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February 25, 1943  
9:33 a.m.

HMJr: Hello.

Operator: Donald Davis.

HMJr: Right.

Donald  
Davis: Hello.

HMJr: Hello, Mr. Davis.

D: Yes.

HMJr: Morgenthau.

D: Good morning, Mr. Secretary.

HMJr: How are you?

D: Fine. I talked to Mr. Wilson last night,  
and we were going over some very important  
organizational matters here....

HMJr: Right.

D: ....and I must be very frank and state that  
my previous obligation to him....

HMJr: Yes.

D: ....he is very desirous, in fact, insistent  
upon my carrying it out until we get some of  
this thing straightened out over here, and I'm  
equally frank in saying that I feel that I  
have the obligation to do it and should carry  
on with him in the situation as it exists.

HMJr: Well, now look, Mr. Davis, supposing I can  
get you released of that obligation so that  
you can decide what you want to do?

D: Well, that would - to be perfectly frank, that  
would be very embarrassing to me.

HMJr: It would be?

D: It would be, yes.

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HMJr: I see.

D: Because I have - I have been thrown into this picture here, and I know that he's depending on it for at least awhile, and it would be - in terms of his request to me and my commitments to him, it would be very embarrassing to have that happen, Mr. Secretary. I regret exceedingly to have to say that.

HMJr: I see. Well, of course, the way I sort of feel is as though O.P.M. is part of the Government the way the Treasury is.

D: Yes, that's true.

HMJr: Sometimes it's hard to realize it, and I'm going to say this - but then if you say that you don't want it - but I would like to go to the President and have him release you of any obligation, then let you make up your own mind where he thinks it would be most important to have you serve his Government.

D: Well, that's perfectly true, and as - and I - all I can say is that I'm here under orders.

HMJr: Yes.

D: On the other hand, I would say that if there's any - if there can be any consideration given to personal preference....

HMJr: Yes.

D: ....in terms of what I've undertaken here and gotten into....

HMJr: Yes.

D: ....I would have to express to you....

HMJr: Yes.

D: ....that I would have a personal preference right at this time, even though being - being very appreciative of the compliment paid, I would have a personal preference to stay right on here and see this thing through.

HMJr: Yes.

D: I would - I have to be perfectly honest in saying that, sir.

HMJr: Yes.

D: But beyond that, of course, I have - I have nothing to say.

HMJr: Well, I wouldn't - I don't want anybody to come over here under duress, see?

D: Well, I - that's why I'm so frank....

HMJr: You - you....

D: ....and prompt in trying to report it to you in that manner.

HMJr: You feel you would be coming under duress?

D: No, I don't think - I don't think it's duress in anything the Commander-in-Chief tells you to do.

HMJr: Yeah.

D: But, on the other hand, if there is a place for an expression of personal preference, why, this is the place, and I'm - I'm trying to be perfectly frank and honest in expressing it.

HMJr: Well, let's - let's take another minute - supposing I say - I said to the President that I want an opportunity to talk to you, at least see whether we see eye to eye.

D: Yes, sir.

HMJr: And then if we did and I still wanted you - that I asked him for you, you see?

D: Well, wouldn't it - would it be proper to suggest ....

HMJr: Yes, anything's proper.

D: ....that you - that you talk it over with Mr. Wilson?



HMJr: I'd rather talk it over with Mr. Nelson.

D: Or with Mr. Nelson, either one.

HMJr: Well, I would do that in the first instance.

D: Yes. Well, I - all I can do (laughs) in the - in the position in which I find myself....

HMJr: Yeah.

D: ....is to be - try and be perfectly frank with you, and all I can say further is that whatever my assignment might be I would give it all that there is in me.

HMJr: So I've - I understand from your reputation.

D: But, on the other hand, I felt that our talk yesterday was of the nature that I - I could properly express a personal point of view to you.

HMJr: You - you (laughs) could even if you were over here. Otherwise I wouldn't want you.

D: Okay, sir. (Laughs)

HMJr: But I would like to be in a position to talk further with you to find out whether we might hit it off.

D: Yes, sir.

HMJr: And the only way that I could do it would be to talk with Nelson and then, depending how Nelson talked, would be to go to the President. As I say, it's a question of - what I think we have over here is moderately important, and for him to decide where you could serve your country best.

D: Well, I think that that's entirely - that's - that's entirely up to you, sir, and that - my only suggestion to make....

