How are you?

S: Fine.

HMJr: Allan, I got that - something to ask of you and the group of bankers that signed that manifesto.

S: Right.

HMJr: As you see, we're getting ready for a real drive on our War Bonds.

S: Yeah.

HMJr: And Harold Graves and Ted Gamble are coming up to New York tomorrow, and they want to test out some ideas that they've worked up on how to deliver these bonds into the hands of the people. You see?

S: Uh huh.

HMJr: And they want to sit down and talk with the bankers about it, see?

S: Yeah.

HMJr: Now do you suppose you could get that group together so that Harold Graves and Gamble could meet them?

S: I think so.

HMJr: They've also wired for B. M. Edwards.

S: What time will they be here? What time would they want to meet?

HMJr: They'll be up there in the morning. I'll

- 2 -

leave the time to you.

S: Well, I'll see what time I can.....

HMJr: See what time you can get them. It'll be Graves, and Gamble, and B. M. Edwards.

S: Yeah.

HMJr: And will you let - communicate directly with Graves?

S: Yes, I will.

HMJr: Okay.

S: That's tomorrow.

HMJr: Yes, sir.

S: All right. We'll do that.

HMJr: I thank you.

S: All right.

HMJr: Good-bye.

S: Good-bye.

April 21, 1942  
10:50 a.m.

HMJr: Hello.

Operator: Mr. Callahan.

HMJr: Hello.

Vincent  
Callahan: Yes, sir.

HMJr: Vince, I got your memo. It's all okay,  
except what you want to do with our county  
chairmen.

C: Yes.

HMJr: Now, if the Department of Agriculture can  
send telegrams to their war committees,  
which is a county committee.....

C: Yes.

HMJr: .....we certainly can send night letters to  
our county chairmen, and I'm very anxious to  
pep them up, you see?

C: All right, sir.

HMJr: So let's - if the Department of Agriculture  
can do it, we can do it.

C: All right, sir.

HMJr: Now I'd like telegrams to go to our county  
committees.

C: We'll send them out.

HMJr: You can use night letters.

C: Yeah, that's what we'll do.

HMJr: What?

C: We'll take care of it.

HMJr: Just keep it in mind, we've got to build up

- 2 -

these county committees.

- C: Well, I'm absolutely with you on it, and we're working on, you know, the volunteer publicity thing.
- HMJr: Righto.
- C: I mean, that's more important than anything we do in Washington.
- HMJr: Well, it's important. Let's put it that way.
- C: (Laughs) All right.
- HMJr: Why, Vince, how could anything be more important than what we do in Washington?
- C: Yes, sir.
- HMJr: Yes.
- C: The boys out in the fields are the ones who have to buy the bonds, not us.
- HMJr: Right. Okay.
- C: Okay, sir.

April 21, 1942  
11:40 a.m.

John J.  
McCloy: Hello.

HMJr: How's the McCloy?

Mc: How are you?

HMJr: I'm okay.

Mc: First on - I've got Clear and Brink - Colonel Clear and Colonel Brink coming over at three o'clock tomorrow afternoon.

HMJr: Just a minute. Clear and Brink. Well, that's wonderful.

Mc: Yeah. Brink's been around more than Clear has, as a matter of fact, although Clear has a more intimate account of what went on at Bataan.

HMJr: What's Brink's title?

Mc: Colonel.

HMJr: They're both Colonels.

Mc: They're both Colonels, and both very good men.

HMJr: They won't kill each other off?

Mc: No, they won't. They won't. You mustn't mind how Brink looks, because he just came ashore and he hasn't any clothes.

HMJr: Sure.

Mc: All right.

HMJr: Yeah.

Mc: Two. On the purchase of the planes.....

HMJr: Yeah.

Mc: .....I think I've cleared that this morning,

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and I think we can probably complete that transaction within a very short time, say, twenty-four or thirty-six hours.

HMJr: Wonderful.

Mc: Now, somebody over at your shop has to tell us how that check should be drawn out or how you want it set up. Who do we pay, and what is the mechanics in order to serve its most useful purpose so far as you're concerned.

HMJr: Well.....

Mc: Had we better talk to Frederick Phillips?

HMJr: I think - yes. Yes.

Mc: Uh huh.

HMJr: Phillips, and White, in my place.

Mc: All right.

HMJr: I'll tell White to get on it, but I think that if you asked Phillips how he wants it.....

Mc: All right.

HMJr: Yeah.

Mc: All right. Now, so much for that; that's been cleared. I've got that clear all along the line, and we can go ahead and they assure me that they can do it immediately, for all practical purposes.

HMJr: I hereby make you a Knight of the Garter.

Mc: No, all I'll do is bring out the old leather and dust it off.....

HMJr: Did you hear what I said?

Mc: .....and put it back in the file again.

HMJr: I make you a Knight of the Garter.

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Mc: Knight of the Garter.

HMJr: Yeah.

Mc: (Laughs) Now, wait. Now, the next one I was just talking to Mr. Stimson.

HMJr: Yeah.

Mc: And he said that he'd had a conversation with you this morning about it. I had a little more....

HMJr: Well, he called me up himself on another matter.

Mc: Yes. And you spoke about this thing, apparently, and he said that - he asked me about it - and I didn't get a chance to see him last night, although I did see Harold Smith and I cleared it with Harold Smith.

HMJr: Yeah.

Mc: Now, Stimson said this. "Can you say reasonably that there'd be a danger in the situation of the British exchange, as such, that there would be a danger of a default on those British contracts unless we pick them up." I said I thought that the situation was so acute, but that was an element in the picture. Probably as a practical matter, we'd find money somewhere that would take them on, but I - their exchange situation is so acute, that it was a question of scraping the bottom of the till to find the money to meet the current payments. And I justified it largely on the ground that all we were doing was using the Lend-Lease appropriations which had been given to the War Department for the purpose of buying goods for export.

HMJr: Yeah.

Mc: But we were using it for old contracts rather than new contracts, and we were using it for old contracts which were in jeopardy. And he said, "Well, on that basis, it's okay."

HMJr: Well, I'm not going to get in on the argument.

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between you and Stimson.

Mc: Well, now can you - you've got to tell us the facts as to the British exchange.

HMJr: Well, look, any reputation that I have left in this town is due, I think, to my honesty and frankness for.....

Mc: Yes.

HMJr: Now, they can get along this year, but they have this new thing coming up in the Middle East, they have things like that coming up all the time.....

Mc: Yes.

HMJr: .....they get very nervous about it.....

Mc: Yes.

HMJr: .....you never know when they're going to have some extraordinary expenditure upon them, and I feel that with what we're doing and with what they have, it'll keep them in a good frame of mind on their financial front, which I think is very important; and I'm willing to say that to anybody.

Mc: Yes.

HMJr: What?

Mc: Yes.

HMJr: I mean, they're not right up against the gun now, but their money is going out very fast; and as I say, they've got this plan which will take five million dollars a month to keep one of these countries in the Middle East happy.....

Mc: Yes.

HMJr: .....and you never know where they may need something else.

Mc: Yes.



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HMJr: And when they're down so low, they just can't move.

Mc: Yes.

HMJr: So I think it's all to help the war effort.

Mc: Right. I have no doubt of it. I - it's only a matter of degree. I mean, even if they haven't got the money.....

HMJr: Well.....

Mc: .....they have to.....

HMJr: .....I don't know when you take the British Empire, how much their working balance should be.

Mc: Yes.

HMJr: How do I know?

Mc: Yes.

HMJr: What? They've lost all their shipping revenues, you know.

Mc: Yes.

HMJr: They've lost all their revenue from the Malay.

Mc: Yes.

HMJr: That whole group. And they're not getting their gold from South Africa.

Mc: Yes.

HMJr: So a lot of this stuff that they used to get to produce dollars, they're not getting any more.

Mc: Yeah.

HMJr: So the situation is critical.

Mc: Yes. Well, that's all I want. That's the only

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statement here, the only condition.

HMJr:

The situation is critical.

Mc:

Critical. Okay. That's all I need.

HMJr:

What?

Mc:

That's all I need.

HMJr:

Okay.

Mc:

And we'll start that train right away, and I think we ought to be able to get that to you - there again it's a matter of mechanics, but I suppose White's the man to deal with that, isn't he?

HMJr:

Yeah. I'll - White has been handling this thing for me.

Mc:

Yeah.

HMJr:

And I'll see that he knows about this conversation.

Mc:

All right. Thank you very much.

HMJr:

I thank you.

Mc:

Not at all. Fine. Good-bye.

April 21, 1942  
11:43 a.m.

HMJr: Hello.

Operator: Mr. Houghteling. Go ahead.

HMJr: Hello.

James Houghteling: Hello.

HMJr: Mr. Houghteling.

H: Yes, sir.

HMJr: Good morning.

H: Good morning.

HMJr: I read your memorandum, and also about the hundred and twenty organizers that Mr. Green has. Hello.

H: Yes.

HMJr: Now, when can some of those go to work in A. F. of L. plants that have payroll deduction?

H: I think right away.

HMJr: Yeah. Well, don't let's wait.

H: Yeah, that was what I was feeling. It was a good offer, and I'd like to take advantage of it.

HMJr: Well, the purpose of my call is, tell them, "Let's go to it," and what I'd like you to do would be to talk to them, and wherever they feel they can, you see.

H: Yes.

HMJr: And you can find out where we have payroll allotment plans already established.

H: Yes.

HMJr: And I think I'd let them go to work on those

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and then we can give them a list a little bit later of where we haven't got any; but maybe they can help us get them in there.

H: Yes.

HMJr: Now, George Haas has all those lists.

H: Yes, I'll get them from George Haas and get Mr. Green and get his people together and tell them what it's all about and what we want, and put them to work.

HMJr: That's right.

H: Fine. I thought that was a fine offer, and I think I can get the same thing from the CIO.

HMJr: Well.....

H: I was talking to Leo Goodman today, and he's going to talk to Phil Murray a little later today. All right, sir.

HMJr: And I'll leave it with you that you synchronize what you're doing with Graves' office.

H: Yes. Oh, surely.

HMJr: Please.

H: All right.

HMJr: Thank you.

H: Good-bye.

Conference in Mr. White's office  
April 21, 1942  
12:00 noon

Present: Sir Frederick Phillips  
Mr. White  
Mr. Hicks

Sir Frederick called upon Mr. White to discuss the status of negotiations for the purchase of British plant facilities. He reported the total value of British armament plants was approximately \$110 million, of which \$93 million represented purchasable items, i.e. not jigs and staff training. He said that an agreement to purchase the Packard plants, \$24 million, should be easily reached since the Army already owns one-third of the facilities.

Mr. White told Sir Frederick that Secretary Jones had written the Treasury stating that purchase of the list of plants recommended by the War Department was waiting upon the completion of the auditing operations. Mr. White thought it might be desirable to write Secretary Jones in a few weeks to ask if the auditing had been completed.

It was agreed that it might be a good idea to ask the Secretary to call Sir Frederick, Secretary Jones, and a representative of the Army to a meeting to see if the cause of the delay could not be discovered and ironed out.

Sir Frederick also said that the accumulation of the British overseas debt was now running at a rate of \$2 billion per year.

J. E. Hicks

April 21, 1942

MEMORANDUM FOR THE SECRETARY'S FILES

Conference in Mr. White's office  
April 21, 1942  
12:00 noon

Present; Mr. White  
Sir Frederick Phillips  
Mr. Friedman

Sir Frederick Phillips called to discuss cable which he received from Hall-Patch supposedly giving copy of cable sent by Adler, indicating that the position of the Board was being weakened. Sir Frederick asked whether Mr. Fox was going back and wondered what the Treasury attitude was going to be regarding the Stabilization Board. Mr. White replied that he assumed Mr. Fox was going to return and said that the Treasury would dislike to see the long-run position of the Board weakened and that after all it was expected that the Board would play an active role in the financial situation in China, particularly during the post-war period. Sir Frederick said that the British had an identical attitude.

Sir Frederick asked whether we distinguished between the use of the fund for different types of imports, particularly Governmental as against commercial. Mr. White replied that as long as the Board received all of current receipts and was kept duly informed, it was not the policy of the Treasury to try to get the Board to distinguish between different types of imports.

ISF/efs  
4/27/42

April 21, 1942  
4:18 p.m.

Albert  
Lasker: Yes.

HMJr: Henry Morgenthau, Jr.

L: Yes, Mr. Secretary.

HMJr: How are you?

L: I'm fine. And you?

HMJr: Very well.

L: That's good.

HMJr: Mr. Lasker, I just wanted to take this opportunity to tell you that I appreciate your lending me the services of Mr. Weir.

L: Yes.

HMJr: I take it you still are the head of Lord and Thomas.

L: I'm still the head and the sole owner.

HMJr: (Laughs)

L: What?

HMJr: Well, I - he couldn't have been nicer, and he's working for us.

L: Yes. Now, Mr. Secretary.....

HMJr: Yes.

L: .....not only Mr. Weir is coming down.....

HMJr: Yes.

L: .....but Mr. Masius, who is the Executive Vice President and Manager of our New York Office.....

HMJr: Fine.

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.....who has been with us since '26 and and run our foreign affairs.....

HMJr: Yes.

L: .....who is a very, very able man.

HMJr: Yes.

L: Our organization as an organization is ready to do anything that we can.

HMJr: Well, that's terribly nice. Now, Mr. McClintock was down today. I don't know whether you know him.

L: Mr. McClintock?

HMJr: Yes.

L: No.

HMJr: Well, he evidently represents some association of all advertisers and has an office here in Washington.

L: Yeah.

HMJr: They've set up sort of a war-time committee, and I told them what you were doing.

L: Yes.

HMJr: And they seemed very much pleased, and I just didn't want to let it go on without letting you know how pleased I was.

L: That's very, very fine of you, and I deeply appreciate it. I want to say what I said to Mr. Weir. In the end, this is a matter that you want words written down on paper which will inspire people.

HMJr: That's right.

L: If we get the words on paper, then we'll - and I



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have not yet seen the work, so I do not know how far they are in it.

HMJr: Yes.

L: They're working on it, and - but if we get words on paper that are inspiring.....

HMJr: Yes.

L: .....that is the seasoning that you need.....

HMJr: That's right.

L: .....for the meal you want to serve.

HMJr: That's right.

L: You want us as a condiment.....

HMJr: Well.....

L: .....not as a meal.

And I have told them not to worry organizationally about your place, but to write words and bring those words to you personally.

HMJr: That's right.

L: So - you see, I was in Government for many years.

HMJr: Yes.

L: And I was, at the end of the last war, the Chairman of the Shipping Board.

HMJr: Yeah, I know you were.

L: And I know how much was short-circuited from coming to me by people under me.

HMJr: That's right.

L: And I've told them in your instance that they are to take it - see that it reaches you direct, and

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then you can percolate downward if you want to.

- HMJr: That's all right. Well, I had Weir with me most of the day the day he was here.
- L: Yes, he told me.
- HMJr: And I don't know whether he enjoyed it or not.
- L: Oh, he is so excited, Mr. Secretary. I'll give you his words to me.
- HMJr: Yeah.
- L: He says, "I'm sick at my stomach. I can't hold my food on my stomach."
- HMJr: (Laughs) Well, I.....
- L: The way you needed him.
- HMJr: (Laughs) Yeah.
- L: Huh?
- HMJr: Well.....
- L: The man has to make good to save his immortal soul.
- HMJr: (Laughs) Wonderful.
- L: I don't know. Maybe he's overly stimulated. If he falls down, it's because he's too excited.
- HMJr: Well, the next time you come to Washington, give me a day's notice. I'd like you to have lunch with me.
- L: I certainly shall, Mr. Secretary. It would be a very great pleasure.
- HMJr: Fine.
- L: And we will go the limit.
- HMJr: Fine. Let me ask you this - well, I'll wait to

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see Weir. You people, you also have - you do radio, don't you?

L: Oh, yes.

HMJr: You do.

L: Oh, yeah, we do radio.

HMJr: Well, I.....

L: In a very large way.

HMJr: Well, I may want to call on you for that.

L: We'll furnish you with our radio people.

HMJr: But right now, I'll wait and see what Weir brings down. I gave a copy of his booklet to the President, and he enjoyed reading it.

L: Well, I know he'll be thrilled by that. If he doesn't get the words this week, and he may not the first time.....

HMJr: No.

L: .....because he has to get settled down, he ought to have them for you next week.

HMJr: Righto.

L: So this week, don't be disappointed if they aren't the right words. They'll be the right words next week.

HMJr: Fine.

L: All right, Mr. Secretary.

HMJr: Thank you.

L: Righto.

HMJr: Thank you.

April 21, 1942  
4:45 p.m.

DEFENSE SAVINGS BONDS

Present:

Mr. Bell  
Mr. Mills  
Mrs. Klotz

H.M.JR: Go ahead, professor.

MR. BELL: To start out, you might let me tell you that the Fed took twenty-six million dollars, today, of bills. They took six million off the market. Twenty million was to relieve the dealers, who went in for a larger block of bills yesterday, because Sproul thought the rate would be a little high if they didn't. It would have been higher had they not gone in. They picked up forty-nine million of yesterday's bills and the Fed took twenty million. They sold fourteen million in the market and they still have fourteen million seven fifty of which the Fed may get some tomorrow.

H.M.JR: Now say it again, Dan.

MR. BELL: The dealers took forty-nine million of yesterday's issue of bills. They sold, of that forty-nine million, fourteen million in the market today. The Federal took twenty million off their hands and in addition took six million out of the market and the dealers still have fourteen million seven fifty left.

H.M.JR: Then the Fed is working?

MR. BELL: Yes. The Federal has bought thirty-five million dollars in bills since about the tenth of April.

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H.M.JR: How much?

MR. BELL: Thirty-five million, I think it is, in bills. This will make about fifty-three - about sixty million.

H.M.JR: O. K.

MR. BELL: And they are studying the whole problem as to how to go further.

MR. MILLS: Well, this is to report on our Detroit trip and Mr. Iseby's problems out there, which probably go beyond Detroit. It must be the same sort of a hindrance that they have out with those West Coast airplane manufacturing concerns, possibly the steel concerns and so forth: and if it can be solved in Detroit, it ought to answer the same question everywhere else, and the solution goes back to the Army and to the Comptroller General. The Army was represented by Lt. Col. McEachren from Washington, and the Comptroller General, as Mr. Bell knows, by Mr. Nevitt, Mr. Perry, Mr. Bartelt and Mr. Ziegenfus, from Mr. Bell's office. The answer was that both the Army and the Comptroller General's Office were more than cooperative. The representatives of all the leading automobile manufacturing concerns were there. They are finance men, not their treasurers but the men who have the problem to live with every day. They were very anxious to simplify their procedure by being able to get their gross payrolls and then with the deductions audited back in the future, which the Comptroller and Mr. - Col. McEachren both agreed was a practical thing to do. Col. McEachren, after the meeting, called back to a Col. Stewart here, and they looked at the head of it to a General Carter and Col. Stewart approved the procedure up to the explanation that Col. McEachren gave him.

H.M.JR: Who is the finance officer?

MR. MILLS: Carter, sir.

MR. BELL: Carter is, I believe, a member of the firm of that Montgomery - Ross Montgomery, I think he is, and Stimson brought him in to see whether or not he could simplify some of the procedures in the War Department.

(Mrs. Klotz entered the conference.)

MR. MILLS: Col. McEachren is a partner in Ernst and Ernst.

MR. BELL: He is a general now.

MR. MILLS: And they have it right at their fingertips, and thought it was a possibility. They may have some little kinks in there, and the result is, Col. McEachren should be back with the Comptroller General's representatives tomorrow, and Mr. Bartelt and Mr. Ziegenfus will be back and the thought was that they would have a draft prepared for General Carter's review, their council and that of the Comptroller General's Office and it would seem quite important that the Treasury have some chance to see that draft before it goes up to them because they might work into it some complications that could be avoided.

MR. BELL: They promised us that. Before they sent out any general directive, they would let us see it.

MR. MILLS: That would be a great big help.

H.M.JR: Now, the same troubles that the Army have, does that apply to the Navy?

MR. MILLS: I understood from this Col. McEachren and the Comptroller General's Office that the answer to one would be the answer to the other, that if this directive came out from - is that correct? - from the Army it would also apply on the Navy contracts and the Ordnance and all the different Army branches.

MR. BELL: You see, the trouble with the whole thing is that the ordnance is the only one that has issued a

directive, and the War Department was in the process of issuing a general directive, so all the services could have it, and the Navy, I understand, was going to follow the War Department directive. This is really all the fault of the War Department. They worked up this scheme and the Comptroller General says "O.K." He didn't change one letter. He just said, "It is all right with me, the way you worked it out."

H.M.JR: On timing, when do you think you can help us?

MR. MILLS: That will depend on this meeting that they propose tomorrow and how far they can get it through General Carter, and through the Comptroller General.

MR. BELL: In the next forty-eight hours, I think, when they come back in town.

H.M.JR: Well, the only way to get anything done is to--

MR. MILLS: That was the thought you might want to contact Mr. Patterson, Judge Patterson, the Assistant Secretary of War, and possibly get his help to push it over at the last minute.

MR. BELL: I think General Carter will do it. He is very much in favor of simplifying every procedure and he was in favor of doing this.

H.M.JR: Patterson is wonderful on these things, if I just told him I was interested.

MR. BELL: I don't know whether it goes to Patterson or not. It is really a directive of the Adjutant General's Office, I think.

MR. MILLS: The Secretary's interest in it they know so well that that was the opinion out there, that if he wanted to just give it that little push, it would hurry it up.

H.M.JR: Patterson is swell. General Carter?

MR. BELL: Yes.

H.M.JR: What is he in?

MR. MILLS: He must be in this Specialist Corps.

MR. BELL: He is in the Secretary's Office, I think. Col. McEachren is his assistant.

MR. MILLS: When that is done, this directive is drafted and everyone should approve it, that will clear the cloud in the automobile industry very much.

H.M.JR: Won't this be helpful to the Army, too.

MR. MILLS: Oh, it will be helpful to all of them, and it may mean some little risks in the long run to the Government, but compared to the whole work that they are doing, the responsibility that is placed on them now, I think they all figure that maybe after everyone is dead and gone somebody's bones will be dug up and hurt then but--

MR. BELL: Well, it was drafted over here without any experience. Now, the auditors in the field are very much pleased that this thing will be changed, because they have had some difficulty with it. The head of the Audit Division in the General Accounting Office never has seen much excuse for all the procedure.

H.M.JR: While we are waiting, tomorrow morning Tickton - do you know Tickton?

MR. MILLS: Yes.

H.M.JR: He is preparing a list for me. He is going to give me, tomorrow morning, a list of the five hundred companies who employ the most people, and there will be a column saying, do they have a pay-roll deduction plan, yes or no. Are they issuing agents, yes or no, see, and



several other things. I gave him three more columns. You ought to get that tomorrow. Then when we get that, those who have pay-roll deduction and those haven't, see, I want you to take those that have not been made issuing agents, you see. I want you to take that over and sit down with Mr. McKee in the Federal Reserve Board and try to get him interested in this thing so he really will help us go to town.

MR. MILLS: I had this in mind if it could be worked out, and if it isn't an improper request, to ask a privilege. My feeling of it is that the Federal Reserve are very thorough, and they go after it, but they need a little polite nagging right along to get it done.

H.M.JR: That is what I want. McKee is a good nagger. I thought I would explain to him that you were helping Mr. Bell and me on this thing, and I thought you might explain to him about your Detroit trip. In other words, I want to service him and I want to get him a little excited about this thing.

MR. MILLS: That would certainly help this work a great deal to be able to do that.

H.M.JR: When he is in the office here he certainly pounds my desk, so I would like him to pound somebody else's desk. I will ask him if he can see you tomorrow. Tickton and you will have this thing finished in the morning. But every place in these five hundred of the big companies who have the plan in, you see who are not issuing agents, I want the two of you to go after them.

MR. MILLS: Personal contact, wouldn't you feel, is as good a way as any? They are big companies and they are hard headed, and they don't react to the--

H.M.JR: All right. You talk it over with John McKee.\* Maybe the two of you can take the road. You can start with New York. U.S. Steel is number one.

MR. BELL: I told you they are working on it.

H.M.JR: I know. While you were away I asked Mr. Bell to do a little something on it, and this is his memorandum to me on this thing, see and--

MR. MILLS: I wonder if I don't have it, sir. Yes, sir, I have it.

H.M.JR: Good. Well, I will call McKee and I will make an appointment. What I want to try to do is get him a little bit excited about this thing. Then you talk over with him how we can go after these Federal Reserve fiscal agents. Maybe he will go up to New York with you, see. I agree with you that you should take the road. I wouldn't want you to take the road, though, until we get this thing settled.

MR. MILLS: It probably should take another trip to Detroit when this is worked out, because then the Treasury will have done them a very real favor, and they would be much more in a frame of mind to come back and put in their issuing agents.

H.M.JR: Well, on that thing Mr. - what is our evangelist's name out there?

MR. MILLS: Frank Iseby?

H.M.JR: Yes. He said he could get thirty-two of those leading companies together and get them all more or less to agree to become issuing agents on the promise or threat that I would come out. Now, I would go on a thing like that, you see, do the thing en masse, and I would take John McKee with me.

MR. BELL: How many were represented in this conference?

MR. MILLS: Well, there were probably ten.

MR. BELL: He said he was going to get a lot of them in.

MR. MILLS: There were.

H.M.JR: Who was there?

MR. MILLS: Hudson, Ford, General Motors.

MR. BELL: Chrysler?

MR. MILLS: Packard, Chrysler, Dodge, Fisher Body.

H.M.JR: It is like all of these things. You can say to these people, to U.S. Steel, "Now after all, if the automobile crowd does it, why wouldn't the steel crowd do it?" There is no question in either of your minds that once these people become issuing agents, the bonds will flow much quicker?

MR. MILLS: Oh, not at all. That is correct, isn't it? The Federal Reserve are satisfied on that?

MR. BELL: I don't know as it would be in a Federal Reserve city, but generally speaking, it would be.

H.M.JR: Well, take General Motors with ninety branch offices.

MR. BELL: Yes. We are having a little difficulty in getting equipment. We have a letter going today to the Federal Reserve Banks asking them about the problems in all their districts with respect to issuing agents, getting them and we have the matter up with the War Production Board, and they said they would do all they could for us, but I understand they have actually quit manufacturing typewriters and they are going to have to probably go to renting. He said there is quite a supply of secondhand typewriters in the country and they are probably going to have to rent them. I can tell you about two more of those companies in New York, if you are interested. Woolworth and J.C.Penney. Neither one of them is an issuing agent or have adopted the pay-roll allotment plan, and apparently, they are not much interested in it. I think

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there is one little store in St. Louis, Woolworths, that has adopted the pay-roll allotment plan. But every one of the Woolworth stores, I believe, has a sign saying that the employees of this store are participating one hundred percent in the Defense Bond program, and the fellow who contacted them thinks that the way they got that one hundred percent is buying a twenty-five cent Savings Stamp and giving it to each one of their employees.

H.M.JR: Well, Dan--

MR. BELL: And Penney has a pension plan, or a savings plan, which takes fifteen percent of the employees' salary every month and puts it in a savings account and they invest those savings in Government securities. Now, they apparently think that is enough.

H.M.JR: Well, I want to keep Mills on this issuing agent thing. The thing of getting them to adopt the pay-roll thing, that is another organization.

MR. BELL: That is the promotion end. Those two companies he should not contact until the other get through.

H.M.JR: No, he won't contact anything until they have the plan. But we think we have somebody in today from the Penn Mutual who is a great fellow. He will handle the whole country. I think he is in industrial insurance or something like that. What I am proposing, just as a matter of interest, I am taking these five hundred companies who employ the greatest number of people, and I may write each one a telegram over my own name, and send a copy to the State Administrator, and ask him to follow up. I will bet we get four hundred ninety-nine out of the five hundred. As rapidly as I get them I will send Mills down to see that they are made issuing agents.

MR. BELL: How many are there?

MR. MILLS: Just five hundred.

MR. BELL: Oh, that is the--

H.M.JR: There are five hundred who employ five thousand or over who represent eight million people. Now, if we get those--

MR. BELL: We have gotten four hundred sixty of those in the plan now.

H.M.JR: That is right, but there are only a very few of them that are issuing agents.

MR. BELL: About two hundred.

H.M.JR: Well, it sounds all right. Tomorrow I will call up Mr. McKee and tell him I would like you to come over and sit down with him, but tomorrow we will have this list from Tickton of the people who employ five thousand or over, and in that will be a list of those who have the plan but who are not issuing agents, and you and John McKee - what was the word you say?

MR. MILLS: Polite nagging?

H.M.JR: I wouldn't be too polite. I think that is all right. Then when we can clean up the people who employ five thousand or over - a thousand or over--

MR. BELL: I thought the next list you had was five hundred or over.

H.M.JR: Well, that is enormous. But I agree with you. I don't think the Fed has gotten sufficiently excited. The Fed doesn't get that way about anything.

MR. BELL: I think they are going after it, and they have all hired - gone out and hired additional people, outside people who have had public relations

- 11 -

work in banks and so forth.

H.M.JR: Well--

MR. BELL: They have really done a lot of work in the last two weeks.

H.M.JR: That is good, Mills?

MILLS: All right, sir.

April 21, 1942  
5:05 p.m.

LIMITATION OF PROFITS

Present: Mr. Sullivan  
Mr. Paul

H.M.JR: I just wanted to know - Professor Sullivan, I got your notes on these returns which are coming in. Are they encouraging or discouraging in terms of how good are our Treasury proposals?