HMJr: Yes.

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D: ....after having made my own personal statement  
.....

HMJr: Right.

D: ....is to suggest that you talk with Mr. Nelson  
or Mr. Wilson.

HMJr: Well, I've only met Mr. Wilson once in my life.

D: Yeah.

HMJr: I happen to know Mr. Nelson very well.

D: Yeah, yeah.

HMJr: I don't, so I think I will call up Mr. Nelson.

D: All right, sir.

HMJr: And then, all I'm asking - and I'd like to be able  
to sit down and talk with you, and then after we've  
had our talk we may find, well, there's no use.

D: Yes, sir.

HMJr: Do you see what I mean?

D: Well, all I've attempted to do is I cleared it  
with Mr. Wilson and got an expression of his ideas,  
and I've been try.. - I tried to be frank with  
expressing my personal inclination, and I won't  
say desire....

HMJr: Yes.

D: ....to you.

HMJr: Well....

D: Beyond that point, I don't think I can go at the  
present time.

HMJr: Well, I'll have a - I appreciate your frankness  
and I'm going to call up Mr. Nelson and see if I  
get anywhere.

D: Thank you, sir.

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HMJr: Thank you very much.  
D: You bet.

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February 25, 1943  
9:39 a.m.

HMJr: Hello.

Operator: Mr. Nelson.

HMJr: Hello.

Donald Nelson: Hello. Good morning, sir.

HMJr: How are you, Don?

N: Fine, thank you.

HMJr: Good. Well, you seem to be getting along better.

N: Well, they're just getting me mad now.

HMJr: (Laughs) Well, it seems to be working all right....

N: Well....

HMJr: ....and don't let the columnists get you down.

N: They never will.

HMJr: No.

N: I - I just stopped - I was thinking the other day while reading Dave Lawrence's cracks, remembering when I was back out in civilian life of reading....

HMJr: Yes.

N: ....the same Dave Lawrence on you and others around here, and....

HMJr: And believed it.

N: (Laughs) No, I didn't believe it.

HMJr: (Laughs)

N: (Laughs) But I couldn't help but think that - just what you fellows have gone through....

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HMJr: Oh, yeah.

N: ....in ten years down here in this place.

HMJr: Yeah. Well, if - it would all be so much easier if everybody helped each other.

N: Yeah, but they don't do it and they won't do it, I guess.

HMJr: That's right. Well, I'm calling up for a little help now.

N: All right, sir. What is it we can do for you?

HMJr: Well, I've been looking around for somebody who is connected with a concern that has national sales organization, who could come in and sort of head up this drive on Federal securities....

N: Yes.

HMJr: ....and one of the men that's been recommended the most highly is this Donald Davis, who was an assistant to Eberstadt. Now I had a talk with him yesterday, and he said that he had sort of given his word to Wilson that until he sort of reorganized the thing and found a place for him that he would stay with him, do you see, for awhile.

N: Yes.

HMJr: Now he called me up this morning and he said Wilson wants to hold him. Well, whatever he's doing couldn't have been so important, because as of yesterday he had no definite niche, you see?

N: Well, of course, that was only because of the reorganization of duties following Eberstadt's removal, you see?

HMJr: Yeah. Do you know Davis?

N: Oh, very well.

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HMJr: Do you think....

N: He's a very fine fellow.

HMJr: Now evidently he doesn't want to ask Wilson even for the right to - to talk with me, see? Now what I'd like to have is - I don't know the man well enough. I've had one talk with him, and what I'd like to have is the right to sit down and talk with him, you see?

N: All right. I'll talk it over with him and Charlie this morning.

HMJr: And see if we can't get together, and then so as to put all my cards on the table, if I decide that he's the fellow to head up my sale of financial securities, you see - and if - if you won't release him, and I - then I'd like to go - I'd hate to do it, but I would - I would like to go to the President and say, well, let him make up his mind, see?

N: No.

HMJr: But I - I don't want to do that....

N: Well....

HMJr: ....because I don't think I....

N: There is - there is some doubt in my mind as to whether he would be the - the ideal man to head that sales organization. I think he's a very good man.

HMJr: Yes.

N: I think he's an outstanding fellow....

HMJr: Yeah.

N: ....as a matter of fact.

HMJr: Yeah.

N: I don't think of him in - as - I know him very well. I know his work before he came here, and know his work here.

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HMJr: Well....

N: I don't think of him as the sales organizing type.