MR. SULLIVAN: They are both ways, sir. Fellows are running away on executive salaries in most instances. In some instances they have reduced salaries. Dupont in '41 paid a million dollars less in executive salaries than they paid in '40. But when you have so many subsidiaries, you can split it up among the corporations. The Western Cartridge gave us nothing on '41, so I had Tim telephone back out there and get it.

H.M.JR: They wouldn't play ball?

MR. SULLIVAN: They wouldn't play. That got in; and just as you called me, Roy phoned and said, "I have got Western Cartridge." I had them sent direct from the Bureau to Roy, because he is compiling it all. He said, "It is perfectly obvious from what they have why they didn't want to give it away," and that was being sent up to me when I came in here.

H.M.JR: When I so rudely interrupted you?

MR. SULLIVAN: No.

MR. PAUL: How do these excessive salaries hurt the tax? We just disallow them.

- 2 -

MR. SULLIVAN: That is another phase of the thing.

MR. PAUL: That doesn't have - that is good dramatic stuff, but it doesn't have very much to do with our tax proposals.

MR. SULLIVAN: Oh, it is going to have quite a bit of effect on the legislation.

H.M.JR: Well, can you disallow them?

MR. PAUL: Sure, we can if they are over what is reasonable.

MR. SULLIVAN: Well, the only cases in which the courts have upheld our disallowances have been where a person receiving salary was a stockholder, and where it appeared that the distribution was in lieu of dividends.

MR. PAUL: Well, I don't believe that is a correct interpretation.

MR. SULLIVAN: I don't know whether it is a correct interpretation, but--

MR. PAUL: It may happen that those are the only cases the Treasury has previously pushed. Of course, this is a pretty old story now.

H.M.JR: Well, get together, boys.

MR. PAUL: But that doesn't seem to me to be too much of a problem. If that is the trouble, we could easily correct them all without any trouble at all.

MR. SULLIVAN: That is one of the things, as a result of this, you will want to go into, Randolph.

H.M.JR: Well, go ahead.

MR. SULLIVAN: We can't be sure that the figures in all of these companies are comparable. If they are,



- 3 -

there is quite a wide spread. We have a compilation that you might want to look over. It is already on my desk now.

H.M.JR: No, I don't want to see it tonight. I just didn't want to let the sun set without talking to you.

MR. SULLIVAN: The reason I sent you the memo was because you had asked us to have it by Tuesday, and I just wanted you to know that we did have it. Although we didn't have the complete picture, we had a great deal more than I had expected we would have.

H.M.JR: That is good. We will put it on the table and take a look at it. What I was thinking about was that we might want to get it to the President before he makes his speech, so I pushed.

MR. PAUL: Monday is his speech?

H.M.JR: It is supposed to be.

MR. SULLIVAN: What happened to the publicity on it, or rather the non-publicity?

H.M.JR: I read about it in the paper today.

MR. SULLIVAN: Yes.

MR. PAUL: It was on the radio yesterday.

H.M.JR: Well, it looks as though Steve Early let it out, but I don't know.

MR. SULLIVAN: I got the impression that Connally carried it back.

H.M.JR: I think that when they went back they all talked. I saw John McCormack talked, and they all talked. But from what you tell me, at least as far as getting results is concerned, it looks - I mean, we have got more

- 4 -

information than we thought we would get.

MR. SULLIVAN: Yes, a great deal more.

H.M.JR: Well, I would push on this thing.

MR. SULLIVAN: In fact, such a good job that I think it would be nice to drop a little note to the Commissioner.

H.M.JR: Will you do it, and I will sign it?

MR. SULLIVAN: Yes.

H.M.JR: But let's get it down; and if it is the salaries, let's take a look at it, and take a look at the--

MR. PAUL: What do the profit amounts show?

MR. SULLIVAN: Before taxes some of them run pretty high, Randolph, particularly in the new companies that are doing all war work.

H.M.JR: I would like it if you gentlemen would sort of go over it together with Blough and Tarleau before you come in, and then I will see the four of you together.

MR. SULLIVAN: Sure. That is a good idea.

H.M.JR: Take off the rough edges.

MR. SULLIVAN: Would you like to see us tomorrow?

H.M.JR: Well, I have got it very much in mind, but I am sales manager now for a thing called War Bonds.

MR. SULLIVAN: Yes. I was surprised when I heard you call this afternoon. I didn't expect to see you before the first of July.

H.M.JR: Well, I have got everybody else worn out.

- 5 -

MR. PAUL: We have to start the executive session tomorrow.

H.M.JR: Well, does that take Roy out from this thing?

MR. SULLIVAN: Yes.

MR. PAUL: Well, we can - he will have to be up there tomorrow, but we can work it out somehow.

H.M.JR: I am just playing a hunch. I have got a hunch, you know, and I think if we could get this thing to the President not later than Friday - as far as I know, he is all right, but somebody is needling him all the time about this and that and the other thing and particularly on salaries.

MR. PAUL: Well, I haven't any doubt--

H.M.JR: He may go right out of his speech. He has got it very definitely in his mind to have a limitation of fifty thousand dollars.

MR. PAUL: Of course, I can't feel very bad about that myself.

H.M.JR: Neither can I.

MR. SULLIVAN: This is going to push him in that direction. The Diamond T Cab Company in Chicago has a salary listed that will knock your hat off. Three men were down on the list as Washington representatives.

H.M.JR: Don't you mean the Diamond T Truck Company?

MR. SULLIVAN: Yes, I beg your pardon. What did I say, Cab?

H.M.JR: Yes.

MR. SULLIVAN: I meant truck company.

- 6 -

H.M.JR: I thought it was the truck company.

MR. SULLIVAN: I think the highest salary in the corporation, the president, I think, gets sixty thousand, but there were three Washington representatives, and the three of them get over two hundred fifty thousand. One gets ninety. That is the dynamite.

MR. PAUL: That reminds me of a piece of dirt I heard Saturday.

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

OFFICE FOR EMERGENCY MANAGEMENT  
Division of Information

284 ✓

472 Union Commerce Building  
Cleveland, Ohio  
Cherry 7913

A-404

April 21, 1942

FOR IMMEDIATE RELEASE, APRIL 21, 1942

Cleveland, Ohio, April 21—

Henry Morgenthau, III, will resign as Assistant to the Regional Director of the National Housing Agency in Cleveland the latter part of May to enter the Army as a private.

Morgenthau, 25, who is the eldest son of the Secretary of the Treasury, Henry Morgenthau, Jr., is a graduate of Princeton and studied housing and public administration at the University of Chicago.

He is the second son of the Secretary of the Treasury to join the armed forces. A brother, Robert, is now serving on a destroyer in the Navy.

Morgenthau came to Cleveland about two years ago as Research Assistant with the Cleveland Metropolitan Housing Authority.

He recently joined the staff of the National Housing Agency as Assistant to the Regional Director. This office handles defense housing in Ohio, West Virginia, Michigan, and Kentucky.

TREASURY DEPARTMENT

285

INTER OFFICE COMMUNICATION

DATE April 21, 1942

TO Secretary of the Treasury

FROM Mr. Houghteling

I talked today on the telephone with President Green of the American Federation of Labor. He repeated his willingness to make available for the Treasury as many A.F. of L. organizers as we might need for our Pay Roll Savings Campaign. He suggested that I give him a memorandum on which he could base a letter to the heads of all the national unions affiliated with the A.F. of L.

I suggested that it might bring quicker results if I worked this out with Frank Fenton, Director of Organization of the A.F. of L., as we would want to mobilize a considerable number of the 125 to 150 organizers directly connected with the Federation's central office. Mr. Green thought that was a fine idea and said that he would instruct Mr. Fenton to work out with us any suitable arrangements. Mr. Fenton is away from Washington today but will return Thursday morning. I plan to take this whole matter up with him and with Gilbert Hyatt and Elmer Dowell of the Labor Section of the War Savings Staff on Thursday.

*James L. Houghteling*

*6-7-42  
d. Fenton 1/7 x  
h. v. - - -  
r. n. - - -*

TREASURY DEPARTMENT

286

INTER OFFICE COMMUNICATION

DATE April 21, 1942

TO Secretary Morgenthau  
FROM Vincent F. Callahan

We have asked AF of L, CIO, Railroad Brotherhood, U. S. Chamber of Commerce, and NAM to send out notices to their membership about the Thursday night broadcast. Because of the shortness of time they advise that it would only be possible for them to notify their key people.

The Department of Agriculture is sending telegrams to all of their war committees.

We are sending to all stations on the Blue Network special announcements for use as frequently as possible on Thursday.

A telegram is being sent to all State Administrators about the broadcast.

It is not possible to send out a postal card from Washington to reach the County Chairmen in time. Instead of doing this we are wiring a news story to all State Administrators and asking them to send the story to each County Chairman for use in local newspapers.

*Vincent F. Callahan*

TREASURY DEPARTMENT

287

INTER OFFICE COMMUNICATION

DATE April 21, 1942

TO Secretary Morgenthau  
FROM Vincent F. Callahan

Arrangements have been made for Lieutenant Edward Henry O'Hare to appear with you on the broadcast Thursday night of this week.

*Vincent F. Callahan*



April 21, 1942

My dear Senator:

Attached is a copy of the last issue of "Our America." We are very grateful to you for your contribution to this rotogravure circular which was delivered by Postal Carrier to approximately 25,000,000 homes.

Your message was very much to the point and was greatly appreciated by the Treasury Department.

Sincerely,  
(Signed) H. Worgenthau, Jr.

Honorable Carter Glass,  
United States Senate,  
Washington, D. C.

FK:blb

*n.m.c.*  
*Copies to Thompson*

April 21, 1942

My dear Senator:

Attached is a copy of the last issue of "Our America." We are very grateful to you for your contribution to this rotogravure circular which was delivered by Postal Carrier to approximately 25,000,000 homes.

Your message was very much to the point and was greatly appreciated by the Treasury Department.

Sincerely,

(Signed) E. Rosenbush JR.

Honorable Warren R. Austin,  
United States Senate,  
Washington, D. C.

FK:blb

*N.M.C.  
Copies to Thompson*

35215

APR 21 1942

My dear Senator:

I have your letter of April 15, 1942, in which you refer to a forecast attributed to the Treasury Department which you read in the newspapers that "voluntary purchases of war bonds can be stepped up to eleven billion dollars a year"; inquire whether such a forecast "includes any new methods to encourage voluntary purchases"; and comment that ". . . even if your eleven billion dollar prophecy comes true we shall still have answered only about one-third of our borrowing problem for the next fiscal year."

I do not know the source of the eleven billion dollar prophecy to which you refer, but I would have no quarrel with it as a reasonable goal for such sales in the fiscal year 1943. It is, if anything, a little lower than I would expect.

We do have in contemplation new methods to encourage voluntary purchases of such securities. We are working very hard on voluntary payroll savings schemes and are beginning to secure real results. We also intend "to push doorbells" throughout the country to reach persons not covered by payroll savings plans. I think that you would be very much interested in this connection in the testimony before the Ways and Means Committee of the House of Representatives last Thursday by Mr. Walter Brather of the United Automobile Workers, Messrs. John H. Joyce and E. W. Anderson of the General Motors Corporation, and myself with respect to new methods of selling savings bonds.

By the use of these methods and without coercive pressure, we hope and expect to attain a goal at least

- 2 -

equal to the eleven billion dollar figure which you cited. I cannot emphasize too strongly, however, that the funds obtained through the sale of war savings bonds are by no means the only real savings borrowed by the Treasury. Sales of all types of Government securities to insurance companies, savings banks, individuals, trust accounts, and other bona fide investors, all draw on real savings. This is true even in the case of sales to commercial banks to the extent that such sales either effect the liquidation of other assets of these institutions or are covered by genuine savings accumulating on their books. These sources, taken in the aggregate, will probably provide the Treasury during the coming fiscal year with an aggregate volume of real savings in excess of that derived from the sale of war savings securities.

Finally, I should like to comment that the real problem is to stimulate the total savings of the community, rather than to draw such savings into any particular security. The stimulation of total savings is best accomplished by cutting off alternative avenues of expenditure, and this already is being done by restrictions on spending imposed incident to the war effort. As the President said in his Budget Message,

" . . . Allocations and priorities, necessitated by shortages of material, are now in operation; they curtail private outlays for consumers' durable goods, private and public construction, expansion and even replacements in nondefense plant and equipment. These drastic curtailments of nondefense expenditures add, therefore, to the private funds available for noninflationary financing of the Government deficit."

- 3 -

These restrictions will and should become increasingly severe as the war effort progresses. From the most fundamental point of view, it is these restrictions upon spending which are the most important method of encouraging purchases of Government securities of all types.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Arthur H. Vandenberg  
United States Senate  
Washington, D. C.

By Messenger *Simmons* 3:00

*file to Shannon*

*Ok file W. M. C.*

RM:ad-4/14-42

U.S. SENATE  
OFFICE OF THE CLERK  
WASHINGTON, D.C.

WALTER G. GIBSON, TEL., CHAIRMAN  
WILLIAM W. JOHNSON, CALIF.  
ARTHUR CAPPER, IOWA  
ROBERT M. LA FOLLETTE, JR., WIS.  
ESTHER H. VANDERHORN, MICH.  
WILLACE H. WHITE, JR., MAINE  
HENRIK SHAFSTED, MINN.  
SERIALD P. NYE, N. DAK.

United States Senate  
COMMITTEE ON FOREIGN RELATIONS

WILIAM YOUNG, CLERK

April 15, 1942.

35215

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

My dear Secretary Morgenthau:

I read in last night's newspapers a report that you have been "represented" by your aides as believing that "voluntary purchases of war bonds can be stepped up to eleven billion dollars a year" thus absorbing excess purchasing power.

It seems to me that this raises a question which is fully as vital as the tax question, and it is one in which I am keenly concerned because of my profound conviction that at the end of this conflict, the war debt must be shouldered in the hands of our whole people and not in the vaults of our banks. I have seen no evidence to encourage your optimistic prophecy - if you are correctly quoted.

I understand that our largest sale of defense bonds and defense stamps was one billion dollars in January, 1942 - followed by a slump to eight hundred million dollars in February and around six hundred million dollars in March. I am not advised regarding the April figures; but it seems to me that this trend is rather ominous. Apparently we need to sell at least two billion dollars in defense bonds and defense stamps a month during the balance of this fiscal year and at least three billion dollars in defense bonds and defense stamps a month during the next fiscal year in order to finance the deficit after we have passed a new Tax Bill raising at least seven billion dollars, plus two billion dollars in increased social security taxes. It seems to me that there is an ominous gap between these necessities and the present rate of voluntary purchases of defense bonds and defense stamps by the people of the country. It further seems to me that this presents us with a problem which must be promptly explored and answered because it is so imminent and fully as serious as our tax necessities.