HMJr: No, but he's had this publicity experience. They're having a - they spend \$9 million dollars a year for advertising.

N: Yes, he's had that.

HMJr: He was in charge of advertising there for ten years.

N: Yes, I know that.

HMJr: And - and he started in the radio business, and he's had some banking experience. I don't want to - you see, I don't want a banker. I don't want an investment....

N: No, I....

HMJr: ....fellow, so....

N: ....can - I'll never have one again as long as I live.

HMJr: (Laughs) So I - I want to go to commercial life just the way I went to you. After all, you owe me something anyway.

N: No....

HMJr: You never gave me something in return for yourself.

N: (Laughs)

HMJr: See?

N: Well, I'll do whatever we can, and I'll talk to Charlie.

HMJr: I - well, I'm - Don, I'm awfully serious about this....

N: All right.

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HMJr: ....and....

N: I'll talk to Charlie right away and I'll call you back.

HMJr: ....he - he's one of 22,000 you've got over there.

N: Well, he's not one of 22,000. He's one of, I'd say, ten.

HMJr: Well....

N: I mean I'd rank - he - he ranks right in with the top ten we've got.

HMJr: But he - he hasn't got that position now. I mean he didn't have up till yesterday.

N: No, because - only because of the - of the reorganization of the....

HMJr: Yeah.

N: ....of the work, you see.

HMJr: Well, all I'm asking is I'd really like to have a chance to sit down and talk with the fellow, see?

N: Okay. Well, I'll....

HMJr: And then....

N: ....talk to Charlie Wilson right away.

HMJr: And he does feel under obligations but - well, anyway, do as - see what you can do for me.

N: I will. I'll call you back.

HMJr: I thank you.

N: All right, sir.



February 25, 1943  
10:24 a.m.

HMJr: Hello.

Donald Nelson: Hello, Mr. Secretary. This is Don Nelson again.

HMJr: Right.

N: I talked to Charlie Wilson and there's no objection to your talking to Don Davis. Charlie feels that he has to have some time because of the way he's using Don Davis and plans to use him, he'd have to have some time to - to replace him. He feels that it would be bad for him at the moment, because he just is under such pressure and hasn't anybody that can help him.

HMJr: Yes.

N: But there's certainly no objection to your talking to him.

HMJr: There isn't?

N: If you - if we can get time to replace him, that's the main thing we want.

HMJr: Well, that's all I - I wanted to ask for. And, as I say, after - I've only had a very short talk with him and he's a very loyal fellow and he was telling me he was under moral obligations and he doesn't want to do anything.

N: Well, and - and he's really helping Charlie tremendously at the moment, because Charlie is just under tremendous pressure, naturally.

HMJr: And if - after we've had several talks we might not hit it off.

N: Well, I have an idea you won't, but then that's....

HMJr: You don't think we will?

N: No, I just don't think so. I mean that would be my opinion, and I'm not - I'm being absolutely honest with you.

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HMJr: Why, Don?

N: Well, I don't - I doubt - it's hard to explain. It's one of those intuitive things.

HMJr: (Laughs) I see.

N: Now I think the man is fine. I think he's a swell fellow, a grand fellow, but whether he'll be pliable enough to work this thing out I don't know.

HMJr: Pliable enough?

N: Yes.

HMJr: Well, you - you - you don't feel that he's the kind - his backing is the kind of fellow?

N: Well, I mean I just think for that - I think he's - he's better equipped, better adapted for a production and administrative job than he is for that organizing and selling campaign. That's my only feeling about it. Now I'm - I may be entirely wrong and it's a snap judgment, I'll admit.

HMJr: Now you got another minute?

N: Yes, sir.

HMJr: Well, there was another fellow suggested. You'll think I'm concentrating on you. His name is Robbins. You most likely never heard of him.

N: Oh, yes, from General Foods.

HMJr: That's right. He's - he's president of their sales organization.

N: Now he's a much - in my opinion, a much better balanced man for that job. Robbins is a - is a - is a fine fellow.

HMJr: Yeah.

N: He's more of the sales type.

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HMJr: Well, I've had a sort of an advisory sales committee headed up under Grant of General Motors....

N: Yes.

HMJr: ....and he's been on this committee for three or four months, and he's very keen about the work that we're doing over here, and I think he'd kind of like to do it.