I would welcome your comments upon my figures and upon their discrepancy in respect to a prospect that "voluntary purchases of war bonds can be stepped up to eleven billion dollars a year". I beg to inquire whether your prospectus includes any new methods to encourage voluntary purchases. I would like very much to know whether your quoted prophecy is sufficiently warranted - in your own judgment - to relieve us of any necessity for considering other than voluntary methods in this field. I particularly have in mind the fact that even if your eleven billion dollar prophecy comes true

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-2-

still have answered only about one-third of our borrowing problem  
next fiscal year.

appreciate any comment you care to make to me upon this subject.

personal regards and best wishes,

Cordially and faithfully,

A handwritten signature in cursive script, appearing to read "A. H. ...", written in dark ink on a light background.

Again  
Presented to  
Secy by Mr Gaver  
4/21/42.

295



April , 1942

Dear Sir:

Since the Defense Savings Program was launched in May 1941, events of far-reaching importance have occurred. To preserve our very existence we have been compelled to wage war upon far-flung battle lines. To maintain these lines, the President has said that during 1942 we must produce over 60,000 planes; 45,000 tanks; 20,000 anti-aircraft guns; 8,000,000 tons of shipping; in addition to mobilizing, training and equipping millions of fighting men. Upwards of 50% of our total productive capacity and an equal share of our national income must be diverted to making war materials.

This has meant a tremendous increase in the magnitude of the financial problem facing the Government. Reliable estimates indicate that during the next fiscal year, that is from July 1, 1942 to June 30, 1943, we shall spend in the neighborhood of 60 billion dollars.

The Revenue Act as it comes from Congress will determine how much of the money needed to finance the war is to be raised by taxation. The balance must be borrowed by the Treasury. In all probability, we shall have to borrow from 30 to 35 billion dollars between now and this time next year.

If the Government is compelled to go for these funds to the commercial banks, the result will be to increase inflationary tendencies which are already serious. This is true because when commercial banks buy Government Bonds they do not pay for them with actual cash taken from their vaults, but by placing on their books newly created deposits to the credit of the Government. When the Government draws upon these deposits to pay for the goods and services it buys, the purchasing power of those to whom these payments are made is increased without any decrease in the purchasing power of those from whom the money is borrowed.

When bonds are purchased with savings out of current income, on the other hand, such savings help to reduce excess consumer income which if spent for a limited supply of consumer goods would tend to force prices up. It is for this reason, among others, that

We are still a long way from that goal. Among the nearly 50,000 firms having a payroll savings plan the average participation at the present time is about 45% of the employees. The average monthly saving is about \$7.50 per capita, representing in the neighborhood of 4.8% of the pay of those participating. In other words, if we consider all the employees of all the participating firms, only a bit more than 2% of the gross payroll is now being invested in Defense Bonds.

Considering the difficulties involved in the initial installation of payroll savings plans this is a good record. But we must go forward now on two fronts: first, we must increase the percentage of employees participating in payroll savings plans from approximately 45% to at least 90% of the total number. Second, we must encourage all participating employees to increase their average monthly allotment from about \$7.50 per capita to an average of nearly \$20 per capita.

To help achieve this new goal I am sending you herewith the story of one successful method for accomplishing this. This is the first of a series of "case histories" which we hope to send to you from time to time. This campaign conducted by the General Electric Company has not succeeded in reaching our new goal, but it seems to me that it is along lines such as are here outlined that we can most quickly and simply succeed.

You will, of course, realize that a flat 10% allotment of individual wages and salaries by all employees will not accomplish this purpose. It does not take account of individual differences either as to income received or personal and family responsibilities. Some individuals will be able to set aside a good deal more than 10% of their pay; others less. The overall result, however, should equal 10% of the gross payroll. I also realize that the formula according to which the savings quota is distributed among the employees will vary from place to place. To help in making such a distribution, I am enclosing a savings schedule for the systematic purchase of United States Bonds for persons at different income levels. The allotments indicated are based on national averages and will serve merely as a guide in setting up a suggested schedule to fit your own payroll.

In conducting a drive for increased participation at higher rates of saving, the friendly, active cooperation of the workers themselves is of the utmost importance. Organized labor, including the A.F. of L., C.I.O and Railroad Brotherhoods, and the constituent unions almost without exception, have pledged their full all-out support of this program. Working together, labor and management can insure not only the success of this important war effort but can lay the foundations for improved industrial relations which will bear increasingly rich fruit in the years to come.

we are going directly to the people for as much as possible of the money needed for the war.

It would be difficult to say exactly how much we can borrow directly from the people. We cannot, of course, hope to borrow in this way all that will be needed. Nevertheless, some definite objective is desirable if we are to have a standard by which to measure our success.

We have, therefore, set as our goal for the twelve month period beginning July 1st, the sale of United States Savings Bonds, Series E, F and G, having an initial cost value of not less than \$12,000,000,000. This will be equal to slightly more than 10% of our estimated national income during this period.

Sales of Defense Bonds during the period May 1941, through March 1942, amounted to \$4,860,000,000, or an average of approximately \$440,000,000 per month. If we are to reach our goal, an average of a billion dollars a month, we shall have to increase this rate of sale by approximately 2 $\frac{1}{2}$  times. This should not be difficult to do in view of the rapidly increasing national income and in view also of the fact that the supply of many commodities upon which people would normally spend their income will be restricted by the demands of war production.

The setting of a definite goal or quota does not mean an abandonment or basic change in our fundamental objectives and methods. It does mean an intensification of activity all along the line. It does mean that henceforth our savings campaign must move on a war basis. If we are to achieve the goal outlined for the nation as a whole, it will be necessary to establish subsidiary goals or quotas for states and counties. These quotas will be announced on April 13.

The most effective, single method for promoting the systematic purchase of United States Savings Bonds is through the payroll savings plan. Already nearly 50,000 firms in the United States employing a total of almost 20,000,000 people have made such plans available to their employees. You are among those who are cooperating in this program, and I am writing to you, not only to thank you for your helpful cooperation up to date, but to ask for your increased effort in the future.

Time is short. The ever-increasing demands of our war machine create an urgency that we cannot escape or evade. To raise the billions which we now need to win the war, and to do all in our power to check inflation, we must raise our sights. I am suggesting, therefore, as a total or quota for those administering the payroll savings plan, that at least 10% of gross payroll be set aside by the employees for the purchase of United States Savings Bonds.

Many questions will undoubtedly occur to you concerning this new and intensified program. I should be glad to hear from you and I shall welcome any inquiries or comments you may wish to make.

I want to express my appreciation again for your generous cooperation thus far. I know that in the months ahead you will not fail.

Sincerely yours,

Secretary of the Treasury

**PAY-ROLL SAVINGS  
BOND PROGRAM**

**General Electric Company  
Employees**



**No. 1 of a Series of Case Histories Outlining Successful Promotions Used by Various  
Companies for Increasing Participation in the Pay-Roll Savings Plan**

**DEFENSE SAVINGS STAFF, TREASURY DEPARTMENT, WASHINGTON, D. C.**



Part of the crowd attending one of the several meetings of General Electric men and

GENERAL ELECTRIC COMPANY

GENERAL OFFICE  
SCHENECTADY, N. Y.

1 River Road  
SCHENECTADY, N. Y.

February 9, 1942.

MR. HAROLD N. GRAVES,  
Assistant to Secretary of the Treasury Morgenthau,  
Treasury Department,  
Washington, D. C.

Dear Mr. Graves:

I am attaching a summary of the results of the General Electric Company's Defense Savings Bond drive, which was conducted last December. In addition to a number of cash sales, about 83 percent of our employees pledged the regular purchase of Bonds under our pay-roll deduction plan. The pledges average about \$200 per employee (maturity value of Bonds) on an annual basis.

These figures, while they testify to the success of the drive, tell nothing of the tremendous enthusiasm with which our employees carried on this effort, and which was responsible for its success. Because a large part of our manufacturing facilities have been devoted to war production for more than a year, General Electric employees have consistently been months ahead of the general public in their realization of the seriousness of the war effort. This has been evidenced by the many mass meetings held to pledge "all-out" war production, the hundreds of American flags purchased by employees and hung in the shops, the dedication ceremonies held when new buildings have started war production, the receptions given parties of Army and Navy officers when they have visited our plants, and by the constant flow of suggestions from employees on ways to speed war production.

The Defense Savings Bond drive was a further manifestation of this determination among our employees to do everything possible to help win the war. If this pledge to buy Defense Bonds is a sacrifice on their part, then it is only one of the many sacrifices they have already made to further the war effort, and of the many more they are prepared to make in the future.

In the meetings that were held to instruct those working on the drive, various speakers gave various reasons for buying Bonds—as a good investment, as a means of retarding inflation, and so on. But the spirit that made the drive so outstandingly successful was the patriotic spirit of the employees themselves—their enthusiastic desire to spare no sacrifice that would help smash the forces of aggression.

We were particularly pleased with the showing made by our Schenectady works, since this is our largest factory, and therefore represented the biggest job of organization in this drive. More than 95 percent of these employees subscribed—93 percent joining in the pay-roll deduction plan. The average pledge was \$330 per subscriber per year (maturity value of Bonds). Obviously the reason for so great a response goes far deeper than just the effort exerted during this drive—it shows a recognition of civic responsibility by these employees acquired through years of participation in group activities within the company and the civic activities of their communities.

Yours very truly,

W. W. Trench, Secretary,  
GENERAL ELECTRIC COMPANY.

WWT:MR  
Enc.

## DEFENSE SAVINGS BOND PROGRAM

### General Electric Company Employees

This report summarizes the progress made in General Electric's Defense Bond selling program through December 31, 1941. This program has been planned as a series of 1-week drives, repeated about twice a year for the duration of the war effort. The first of these drives was carried on during December in all plants and offices of the company.

#### RESULTS

Three methods of purchasing Defense Savings Bonds were offered General Electric employees:

- (1) By pay-roll deductions regularly each pay period. Only the Series E Bonds were offered under this plan.
- (2) For cash.
- (3) By income accumulation. Under this plan the employee authorizes the company to pay interest due him on his General Electric employees bonds and his profit-sharing payments in the form of Series E Defense Savings Bonds.

The 121,270 employees on our pay rolls at the beginning of December responded as follows:

Form of Payment	Number of Employees Participating	Maturity Value of Bonds Purchased	Percentage of Employees Participating
Pay-roll Deduction	101,025	\$20,205,000*	83.0%
For Cash	6,770	\$1,025,625	5.6%
Income Accumulation	2,700	\$154,750	2.2%

\*Annual basis

Savings Stamps with a value of \$46,600 were also purchased during 1941.

Since the close of the drive in December, additional authorizations have continued to come in. The figures for January are not yet tabulated but will increase those given above.

The average authorization, on an annual basis, is about \$200 (maturity value) per participating employee, representing on a cash basis about 6.5 percent of the company earnings of these employees.

At our Schenectady plant approximately 95 percent of the employees subscribed, pledging an average of \$330 per subscriber per year (maturity value of bonds). This means that these General Electric men and women are subscribing about 10 percent of their company earnings for Defense Bonds.

## THE GENERAL ELECTRIC DEFENSE BOND DRIVE

*Because the General Electric Company Defense Savings Bond campaign has been among the most successful so far conducted, we are including here a detailed description of how General Electric went about the job of soliciting its 121,270 employees.*

General Electric's employees are scattered in more than a hundred units from coast to coast. About 110,000 General Electric people are situated in about 30 factories, ranging in size from the Schenectady Works, with several thousand people, to the smallest factory with only two or three hundred employees. Sales offices are located in 86 cities, and associated with these offices are other units—warehouses and service shops. Thus General Electric's Defense Savings Bond drive covered the whole range of conditions likely to be faced by any company, large or small.

When the Defense Savings Bonds were first offered in May 1941, General Electric immediately announced a plan to make it convenient for its employees to obtain them. This plan was worked out by the company's treasury department and offered three ways by which Defense Savings Bonds could be purchased:

#### (1) By Pay-Roll Deduction (in installments)

By filling out a form, obtainable from his paymaster, any employee could authorize the company to make regular deductions from his pay checks. These amounts would accumulate, and each time the total reached the required amount the company would purchase a bond and have it mailed to his home.

#### (2) For Cash

By applying to his paymaster, any employee could request the company to purchase bonds for him and have them mailed in his home.

#### (3) By Income Accumulation

By filling out a form, obtainable from his paymaster, any employee could authorize the company to pay interest due him on his General Electric employees bonds and his profit-sharing payments in the form of Series E Defense Savings Bonds.

#### RECORDS AND REPORTS

The General Electric treasury department worked with each of the paymasters in setting up a uniform procedure for keeping records. After the authorization form filled out by the employee has been recorded by the local paymaster on the employee's pay-roll record, the form is sent to the company's treasury department at Schenectady, where a record is kept so that all bonds can be purchased by the treasury department at Schenectady as needed.

#### INFORMING THE EMPLOYEES

The job of informing employees on the features of the Defense Savings Bonds and the provisions of the General Electric purchase plan was begun at once. A booklet describing the bonds and the purchase plan was prepared and a copy given in each employee. Posters describing the plan were displayed on all 1,500 bulletin boards throughout the organization. The employee publications took up the job of education and of arousing interest in bond purchases.

Since no one publication covers all General Electric employees, much of this material was prepared at Schenectady and syndicated to the editors of nine employee papers. Week after week from then on hundreds of articles, editorials, cartoons, and news items were used to tell the story from all angles and in the simplest possible terms. At the same time, the urgency of the defense effort was being emphasized in these same publications and by talks, motion pictures, dedication ceremonies, posters, flags, billboards, and in other ways.



# Sizing Up the Defense Savings Bonds



**MUCH** DEPENDS upon the success of the Defense Savings Bonds. Unless we purchase them liberally the Government has only two alternatives in raising money for the Rearmament Program. It can levy much higher taxes, or it can resort to borrowing from the banks. The effect of higher taxes is obvious—it can result in bank borrowing not so obvious. But of these two alternatives, bank borrowing is the more dangerous. It can lead to inflation—gradually increasing the cost of everything we buy.

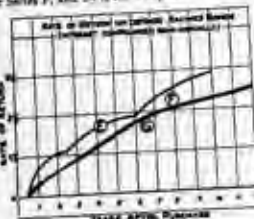
Thus, in the emergency, buying Defense Savings Bonds is not only patriotic, it is good sense. It's a case of either loaning our money voluntarily or paying it for us. In either case, the Defense Savings Bonds we've laid away will help to see us through.



**THE SERIES E BONDS** appear to be the best investment for most of us, as shown by the outline below.

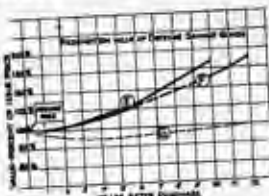
### Rate of Interest

The rate of interest depends on how long you keep the bonds. The longer you hold the bonds before cashing them in, the higher the rate of interest they'll earn. If held to maturity, Series E bonds yield 2½%, as compared to 2-1/8% for Series F, and 2-1/4% for Series G.



### Redemption Value

Because the interest on both Series E and Series F bonds is left to accumulate and is not withdrawable, these bonds increase in value during their life. Series G bonds can be redeemed before maturity only at a discount (see chart below).



### Limitation on Yearly Purchases

Each owner may purchase up to \$5000 (maturity value) of Series E bonds in any one calendar year. Annual purchases of bonds in the F and G Series are limited to a total of \$50000 (face price) for both combined.

### Registration

Series E bonds must be registered in the name of either:

- (1) one individual
- (2) two individuals as co-owners
- (3) one individual and a beneficiary

Series F and G bonds may also be registered in the name of an association, partnership, trust, or corporation (banks accepting demand deposits are excluded).

### ALL DEFENSE BONDS ARE REGISTERED

All Defense Savings Bonds are registered in the name of the owner, or owners, giving protection against loss or theft. They are also nontransferable, which prevents their being used as security for a bank loan. They may, however, be redeemed in part, at any time after the usual 90-day period, exchange for the use of new City bonds and receive cash for the redemption value of the portion redeemed.

### DEFENSE BONDS ARE NOT TAX-EXEMPT

The Defense Bonds are not exempt from Federal Income Tax. Owners of Series E bonds must report the interest they receive as income each year in their income tax statements. When owners of Series E and Series F bonds cash them, either at maturity or before, they receive more for their bonds than they paid for them. The difference between the cost of the bond and the amount they receive for it must be reported as "income" for the year in which the bonds are cashed.

### INTEREST RATES ARE LIBERAL

Compared with the other Government bonds on the market today, the Defense Savings Bonds yield a more liberal rate of interest. There are three other non-tax-exempt Treasury bonds on the market. The Treasury 2½ 1950-54 bonds are currently selling to yield 2¼% on call date, the Treasury 2¼% 1952-54 bonds are selling at a price which will yield a 2½% return on call date, and the Treasury 2¼% 1953-56 bonds yield 2-1/8% on call date, at current prices. In addition, the Defense Savings Bonds do not decrease in value as do other securities based on the stock exchange.

### BONDS MAY BE EXCHANGED

Some employees who have authorized purchase of Series F bonds on the installment plan have asked how they may switch to Series E. This can be done if new application is filed at once at your Payroll Department.

### Life

Series E bonds mature in 10 years; the other two series mature in 12 years.

### Nonredeemable Period

Series E bonds may be redeemed at any time after 90 days from date of issue. The other series cannot be redeemed until six months after issue date.

### Method of Redemption

After the nonredeemable period has elapsed, Series E bonds may be cashed on demand. The other two series require one month's written notice for redemption.

### Denominations Available

Small amounts can be invested in Series E bonds.

Series E	Series F	Series G
Maturity Value	\$100	\$500
Issue Price	\$97.75	\$97.75
Maturity Value	\$100	\$500
Issue Price	\$97.75	\$97.75

### Interest Payments

Of the three series, G is the only one that provides current interest payments. These semi-annual payments are at the rate of 2½% per annum. The interest on Series E and F bonds is left to accumulate, so that the value of these bonds increases periodically.

Subscribe For

# DEFENSE SAVINGS BONDS

## Now

By Payroll Deductions  
GENERAL ELECTRIC



SIZING UP THE DEFENSE SAVINGS BONDS



Protects investment in company employees and business operations and provides... better savings than employees...

Published monthly... General Electric... Defense Savings Bonds...



Defense Savings Plan Now in Operation



Defense Savings Bonds to Be Offered Employees Under a New Plan of Payroll Deductions

One of several full-page articles appearing in General Electric employees newspapers and describing the Defense Bonds.



## PLANNING THE SALES DRIVE

Payments terminated in December on subscriptions under the company's former savings plan, which offered bonds of General Electric Employees Securities Corporation as the investment medium. These subscriptions ran concurrently with subscriptions to Defense Savings Bonds made in May. No further offering of General Electric employees bonds has been made.

By this time it was obvious that most General Electric employees had made up their minds to purchase Defense Savings Bonds, but for one reason or another had not yet gotten around to it. It was therefore decided to solicit each employee individually, making sure that each understood the bonds, the purchase plan, and the reasons for purchasing Bonds regularly.

The New York State Director of the U. S. Defense Bond Staff was contacted by General Electric to learn what promotional materials were available to assist them in this Bond-selling drive. After selecting the pieces they wanted, they designed several additional items for their own use.

In order to work out the details of the drive quickly, the personnel supervisors from the several plants were called to a meeting at Schenectady. At this meeting the principal decisions made were as follows:

- (1) The solicitors should be a voluntary organization of employees.
- (2) Each solicitor should be responsible for personally contacting about 20 employees, although the exact number would vary, depending on local conditions.
- (3) At each factory and office a drive chairman should be appointed by the local manager. He would select a captain in each department of the local organization; each captain would select a lieutenant in each section of his department; and within each section the lieutenants would select their own solicitors. Thus the solicitor organization closely paralleled the physical organization of the company itself.
- (4) No quotas would be set, but if employees asked how much they should subscribe for, it was decided to recommend about 10 percent of their income, in line with the expectations of the U. S. Treasury Department.
- (5) It was decided to stress the Series E Bonds. Only the Series E Bonds were offered for sale under the Pay-Roll Savings Plan. Series F and G Bonds were offered for cash sale.
- (6) The Pay-Roll Savings Plan would be emphasized, although if unsuccessful in getting an employee to use this plan, the cash and income accumulation plans would be offered by the solicitor.

Many other details were worked out at this meeting. The training of solicitors, the promotional materials, the timing of all parts of the program, and other questions were reviewed and decisions reached. At this same time the General Electric treasury department called a meeting of all paymasters. These also met in Schenectady and worked out the details of the accounting procedure and the handling of the records.

Following the plans outlined, the personnel supervisors returned to their respective units and began building the solicitor organizations. The paymasters began augmenting their facilities for handling the authorizations. The publicity department at Schenectady prepared the promotional materials, and the employer publications stepped up their efforts and began releasing details regarding the coming drive. The smaller units of the company not covered by the personnel supervisors who attended the Schenectady meeting were contacted by mail and given their instructions in this way.

Some of the items available used in all the plant drives in General Electric employee publications.



## THE PROMOTIONAL MATERIALS

The promotional materials prepared by the publicity department to aid the Bond-selling drive were as follows:

- (1) Special articles, editorials, cartoons, and similar items were syndicated to the nine employee publications. The editors of these publications added a good deal of material of their own to give local color and arouse local pride in making a good showing.
- (2) Several thousand posters were obtained from the U. S. Treasury Department and distributed to all units of the company for display purposes. Fifteen hundred bulletin-board posters were printed and put on company bulletin boards to advertise the General Electric pay-roll deduction plan.
- (3) A booklet of instructions for solicitors was prepared and fifteen thousand copies distributed to the respective chairmen to assist in training solicitors.
- (4) The company's Defense Savings Plan was published in booklet form. The plan described completely the features of the Bonds and the method of purchase available. One hundred and twenty-five thousand copies were distributed to the various chairmen so that a copy could be handed each employee just before the drive opened.

- (5) A leaflet listing the principal reasons for buying Bonds was prepared. One hundred and twenty-five thousand copies were distributed to the various chairmen, who gave each solicitor one copy for each employee he was to contact.
- (6) A form authorizing pay-roll savings was prepared for each employee to fill out. One hundred and fifty thousand copies were distributed to the respective paymasters. Each employee's name and company address was placed on one of these forms. These were then turned over to the chairmen for distribution to solicitors. Thus each solicitor received individual authorization forms for each employee he was to contact.
- (7) A smaller number of forms authorizing cash purchases, and a like number of forms authorizing income accumulation payments, were prepared, and each solicitor was given two or three of each for any employee who preferred this method of purchase. The various forms were printed on different colored papers to avoid confusion.
- (8) In addition, various mimeographed letters and instructions were prepared to keep the solicitor organization informed on steps being taken, meetings being held, and other events from time to time both before and during the drive.



A typical meeting held to train and enthuse the employee-solicitors.

## TRAINING THE SOLICITORS

The training of the solicitors was carried out step by step before the drive opened. The various chairmen instructed their captains, the captains in turn trained their lieutenants, and the lieutenants instructed their solicitors. The booklet of instructions and other promotional materials were distributed in time to be useful in this training process.

The second step consisted of calling the solicitors together just before the drive opened in large meetings. In some of the larger factories several hundred solicitors attended each meeting, and more than one meeting had to be arranged to accommodate them all. While general instructions were repeated at these meetings, their purpose was primarily to arouse enthusiasm for the job ahead. The program varied from factory to factory, but a typical meeting was supervised by the works manager or by the local drive chairman. At one meeting the secretary of the company pointed out that the Bonds are an excellent investment, reading the interest rates of other leading bonds from the morning paper for comparison.

This was followed by a talk given by a local union representative, who urged all employees to subscribe, appealing to their pride as a group which had already contributed greatly to the national war effort.

The final speaker was the company vice president in charge of war projects, a forceful speaker who emphasized what war means to each citizen and what will be required for victory. He emphasized regular Bond purchases as one of the duties and privileges of every citizen today, and told the solicitors that the job they were about to do was as important as any in the war effort.

These materials were given to all solicitors.



Booklet, "Instructions for Solicitors."



Payroll savings authorization form bearing the name of each employee to be enrolled.



Each and every employee must have authorization.



A leader for each company, giving the proper explanation for the Bonds.



A booklet describing the terms and the provisions of the General Electric Payroll Savings Plan.

# Facts About Defense Savings Bonds

## SERIES E DEFENSE SAVINGS BONDS

### DENOMINATIONS

WHAT YOU GET AT MATURITY				
\$25.00	\$50.00	\$100.00	\$500.00	\$1000.00
WHAT THE BONDS COST YOU				
\$18.75	\$37.50	\$75.00	\$375.00	\$750.00

Your savings grow 33 1/3% in ten years

### PAYROLL DEDUCTIONS

WEEKLY INSTALLMENTS  
50 cents, \$1.00 or more in multiples of 50 cents

MONTHLY INSTALLMENTS  
\$3.00 or more in multiples of \$1.00

Or you may buy a bond each pay period

### ADVANTAGES

- (1) Save some of your savings for good investments
- (2) Security backed by U. S. Government
- (3) Aid National Defense
- (4) Help prevent inflation

### LIFE

Protects in two ways.

### CASH PURCHASES

Bonds bought may be purchased for cash at any time through Payroll Dept.

### REGISTRATION

- Must state status of soldier:
- (1) One person
  - (2) Two persons and beneficiary
  - (3) One person and beneficiary

### HOW TO BUY BONDS

Simply fill out authorization form, making sure to specify denomination of bond desired and amount to be deducted. Form must also be completed in other respects. (SEE SAMPLE BELOW) Then give form to station supervisor or Payroll Dept.

### INTEREST

3 1/2% if held to maturity.

### REDEEMABLE

Any time after 90 days for full amount paid plus interest due you

### F and G BONDS

May be purchased through Payroll Dept. for cash in full at time of purchase.



Follow This Sample Form When Making Out Your Authorization

**Name:** \_\_\_\_\_  
**Address:** \_\_\_\_\_  
**City:** \_\_\_\_\_  
**State:** \_\_\_\_\_  
**Zip:** \_\_\_\_\_

**Payroll Dept. No.:** \_\_\_\_\_  
**Station No.:** \_\_\_\_\_

**Amount to be deducted:** \_\_\_\_\_  
**Frequency:** \_\_\_\_\_

**Beneficiary:** \_\_\_\_\_  
**Relationship:** \_\_\_\_\_

**Signature:** \_\_\_\_\_  
**Date:** \_\_\_\_\_

**Supervisor:** \_\_\_\_\_  
**Date:** \_\_\_\_\_

**Station:** \_\_\_\_\_

**Notes:** \_\_\_\_\_

# NATIONWIDE DEFENSE BOND CAMPAIGN GETS UNDER WAY

EVER SINCE LAST April we've been hearing appeals to buy Defense Savings Bonds. Every day for the last eight months radio announcers have urged bond-buying appeals with their descriptions of "easy-way" "fast-track" or "Gilbey's girl" plans. Magazine ads have made the Concord Minute Man or "Gilbey's girl" plans. Americans, billboards and posters have appealed to our familiar figure in millions of households with everything that was being said but have gone blankly on our way, refusing to buy some Defense Bonds the first time we got around to it.

And as the actual sale of Defense Bonds has been disappointing to the U.S. Treasury Department, and something is being done about it. Full-time regional directors have been established throughout the country, and business firms, civic organizations, schools and hundreds of other groups are now ready to contact every single person in the country.



## MR. BISBEE BUYS BONDS

**APRIL, 1941**

Mr. Bisbee sits at his desk reading the paper. He sees an advertisement for Defense Bonds and decides to buy some.

**JUNE**

Mr. Bisbee goes to the bank to buy some Defense Bonds. He is happy with the service.

**JULY**

Mr. Bisbee drives his car to work. He is happy with the service.

**AUGUST**

Mr. Bisbee goes to the store to buy some Defense Bonds. He is happy with the service.

**SEPTEMBER**

Mr. Bisbee goes to the store to buy some Defense Bonds. He is happy with the service.

**OCTOBER**

Mr. Bisbee goes to the store to buy some Defense Bonds. He is happy with the service.

**NOVEMBER**

Mr. Bisbee goes to the store to buy some Defense Bonds. He is happy with the service.

**DECEMBER, 1941**

Mr. Bisbee goes to the store to buy some Defense Bonds. He is happy with the service.

## NATIONAL CAMPAIGN EFFORT TO BE MADE IN DECEMBER

The magnitude of this effort can be judged by the number of workers who will be engaged in this national campaign. During the "Liberty" drive of 1940-1941, a maximum of 15 million workers were active. Today, the War Relocation Authority estimates that as many as 100 million people will be working in all Defense plants and governmental companies. It is asked to establish payroll deduction plans for the purchase of these bonds. Smaller companies are asked to provide for the sale of Defense Bonds to their employees regularly each pay period. It is suggested that the purchase of these bonds be made by the purchase of...

## AND FOR THE DURATION



## WHAT G.E. CAN DO DEPENDS ON US

Last April, when the Treasury Department announced the Defense Savings Bond Program, General Electric was among the first to cooperate. A Defense Savings Plan was adopted to make the purchase of Defense Bonds an convenient as possible for all G.E. people.

In order to tie in with the U. S. Treasury's present efforts to expand the bond-selling program, General Electric has just announced a new Defense Savings Plan. One of your fellow employees will soon call on you as a Defense Savings Campaign Worker, ready to assist you in your efforts to expand the program—and in America, but also in your efforts to help defend security by making purchases of Defense Savings Bonds by payroll deductions.

When the 1941 campaign for suggestions in General Electric companies publications during the bond buying purchase of Defense Savings Bonds.

When all the factors of publicity, interest, participation, approval, and sales are appearing in a campaign, the drive is a success.

GENERAL ELECTRIC  
**Commentator**

**NATIONWIDE DEFENSE BOND CAMPAIGN GETS UNDER WAY**

EVER SINCE LAST April when the first special issue of the Defense Savings Bonds, Series E, for the first time made its appearance, there has been a steady increase in their absorption. Millions of Americans have already bought them. Millions more are expected to do so in the months ahead. And the money that will be raised will be used to help our fighting men and women in the most important way possible—by helping to buy more of the things they need to win the war.



**NEWS**  
Schenectady Works  
**HAPPY NEW YEAR**  
Bond Subscription Totals \$8,520,920

**NEWS**  
Schenectady Works  
**U. S. War Bond Sale High In Works**  
95.12 Per Cent of Works Employees Buying Bonds

**Savings Bond Campaign Planned Here**  
Defense Savings Week to Be Held December 15 to 19

**PRODUCING FOR DEFENSE**  
Schenectady Works  
GENERAL ELECTRIC

**37 Per Cent of Employees In Works Subscribe for Bonds in First Three Days**  
\$2,217,300 in Monthly Value of Bonds Sold Early in Week

**90 Per Cent of Employees Subscribe for \$8,101,669 in Defense Savings Bonds**  
Bond Figures Will Be Highest Before Are Full Counting In

**THE DRIVE**

The drive was scheduled to last 1 week, although it was realized that another week would probably be required for the solicitors to clean up some of their contacts who happened to be away during the drive or who were slow in making a decision.

On the Friday before the drive opened, each employee was given a copy of the Defense Savings Plan. These were handed out by the foremen and other supervisors. On the following Monday the solicitors started work.

Each solicitor had the following materials.

- (1) A pay-roll deduction authorization form for each employee he was to contact, filled in with the employee's name and location.
- (2) A few cash authorization forms and a few income accumulation forms in case any employee he contacted preferred one of these methods of subscription.
- (3) A leaflet for each employee giving the principal reasons for buying Bonds.
- (4) A copy of the Defense Savings Plan booklet describing the Bonds and Pay-Roll Savings Plan, for reference.
- (5) A copy of the booklet "Instructions for Solicitors," for reference.

In contacting each employee, the solicitor first reviewed briefly the features of the Bonds and the provisions of the Pay-Roll Savings Plan, to make sure that the person he was contacting understood them. He cleared up any questions that arose and gave the principal reasons for buying Bonds. Then he gave his prospect the pay-roll savings authorization form with his name imprinted on it and urged him to take it home and discuss it with his family. He also gave his prospect a copy of the leaflet explaining the principal reasons for buying Bonds to help him in selling the idea to his wife or other members of his family interested. The solicitor then made an appointment to call back later in the week and get the authorization form.

If, on his return call, the employee indicated that he did not wish to authorize pay-roll deductions, the solicitor then explained the cash payment and income accumulation plans, urging his prospect to subscribe in one of these ways.

**QUESTIONS RAISED**

The questions most frequently asked by employees were about the Bonds themselves: "What is the difference between Series E, F, and G?" "How soon can I cash them if I need the money in a hurry?" "What is the best denomination to buy?" "Do I get any interest if I cash them in the first year?" "Do I get back less than I paid if I cash them before maturity?" "What if I lost the Bond?" "Can I put the Bond in the name of my youngster?" "What is a co-owner or beneficiary?" "Will some place of safe-keeping be provided?"

Solicitors were instructed that if any questions came up that they could not answer, to ask their leader. In this way all questions were answered correctly—some of them were even referred back to the headquarters at Schenectady in order to be sure of the answer.

By the end of the week the drive was practically complete, although some "cleaning up" remained. The completed forms were passed back through the organization to the chairman, who turned them over to the local pay-roll department.



*The solicitors tackle the job of contacting every General Electric employee.*

## CONCLUSIONS

The "pyramid" type of solicitor organization used proved ideally suited to the job. It was possible to organize it in a few days; it made the training of the actual solicitors relatively easy; it was a simple matter to give instructions and distribute a half million pieces of literature quickly and efficiently; it was easy to expand quickly in those areas where additional help was found necessary as the drive progressed; and it made possible a day-by-day check of results.

The same procedure was found to be efficient in large factories with several thousand employees and in small units of a hundred or so people. In the smaller units the effort was, of course, less formal. The meetings consisted of smaller groups, and there were fewer steps in the "pyramid" of the solicitor organization.

War was declared just prior to the opening of the drive, and large outdoor mass meetings were held at most of the large factories to pledge an "all-out" war effort. This no doubt helped in boosting enthusiasm still higher and contributed to the results.

The field organization of the U. S. Treasury Department Defense Savings Staff was just getting under way at the time the drive was being planned and in several instances was of help in furnishing materials and in giving talks before groups of solicitors and others working on the drive. In one case the General Electric group helped the Defense Savings Staff in getting the city organized so that the city-wide effort could start at the same time as the drive in the local General Electric factory.

The elapsed time, from the day the idea of sponsoring such a drive was conceived until the day the drive ended, was only about 1 month. Urgency was stressed all through the effort, and this no doubt contributed to getting the job done quickly and efficiently. On the other hand, sufficient time was given to make sure that the organization was properly set up and trained before the drive was started.

In order to forestall the possibility of employees cashing in their Bonds to pay income taxes, General Electric moved ahead the date on which the next profit-sharing payment would normally be made to employees by about a month, so as to distribute this money early in March instead of in April.

U. S. GOVERNMENT PRINTING OFFICE : 1942

## UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During  
 First Seventeen Business Days of April, March and February 1942  
 (April 1-20, March 1-20, February 1-20)  
 On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	April	March	February	April over March	March over February	April over March	March over February
	Series E - Post Offices	\$ 53,730	\$ 58,853	\$ 66,622	-\$ 5,123	-\$ 7,769	- 8.7%
Series E - Banks	<u>154,012</u>	<u>173,464</u>	<u>246,176</u>	- <u>19,452</u>	- <u>72,712</u>	- <u>11.2</u>	- <u>29.5</u>
Series E - Total	207,742	232,317	312,798	- 24,575	- 80,481	- 10.6	- 25.7
Series F - Banks	24,757	27,656	38,021	- 2,899	- 10,365	- 10.5	- 27.3
Series G - Banks	<u>107,096</u>	<u>126,015</u>	<u>193,776</u>	- <u>18,919</u>	- <u>67,761</u>	- <u>15.0</u>	- <u>35.0</u>
Total	<u>\$339,594</u>	<u>\$385,988</u>	<u>\$544,595</u>	-\$ <u>46,394</u>	-\$ <u>158,607</u>	- <u>12.0%</u>	- <u>29.1%</u>

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

April 21, 1942.

Source: All figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds.

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals.

## UNITED STATES SAVINGS BONDS

Daily Sales - April 1942  
On Basis of Issue Price

(In thousands of dollars)

Date	Post Office Bond Sales Series E	Bank Bond Sales				All Bond Sales			
		Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
April 1942									
1	\$ 2,476	\$ 10,517	\$ 2,380	\$ 9,608	\$ 22,504	\$ 12,993	\$ 2,380	\$ 9,608	\$ 24,980
2	2,999	8,264	2,119	7,570	17,953	11,263	2,119	7,570	20,953
3	3,222	7,572	1,185	6,235	14,992	10,794	1,185	6,235	18,214
4	2,778	9,292	1,387	5,334	16,013	12,070	1,387	5,334	18,790
6	4,961	13,035	2,329	8,027	23,391	17,996	2,329	8,027	28,352
7	2,958	5,722	834	8,983	15,539	8,680	834	8,983	18,497
8	2,309	9,610	1,142	6,562	17,314	11,919	1,142	6,562	19,623
9	2,906	9,304	955	5,715	15,974	12,210	955	5,715	18,880
10	2,730	8,052	1,573	5,261	14,885	10,782	1,573	5,261	17,615
11	2,150	5,224	668	2,720	8,613	7,374	668	2,720	10,762
13	4,619	17,572	2,432	8,604	28,609	22,192	2,432	8,604	33,228
14	2,513	6,152	1,076	3,333	10,561	8,665	1,076	3,333	13,074
15	2,584	5,102	1,251	5,374	11,728	7,686	1,251	5,374	14,312
16	3,472	10,008	1,400	7,773	19,180	13,480	1,400	7,773	22,652
17	2,690	8,076	850	3,695	12,621	10,766	850	3,695	15,311
18	3,111	7,175	948	3,303	11,426	10,286	948	3,303	14,537
20	5,252	13,334	2,227	9,001	24,562	18,586	2,227	9,001	29,814
<b>Total</b>	<b>\$ 53,730</b>	<b>\$154,012</b>	<b>\$ 24,757</b>	<b>\$107,096</b>	<b>\$285,864</b>	<b>\$207,742</b>	<b>\$ 24,757</b>	<b>\$107,096</b>	<b>\$339,594</b>

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

April 21, 1942.

Source: All figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds.

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals.



APR 21 1942

35214

**My dear Mr. President:**

In accordance with your request of April 15, 1942, I am enclosing a suggested reply, for your signature, to the attached letter of Vice President Wallace.

Faithfully,

(Signed) H. Morgenthau, Jnr

The President,  
The White House.

Enclosures

By Messenger

*Lincoln 2:40*

*Please file n.m.c.  
copy to stamp*

MM:jm 4-15-42

35214

Dear Mr. Vice President:

I have given careful consideration to your letter of April 13, 1942, in which you urge that a system of compulsory savings be instituted and challenge the statement of the Secretary of the Treasury that such a system would interfere with the existing program of voluntary savings.

The figures which you present with respect to the distribution of savings bond sales seem to indicate that these bonds have been sold largely to the well-to-do classes in the community. This is a situation which the Secretary of the Treasury hopes and believes will change with the development of voluntary payroll savings plans, but there is no question that it has been the case.

I agree with you that it would be a mistake to try to sell these bonds to wage earners by so-called voluntary methods which, in fact, would involve resorting to extreme social pressure. The Secretary of the Treasury concurs in this view and told the Ways and Means Committee of the House of Representatives that he did not propose "to paint any houses yellow or put people behind barbed wires."

It is another matter, however, whether compulsory saving is the correct solution to this problem. What is really needed is the "non-spending" of income, and there may be a more effective and direct way of accomplishing this than by the forced purchase of savings bonds. The method which I have in mind is, of course, rationing.

In this connection, I find the following excerpt from a confidential pamphlet on "Rationing", written by Messrs. Uggren and Nicoll of the Department of Commerce, interesting:

"In the abstract the problem of coping with an impending inflation is simple. The weapons consist of taxation, the borrowing power, and, perhaps, the power to compel saving. Yet, despite the universal

- 2 -

agreement upon the ~~efficiency~~ of these devices for preventing inflation, recent evidence from the experience of other countries reveals that the problem is never, in fact, solved in this way. Rather, the weight of the evidence (especially from Britain and Germany) is in support of the view that the major and primary responsibility for the avoidance of inflation falls upon those endowed with the power of rationing.

...  
 \* \* \* \* \*  
 "... in this way [by rationing] is created a surplus of purchasing power for which immediate and customary use channels are not open. As a result the consumer far more willingly acquiesces in the drive of government to secure these funds; when his ordinary alternatives, even at rising prices, are available to him he remains an unwilling subject or accomplice."

It seems to me that this passage states very well what has been the logic of events in other countries and will prove to be the case in our own also. A little compulsory saving will not do the trick and an adequate amount will be impossible to obtain. This is true because an adequate amount of compulsory saving is a great deal indeed -- as it must be enough to "mop up" not merely excess consumer purchasing power, but also the reduction in voluntary savings which will certainly take place.

Rationing, on the other hand, appeals to the ordinary man as the logical answer to the problem of shortages. It cuts through the intervening dollar signs and strikes directly at its object. Rationing can consequently achieve with less resistance the same results as a large-scale plan of compulsory saving.

An adequate system of rationing will create automatically a flow of what are really "compulsory savings", but which do not

- 3 -

appear to be such to the covers. It seems to me that we must look in this direction for the major portion of the solution of our problem, although it is clear that even the most adequate system of rationing must be supplemented by action on many fronts, including vigorous taxation, stringent controls of consumer credit, and price fixing.

Sincerely,

The Vice President,  
United States Senate,  
Washington, D. C.

HCM:jpm 4-15-42

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THE WHITE HOUSE  
WASHINGTON

April 15, 1942.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

FOR PREPARATION OF REPLY  
FOR MY SIGNATURE.

F. D. R.

RECEIVED

OFFICE OF THE VICE PRESIDENT  
WASHINGTON

April 13, 1942

The President

The White House

35214

Dear Mr. President:

I should like to challenge the statement made by the Secretary of the Treasury at the last Cabinet meeting to the effect that a universal savings plan would interfere with the program of genuine voluntary saving. The breakdowns of the denominations of savings bonds sold in December and January, the last months for which reasonably satisfactory breakdowns are available, do not support this contention. Of the \$529 million savings bonds sold in December, \$188 million were in Series F and G - series intended for large investors which may be taken up to \$50,000 a year. Only \$341 million were the Series E type, which are available for individuals up to a maximum of \$5,000 a year per individual. Of this \$341 million, only 22 percent were in denominations of \$50 or less, indicating that most of it was purchased by fairly high income classes, and, indeed, 34 percent were purchased in denominations of \$1,000, showing clearly that this proportion was purchased by the very well-to-do. The figures for January are very similar. In that month \$667 million of Series E were sold (by the way, the sale of Series E dropped to \$398 million in February and \$338 million in March.) Of the total sold in January, only 19 percent were in denominations of \$50 or less, while 40 percent were in denominations of \$1,000. Considering the fact that individuals in the higher income brackets buy a considerable amount of bonds of the \$25 and \$50 denominations, the conclusion can be drawn that the bond purchases of people in the lower income brackets are running

certainly \$50 million a month, or \$600 million a year. *I recognize that the lower income groups buy \$3 billion of bonds in 1942.*  
*and labor alone labor will buy less than half amount.*  
This analysis shows, I think, quite clearly, that the lower income groups, whose purchasing power must be tapped to prevent inflation, are not in any appreciable way affected by the voluntary war savings bond campaign.

April 21, 1942

Dear Eleanor:

I am inclosing herewith a memorandum, prepared by the Treasury Tax Staff, explaining the Treasury's position on joint returns.

Affectionately,

(Signed) Henry

Mrs. Franklin D. Roosevelt,  
29 Washington Square, West,  
New York, New York.

AIR MAIL  
SPECIAL DELIVERY

*File n.m.c.*

311

Prepared for Mrs. Roosevelt's  
column.

4/20



### Mandatory Joint Returns

The Treasury's purpose of making joint tax returns mandatory is to equalize tax burdens among families. A family with an income of \$5,000 earned or received only by the husband -- or only by the wife -- is affected by a dollar of taxes in the same way as a family with the same total income earned or received by husband and wife equally. If joint tax returns are required, both families pay the same tax, but if separate returns are allowed the first family pays a substantially larger tax than the second.

About 9 couples out of 10 have been filing joint returns right along even though they have had the option of filing separate returns. Separate returns can save taxes only for a small minority of married couples where both husband and wife receive substantial amounts of income.

It shows a lack of understanding of the Treasury proposal to say that the elimination of this tax advantage of the relatively few undermines women's rights. The incomes of the husband and wife are added for the purpose of computing the total family tax. The total tax is then divided into shares to be paid by the husband and wife in proportion to their respective incomes. Neither spouse has a favored position. Each pays a somewhat larger tax than if separate returns were filed, but this has nothing to do with the sex of either spouse. There is no subjugation of the wife, and the larger tax she-- and the husband -- has to pay does not deprive her of any rights or individual status. She is not made liable for her husband's tax. She herself simply pays a higher tax because she has a better financial position from the realistic standpoint of the family economic unit than the single woman with the same amount of income, and by doing so she assumes her fair share of the tax burden.

Part of the proposal for mandatory joint tax returns enlarges the rights of the working wife by providing a special earned income credit to the spouse who earns the smaller income. This is something which should have been allowed before, regardless of joint returns, since in the lower income

- 2 -

families the wife who works outside the home is not available to render the same service to the family as she would if not employed outside. Extra expense for a servant is necessitated. This is not very important if the family income is larger since a servant would probably be employed in any event, but it is very important for low income families. Great Britain, where joint returns have long been required, makes such an allowance.

The interests of the vast majority of the women in the United States would be promoted by mandatory joint returns, since their families are called on to pay the several hundred million dollars a year saved by a small minority through filing separate returns.

REP:mv  
4/20/42

314

WUE24 29 GOVT COLLECT XC

1942 APR 20 AM 8 16

BEACON NY APR 18 1942 516P

RANDOLPH PAUL AND MR ROY BLOUGHT

TREASURY DEPT

PLEASE LET ME HAVE BY NOON MONDAY A STATEMENT GIVING THE  
TREASURY POSITION ON JOINT RETURNS FOR MRS ROOSEVELT TO USE  
IN HER COLUMN. COPY TO MRS KLOTZ

HENRY MORGENTHAU JR.

APR 20 1942

APR 21 1948

Dear Eleanor:

I have Mrs. Thompson's note of April 18, 1948, indicating that you would like my advice on the merits of an appeal contained in a wire of April 8 to you from Mr. John J. Noll of Great Neck, New York, urging your support of H.R. 4402, a bill to extend the period of 5-year term insurance for veterans of the First World War.

Though the bill is essentially a matter for the Veterans' Administration, I believe it is without merit. It would provide the fifth extension of the right to renew the temporary term insurance of the First World War. The President vetoed a bill to provide a fourth extension of this privilege on May 28, 1937, but the 75th Congress passed it overwhelmingly over his veto, and it became law on June 1, 1937. The Veterans' Administration has consistently opposed legislation of this sort, and I attach a copy of their adverse report on the present bill, as well as a copy of the President's veto message on the 1937 bill.

I have learned that the House Committee on World War Veterans' Legislation unanimously ordered H.R. 4402 reported favorably last week.

- 2 -

The committee report has not been filed yet, but it probably will be today or tomorrow, and the committee expects early House consideration on the measure.

Sincerely,

(Signed) Henry

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

SJS:EHF:vlb - 4/20/42

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THE WHITE HOUSE  
WASHINGTON

April 16, 1942

Dear Mr. Secretary:

Mrs. Roosevelt would appreciate your advice as to the worthiness of the appeal made in the enclosed telegram, concerning H.R. 4402, a bill to extend the period of five-year term insurance for veterans of the first World War.

Very sincerely yours,

*Malvina C. Thompson*  
Secretary to  
Mrs. Roosevelt

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

APR 8 11 4 PM 1942

RB72-91WH

WD92 169 NT 5 EXTRA

NEWYORK NY APR 8 1942

MRS FRANKLIN D ROOSEVELT

THE WHITE HOUSE

YOUR REVIVAL OF INTEREST IN VETERANS OF WORLD WAR 1,  
RECENTLY EXPRESSED, CAN BE GIVEN PRACTICAL DEMONSTRATION  
THROUGH YOUR SUPPORT OF H. R. 4402 TO EXTEND THE PERIOD OF  
FIVE YEAR TERM INSURANCE WHICH ORIGINATED AS WAR RISK IN-  
SURANCE IN OUR EARLIER WAR. THIS LEGISLATION AFFECTS SIXTY  
THOUSAND VETERANS AND THEIR FAMILIES, VETERANS WHO FOR A  
PERIOD OF ALMOST TWENTY FIVE YEARS HAVE BEEN PAYING INSURANCE  
PREMIUMS TO THE GOVERNMENT ONLY TO FIND THEMSELVES WITHOUT

THIS PROTECTION IF THE EXTENSION IS NOT GRANTED. THE PRESIDENT VETOED SIMILAR LEGISLATION FIVE YEARS AGO. THE ONLY ALTERNATIVE IS CONVERSION TO POLICIES REQUIRING INCREASED PREMIUMS WHICH VETERANS OF OUR AGE WILL BE UNABLE TO MEET IN ADDITION TO OUR FULL FINANCIAL SUPPORT OF THE PRESENT WAR PROGRAM. IF MILLIONS OF DOLLARS ARE STILL AVAILABLE FOR NON-DEFENSE EFFORTS, SURELY THE GOVERNMENT WILL EXTEND THIS BENEFIT TO MEN WHO FOUGHT IN THE EARLIER WORLD WAR TO SAVE OUR NATION FOR THE PROGRAM OF SOCIAL AND ECONOMIC REFORMS DURING SUBSEQUENT YEARS

JOHN J NOLL 9 MAGNOLIA DRIVE GREATNECK NY.



APR 21 1942

*Eleanor*

Dear Mrs. Roosevelt:

In accordance with your request, I am enclosing an analysis of the tax proposals of Mr. Joseph K. Goodbar, which were submitted to you in Mr. George A. Miller's letter of March 27, 1942, which you may find useful in the preparation of your reply to Mr. Miller if you deem such a reply desirable.

You may be interested in knowing that Mr. Goodbar has written both the White House and the Treasury a considerable number of times in the past nine years, submitting his suggestions on economic and monetary matters.

Mr. Miller's letter is returned herewith.

Sincerely,

(Signed) Henry

Mrs. Eleanor Roosevelt  
The White House

Photo file D.M.C.  
copy to Thompson J.  
By Messenger *Sumner* 3:00

Enclosure

MAR 21 4/20/42

*March 20 morning of American Red*

Analysis of the Tax Proposals of  
Dr. Joseph E. Goodbar

Dr. Goodbar proposes a flat and universal war-emergency income tax, in addition to all other taxes, of 25 percent on all income, to be deducted at the source. The income receiver would, however, be permitted to work an additional 10 hours a week (25 percent of the normal 40-hour week assumed to be the work-week for everyone) and the employer would turn over the pay for these hours to meet the employee's tax liability.

Employees working in war industries would continue to be employed there, with a work-week of 50 hours instead of 40 hours. In civilian industries, however, the plan would be effected by releasing employees so that the now smaller number of employees, each working 50 hours a week, would yield as many man-hours as were formerly obtained with all employees working 40 hours. The employees released would be employed in war industries.

I am certainly in sympathy with the final goals at which Dr. Goodbar is aiming -- the prevention of inflation by increased production of the real goods and services needed to fight the war and to maintain the civilian population.

There are, however, fundamental questions to be raised about the practicability of making taxes payable in the manner Dr. Goodbar suggests. The suggestion is essentially a retrogression from our present monetary economy to a sort of barter economy, where obligations are paid in kind, rather than in money. Such a retrogression would sacrifice the greater flexibility and ease of adjustment in the economy secured by payments in money.

The proposal does not make clear how it will be possible for employees in war industries already operating on a 24-hour day to work an additional 10 hours a week. If, for example, a particular power drill (on which only one person can efficiently be employed at a time) is worked by three 8-hour shifts, how would it be possible for each of the three workers to be employed an additional two hours a day? There would have to be either six man-hours of

- 2 -

labor wasted because of no tools with which to work, or these workers would have to be shifted to other war plants not already operating at full capacity. The amount of effort necessary to allocate such workers for 10 hours labor a week to the plants where their skills could be utilized during hours when they were not occupied at their principal places of employment, would be tremendous and might more than outweigh the gain in total output.

Nor is it ever stated how the 25 percent income tax would be collected from employees already working overtime in some cases up to 55 hours a week. It would presumably be impossible for these workers to pay in kind. Furthermore, how would the self-employed -- the doctor, dentist, or lawyer -- many of whom work just as long hours as they can be of service, be able to pay their taxes in kind? If they were to sit in their offices an additional 10 hours a week, this would not necessarily result in their servicing more clients and producing more with which to pay the 25 percent tax. How could dividend receivers pay their taxes in kind? How would the small business man producing non-war goods, with only two employees, for example, be able to make the necessary adjustments? Previously, he utilized 60 man-hours of labor with two workers. Now, one employee would work 50 hours, but the other could work only 30 hours in his plant and would have to work 20 hours elsewhere. The complexities and confusion that might very likely result are obviously very great.

It would seem, therefore, that it would be better to continue to collect all income taxes in money. This would permit each individual to make the necessary arrangements in the most efficient manner possible to augment his income by working harder to meet his greater tax liability.

32567  
1/21

THE WHITE HOUSE  
WASHINGTON

323

4/15/42

Referred by Mrs. Roosevelt to the  
Secretary of the Treasury

# American Banker

17 STONE STREET NEW YORK, N. Y.

March 27th, 1942

Mrs. Eleanor Roosevelt,  
The White House  
Washington, D.C.

My dear Mrs. Roosevelt:-

Your suggestion the other day that labor be paid in Government Defense bonds for its overtime work struck me as interesting and important.

A day or two later the attached statement of Dr. Joseph E. Goodbar, of New York, a recognized pioneer of thought in money, banking and economics, came over my desk. His statement was made before the Ways and Means Committee on March 19th.

I wrote the attached story, which appeared in our March 20 issue, and feel that Dr. Goodbar's plan more completely serves our present needs than anything that has come to my attention.

It might really unite Labor and Management, and utilize all their energies for the "Winning of the War"; and perhaps engender enough mutual confidence to make them continue to stand shoulder to shoulder in "Winning the Peace".

The President has promised us that we will Win the War and also Win the Peace. I believe him wholeheartedly. But to accomplish both these objectives we must have a form of cooperation between labor and management which will MOBILIZE OUR FULL ECONOMIC ENERGIES - YES, EVEN OUR FULL HUMAN ENERGIES.

Dr. Goodbar's proposals will, of course, impose a tremendous effort upon the management of every kind of non-war activity - as well as upon labor. First, management will have to rearrange its working schedules in order to free one out of every five of its employees for war production. Second, it will have to reverse the process when, at the end of the war, normal peace-time working schedules are restored.

Protection against inflation - the imperative need for which apparently prompted your own proposals in large part - is assured under Dr. Goodbar's suggestions. For example, money payments coming to the Government by virtue of almost universal overtime would be sufficient to pay the full 40 hour weekly wages of the TEN MILLION WAR WORKERS MADE AVAILABLE by the process he describes.

Every day there is some new scheme, such as the "Buy a Bomber" campaign of the Hearst papers, intended to personalize the citizen's part in the war.

Mrs. Roosevelt - Page Two

How much more personalized would his part be if, instead of making modest gifts out of his pocket, he were to contribute actual blows of the hammer (directly or indirectly) towards building of a bomber, a fighter, a ship, a rifle? In the case, say, of a secretary, she could almost imagine herself in uniform if ten hours of her extra work each week were releasing another secretary who might possibly type the very order of attack which finally wins the war.

This proposal means that no industries will be sheltered from the effects of war - and none should be. None will avoid their proportionate contribution to the war. Relatively few will be completely done in by the war, because each will be mobilized in the same degree.

When the Iroquois Indians made a raid on the upper Hudson, the settlers never asked who is management and who is labor. Every man took his place on the stockade. That is what Americans need to do right now. The lack of a fast and accurate typist might be as disastrous as the lack of a plane or a torpedo; by delaying the order to "make same or send same". (Remember the despatch - "saw sub- sank same"?)

This OPTIONAL WAR PRODUCTION TAX, PAYABLE IN WORK OR CASH, as outlined by Dr. Goodbar, looks to me like a dynamic plan of action; one that will enable and induce labor and management to stand shoulder to shoulder in all-out effort for victory; one that will bank the fires of inflation, lead us back safely into free enterprise with the coming of peace, and provide us with necessary breathing space for beating our swords back into ploughshares again.

This letter is purely a personal expression on my part, and in no way involves the American Banker - a daily newspaper going to some 6,000 bankers - which I serve as News Editor. I do bring it to your attention, however, with the feeling and hope that you may find here the key to UNLOCK THE ENTIRE HUMAN ENERGY of our American people, and to LOCK UP THE DOOR against inflation.

Sincerely yours

  
George A. Miller, News Editor

M/S

NOTE: This report is for the information of the depositor, and is of no other value.

MEMO. REPORT ON <sup>[GOLD]</sup><sub>[SILVER]</sub> BULLION deposited at the Assay Office of the United States at New York  
 APRIL 21, 1942, 193 , by FEDERAL RESERVE BANK OF NEW YORK, FOR Credit of Accty. of the Treasury  
Special Account.

DESCRIPTION OF BULLION.	WEIGHT.				GOLD.			SILVER.			CHARGES.		NET VALUE.		
	BEFORE MELTING.		AFTER MELTING.		FINENESS.	VALUE.		FINENESS.	VALUE AT.						
	Ounces.	Dec.	Ounces.	Dec.		1,000ths.	Dollars.		Cts.	1,000ths.	Dollars.	Cts.			
RUSSIAN															
REFD BARS			8	963 57	999.7										
			8	165 00	999.7										
			8	117 52	999.7										
			8	078 71	999.7										
			7	976 56	999.7										
			8	040 10	999.6										
			8	359 00	999.7										
			8	286 16	999.7										
			8	300 54	999.7										
			8	162 50	999.6										
			7	780 23	999.7										
			7	717 96	999.7										
			7	214 53	999.6										
			7	063 92	999.6										

net value of the above deposit is payable as follows:

- IN GOLD BARS, . \$ .....
- IN SILVER BARS, . \$ .....
- IN CASH, . . . \$ .....
- BY CHECK, . . . \$ .....

*George ...*  
 For the Superintendent.

Fine Silver, ozs. \_\_\_\_\_ fine \_\_\_\_\_

No. 6876 By order of Gov. U.S.S.R.

Form 49 A  
TREASURY DEPARTMENT  
U. S. MINT SERVICE

NOTE—This Report is for the information of the depositor, and is of no other value.

**FOREIGN**

MEMO. REPORT ON <sup>(GOLD)</sup><sub>(SILVER)</sub> BULLION deposited at the Assay Office of the United States at New York  
APRIL 21, 1942, 193, by FEDERAL RESERVE BANK OF NEW YORK, For Credit of Secty. of the Treasury  
Special Account

DESCRIPTION OF BULLION.	WEIGHT.				GOLD.			SILVER.			CHARGES.		NET VALUE.	
	BEFORE MELTING.		AFTER MELTING.		FINENESS.	VALUE.		FINENESS.	VALUE AT.		Dollars.	Cts.	Dollars.	Cts.
	Ounces.	Dec.	Ounces.	Dec.		Dollars.	Cts.		1,000ths.	Dollars.				
RUSSIAN														
REFD BARS			8	121 99	999.7									
			7	968 78	999.7									
			8	459 45	999.7									
			8	421 68	999.7									
			8	515 88	999.7									
			8	046 00	999.8									
			7	984 19	999.7									
			8	025 81	999.7									
			8	075 41	999.8									
			7	845 58	999.7									
			8	000 97	999.8									
			8	001 69	999.6									
			8	035 50	999.7									
			7	855 87	999.8									

Net value of the above deposit is payable as follows:

- IN GOLD BARS, . \$ .....
- IN SILVER BARS, . \$ .....
- IN CASH, . . . \$ .....
- BY CHECK, . . . \$ .....

*George ...*  
For the ...

Fine Silver, ozs. .... fine .....



No. 5876 By order of Gov. U.S.S.R.

Form 42A. TREASURY DEPARTMENT, U. S. MINT SERVICE.

NOTE: This Report is for the information of the Government and is of no other value.

# FOREIGN

MEMO. REPORT ON <sup>(GOLD)</sup><sub>(SILVER)</sub> BULLION deposited at the Assay Office of the United States at New York  
APRIL 21, 1942, 193, by FEDERAL RESERVE BANK OF NEW YORK, FOR Credit of Secty. of the Treasury  
Special Account.

DESCRIPTION OF BULLION.	WEIGHT.				GOLD.			SILVER.			CHARGES.		NET VALUE.		
	BEFORE MELTING.		AFTER MELTING.		FINENESS.	VALUE.		FINENESS.	VALUE AT		Dollars.	Cts.	Dollars.	Cts.	
	Ounces.	Dec.	Ounces.	Dec.		1,000ths.	Dollars.		Cts.	1,000ths.					Cents per fine oz.
RUSSIAN															
REFD BARS			8 842	66	999.7										
			8 592	61	999.7										
			7 859	66	999.9										
			7 946	39	999.7										
			7 974	74	999.8										
			7 988	62	999.7										
			8 834	53	999.7										
			7 886	71	999.7										
			7 743	39	999.6										
			7 596	67	999.6										
			7 539	69	999.6										
			321 583	49	8 072	61	999.7	11,259,556.13					28,449 00	11,222,110 13	
			Fine Ounces		321 444	518									

net value of the above deposit is payable as follows:

~~MINORAL CHARGES~~. \$ 321.60 Melting Chg.  
~~HANDLING CHARGES~~. \$ 28,126.40 Handling Chg.  
~~OTHER CHARGES~~. \$ 28,449.00 Total Charges  
 BY CHECK, . . . \$11,222,110.13

*Geornick*  
For the Superintendent.

Fine Silver, ozs. \_\_\_\_\_ fine \_\_\_\_\_

APR 21 1942

Dear Mr. Berge:

Reference is made to your letter of March 16, 1942, respecting the Ruckensander Marks problem and inquiring as to this Department's attitude concerning possible action to be taken against the Chase National Bank.

I wish to advise you that the Treasury Department has no objection to the Department of Justice taking whatever action or proceedings it deems appropriate in connection with this matter.

I am also enclosing for your information copies of correspondence between this Department and the Chase National Bank and the State Department in May and July of 1941, which correspondence has just come to the attention of the people in the Treasury Legal Division working on the Ruckensander Mark investigation. Such enclosed correspondence in no wise affects the views of this Department herein expressed.

Very truly yours,

(Signed) E. H. Foley, Jr.

General Counsel.

Honorable Wendell Berge,  
Assistant Attorney General,  
Department of Justice,  
Washington, D. C.

Enclosures.

BB:mr - 4/17/42.

C O P YWB:FR:AM  
235-536-5DEPARTMENT OF JUSTICE  
Washington, D.C.

March 16, 1942

Honorable Bernard Bernstein  
Assistant General Counsel  
Treasury Department  
Washington, D. C.

Sir:

Transmitted herewith is a copy of a memorandum dated March 13, 1942, discussing the law applicable to those agencies which have engaged in the distribution of so-called Rueckwanderer Marks. You will note that this discussion is keyed to a set of exhibits, copies of which accompany the memorandum.

This material is transmitted to you in an effort to meet your request that you be given an opportunity to review the evidence against The Chase National Bank. It is our hope that this report together with the exhibits will facilitate your decision on the important question of policy which is raised by the proposal that The Chase National Bank be indicted for its part in the so-called Rueckwanderer program.

Respectfully,

For the Attorney General

/s/ Wendell Berge

WENDELL BERGE  
Assistant Attorney General

Enclosure No. 240558

## STRICTLY CONFIDENTIAL

Number of Vessels with Lend-Lease Cargo for Russia  
Clearing Eastern Seaboard Ports

(Weeks ending March 11, 1942 to date)

Week ending	Port			Total
	New York	Philadelphia	Baltimore	
Mar. 11	7	3	-	10
18	1	5	-	6
25	1	4	-	5
Apr. 1	3	4	2	9
8	4	12	2	18
15	6	8	5	19
22 <sup>1/</sup>	9	3	3	15
	—	—	—	—
Total	<u>31</u>	<u>39</u>	<u>12</u>	<u>82</u>

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

April 21, 1942

<sup>1/</sup> Includes ships that sailed through midnight April 21,  
and ships to sail on April 22.

April 21, 1942

File  
For Miss Channing  
Mr. Dietrich

This morning I called the Department of Commerce, Division of Foreign Trade Statistics, Miss Schoechel, and mentioned to her the shipment of Russian gold, valued at \$11,253,203.76, which arrived in New York yesterday. I told Miss Schoechel that this gold was shipped by the Bank of Canada to the Federal Reserve Bank of New York and that the customs documents would indicate that the shipment was from Canada. I pointed out to her, however, that the gold originally came from Russia and that the Division of Foreign Trade Statistics should mark their records accordingly.

100-4-21-42

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

Sydney

Dated April 21, 1942

Rec'd 8:20 a.m.

Secretary of State,  
Washington.

227, April 21, 4 p.m.

Reference my telegram no. 216, April 10.

Referring to the Department's telegram no. 100,  
March 14, aggregate amount Treasury checks received  
from Commonwealth Bank last night \$27,041.91.

PALMER

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334

DEPARTMENT OF STATE

WASHINGTON

In reply refer to  
FF 840.51 Frozen Credits/5862

April 21, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits copies of telegram no. 911 to the American Embassy at Rio de Janeiro, dated April 8, 1942, and telegram no. 1275 from the American Embassy at Rio de Janeiro, dated April 15, 1942, concerning dollar exchange with the Bank of Brazil in favor of the Banco de Portugal.

Enclosures:

1. From Rio de Janeiro,  
no. 911, April 8, 1942.
2. To Rio de Janeiro,  
no. 1275, April 15,  
1942.

eh:copy  
4-21-42

## TELEGRAM SENT

ELP

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

April 8, 1942.

10 p.m.

Amembassy,

Rio de Janeiro.

911

Your 1113, March 31, noon; your 1020, March 24, 9 p.m.

This Government is gratified by the cooperative attitude of the Director of Exchange. You should, however, point out to the Director of Exchange that the establishment of a dollar account on the books of the Bank of Brazil in favor of the Banco de Portugal would make possible dollar transactions not covered by the assurances given by the Portuguese Government and the Banco de Portugal, or by the certifications required in the Portuguese general license for transactions other than those on behalf of the Portuguese Government or the Banco de Portugal. Dollar transactions not covered by these assurances or certifications may be carried out only under specific licenses. The proposed procedure, would therefore, circumvent the controls set up by the provisions of the general license issued to the Government of Portugal under our freezing order. Moreover, the nature of the underlying transactions would be unknown to either the Banco de Portugal or the Banco de Brazil.

While this Government appreciates the expressed intent of the Director of Exchange not to effect dollar transfers without informing the Embassy, it is believed that a more satisfactory solution would be obtained if the Director could decline the Banco de Portugal's proposal.

It is suggested that unless you perceive objection the Director should be strongly urged to decline the proposal.

WELLES  
Acting  
(DA)

840.51 Frozen Credits/5862

FF:JNP:MFA  
FD:GL

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Copy:bj:4-21-42



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

Rio de Janeiro  
Dated April 15, 1942  
Rec'd 8:41 p.m.

Secretary of State,  
Washington.

1275, April 15, 6 p.m.

Department's 911, April 8, 10 p.m.

The Director of Exchange has not found it possible to make a blanket rejection to the proposal. He has, however, given the Embassy assurances that the account will be handled with the same caution and guarantees required for transactions in New York and that the account will not be permitted to reach large amounts. He considers advisable periodic exchange of information with the Embassy on transactions with Portugal.

Any detailed information which the Treasury can make available to the Embassy in regard to the Portuguese exchange situation will be of assistance in following operations locally.

CAFFERY

BTM

Copy:lc:4/21/42

COPY

INCOMING CABLEGRAM

April 21, 1942

Chungking, April 21, 1942

Federal Reserve Bank of New York

New York

No. 6

Please pay Chase National Bank of the City of  
New York for credit of The Central Bank of China Chungking  
U.S. dollars 587,427.97

Stabilization Board of China

Copy:lc:4/23/42

COPY  
OUTGOING CABLEGRAM  
April 21, 1942

Stabilization Board of China

Chungking

No. 6

Your No. 6    Payment made

Federal Reserve Bank of New York

Copy:bj:4-23-42

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DEPARTMENT OF STATE  
WASHINGTON

In reply refer to  
FD

April 21, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of telegram no. 577, dated April 20, 1942, from the American Embassy, Vichy (Paris), France, transmitting the translation of an informal note dated April 11 from a competent official of the Ministry of National Economy and Finance, concerning German decrees regarding Jewish property and enemy property.

Telegram no. 401, dated March 17, 1942, was transmitted to the Treasury Department on April 10, 1942.

Enclosure:

From Embassy, Vichy,  
no. 577, April 20, 1942.

Copy:bj:4-21-42

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

(Paris)  
Vichy

340

Dated April 20, 1942

Rec'd 1 p.m.

Secretary of State,

Washington.

577, April 20, noon.

Embassy's 401, March 17, 11 a.m.

Following is translation of informal note dated April 11 from a  
competent official of the Ministry of National Economy and Finance:

"No French legislative measure prescribes the blocking of assets  
belonging to Jews or to American nationals and the German decrees re-  
garding Jewish property and enemy property (in the meaning of the German  
decrees) are applicable only in the occupied zone.

However, the application of these decrees results in entailing in  
certain cases blocking measures affecting detrimentally persons residing  
in the unoccupied zone. In general the occupying authorities require the  
blocking of Jewish and 'enemy' assets when these assets appear in the  
accounts of a firm having its office in the occupied zone even though  
the owners reside in the unoccupied zone or the assets are physically held  
in the unoccupied zone. All Jewish and 'enemy' property in the occupied  
zone is also blocked in the hands of the third parties holding it no  
matter where the owner resides. Registered securities belonging to Jews  
or to 'enemies' are blocked if the register of transfers of the issuing  
organization is kept in the occupied zone."

LEAHY

RR

Copy:bj:4-21-42

TREASURY DEPARTMENT

341

INTER-OFFICE COMMUNICATION

DATE April 21, 1942

TO Secretary Morgenthau

FROM Mrs. Dietrich

**CONFIDENTIAL**

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£44,000
Purchased from commercial concerns	£14,000

Open market sterling held at 4.03-3/4, with no reported transactions.

The Canadian dollar discount narrowed to 12-1/2%, as against 12-5/8% yesterday.

The Cuban peso moved off slightly to an offered rate of 3/16% premium.

In New York, closing quotations for the foreign currencies listed below were as follows:

Argentine peso (free)	.2375
Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2064
Uruguayan peso (free)	.5295
Venezuelan bolivar	.2860

We sold \$750,000 in gold to the Central Bank of Venezuela, which was earmarked for its account. An additional \$3,250,000 will be sold to that bank when the Federal receives dollar funds to cover the transaction. The Venezuelan Bank has advised that it is remitting these funds.

No new gold engagements were reported.

In London, spot and forward silver remained at 23-1/2d, equivalent to 42.67¢.

The Treasury's purchase price for foreign silver was unchanged at 35¢. Handy and Harman's settlement price for foreign silver was also unchanged at 35-1/8¢.

We made no purchases of silver today.

Copy No. 13

BRITISH MOST SECRET

(U.S. SECRET)

OPTEL No. 130

Information received up to 7 A.M., 21st April, 1942.

1. NAVAL

Two of H.M. Destroyers and a British and Belgian merchant vessel, both of small tonnage, were mined off the East coast yesterday. The two destroyers have reached harbour but the merchant ships sank. On the 16th, a British merchant ship in convoy to RUSSIA and carrying 20 Hurricanes and 25 Matilda tanks was sunk by U-boat south of BEAR ISLAND. On the 17th, off PORT SAID, an Egyptian ship was set on fire by bombs but it may be possible to tow her into harbour.

2. MILITARY

BURMA. IRAWADDY FRONT. It now appears that the road block south of the PIN CHAUNG is still held by the Japanese consequently some of our troops are held up on the south of the River. Simultaneous attacks on the early morning of the 19th by the Chinese, supported by some U.K. armoured troops, from the north and our own forces from the South failed to dislodge the enemy, the attack from the north having gone wide of the objective. No enemy pressure in TAUNGDWINGYI area and road from here to MAGWE reported clear of enemy.

SITRING FRONT. No change reported.

KARENNI FRONT. Japanese forces reported 20 miles south of LOIKAW.

3. AIR OPERATIONS

MALTA. Between 2.0 p.m. 19th and 2.0 p.m. 20th, 240 bombers, escorted by fighters, attacked. The aerodromes were hit, barracks at KALAFRANA destroyed and the torpedo depot severely damaged. One of our aircraft was destroyed on the ground and 11 damaged. Our fighters and A.A. artillery destroyed 12 enemy aircraft, probably destroyed 1 and damaged 9. A reinforcement of 47 Spitfires reached MALTA yesterday.

BURMA. On the 18th and 19th, Blenheims bombed BASSEIN, ALLANMYO and SIFBAUNGWE and made low flying attacks on enemy troops and transport south east of MAGWE. 1 Blenheim is missing.

ANDAMAN ISLANDS. 18th. Two Hudsons attacked 12 Japanese Flying Boats in PORT BLAIR Harbour destroying two and damaging three.