N: Well, now let me - let me look into that. I think we could - I'm sure we could spare Robbins much better than Don Davis, and in my opinion he would be a better type of man for that because I think he's more flexible, and if he can't just get his way, he won't just back up and stop.

HMJr: I see.

N: And that's the thing in Government I've found. As you know, Mr. Secretary, there are a lot of people who feel, well, you've just got to beat everybody in the head and do it just one way.

HMJr: Yes.

N: Well, that won't work in Government.

HMJr: Well, I've - after ten years I've learned it. (Laughs)

N: (Laughs) Well, I - I've learned it myself.

HMJr: Well, as I say, Robbins is another possibility.

N: Well, this boy, Robbins, I think very highly of....

HMJr: Yeah.

N: ....and I think - I think of him as being a very unusual sales type fellow.

HMJr: Yeah.

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N: Robbins came down from General Foods and originally worked in our Priorities Section.

HMJr: Yeah.

N: Everybody around here likes Robbins.

HMJr: Yeah.

N: Likes him very much; he's a very flexible; he's a good administrator; he's got a lot of tenacity....

HMJr: He's got....

N: ....without - he's got tenacity without feeling that if you don't go along with him, you're dead wrong.

HMJr: He's got a lot of drive.

N: I think so.

HMJr: Terrific drive.

N: I - I think very highly of Robbins, and while I'd hate like the devil to lose Robbins, at the same time it would be my opinion that he would be a better man for you - not - not - and this - Don Davis is the more able man in every way, but not in the sales picture as I see it.

HMJr: Yeah. Well, would you mind giving me another ring on Robbins?

N: I'll be glad to do it.

HMJr: Thank you so much.

N: All right, sir.

HMJr: Do - do you think you can do it today?

N: Yes, I'll do it today.

HMJr: Thank you.

N: Okay.

February 25, 1943  
11:02 a.m.

William  
Heffelfinger: Yes, sir.

HMJr: Yesterday, Heffelfinger, when some of the O.W.I. people were in they said that the bank out at Falls Church - if you went there and tried to get a tax anticipation note, you couldn't get one.

H: Uh huh.

HMJr: Now I wonder how general that is? Don't the banks have them on hand?

H: They don't have them on hand. They take applications for them and send them to the Fed. They're only issued at the Fed. Banks.

HMJr: Well, why - why don't they have them on hand?

H: Well, because of the registration and things of that sort. The records are all kept at the Feds.

HMJr: Well....

H: They're not kept here at the Treasury.

HMJr: Tell Mr. Bell to talk to me about that....

H: I'll do that, sir.

HMJr: ....this afternoon, will you?

H: Okay, sir.

HMJr: Because one of the people - they couldn't understand why they can't just walk in and get one like they can a bond.

H: Well, they handle them the same way F and G Bonds are handled, you know. They have to take the application for those and send to the Feds.

HMJr: Well, you talk to me - tell Bell....

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H: I'll have him - okay, sir.

HMJr: Thank you.

H: You bet.

February 25, 1943  
11:18 a.m.

HMJr: Hello.

Operator: Mr. Sproul.

HMJr: Hello.

Allen Sproul: Good morning, Mr. Secretary.

HMJr: Hello, Allen, are you alone?

S: Yeah.

HMJr: Because I am.

S: Yeah.

HMJr: And I just wanted to have a little heart-to-heart talk with you....

S: Yeah.

HMJr: ....and - because I - I think that you must have misunderstood the - the underlying motive of this telegram of mine, and that - I'd like to get it settled once and for all in my mind and yours also.

S: Yeah.

HMJr: Now what I got in mind -- let me say it over again -- in this coming drive, I want the fiscal agents to be the boss in their district, so we get that straight, see?

S: Uh huh.

HMJr: There can't be any misunderstanding about that. Hello?

S: Yeah.

HMJr: The only thing there seems to be a misunderstanding on is this, I want both the Victory Fund and the War Savings to give you everything that they've got.

S: Yes.

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HMJr: Now in order to do that at the level, we've got a lot of personalities, you see - and these managers of the Victory Fund plus these State chairmen, the thought that I had was that those -- I don't know - half a dozen people -- under your leadership would form a committee at just that level....

Uh huh.

HMJr: ....and that they would be - assist you. Now if we don't do something like that, too many feelings are going to be hurt and too many of these prima donnas are going to have their nose out of joint. I wasn't thinking of it except at that level. I wasn't thinking of it in the counties or half a state or anything else, but just at that level, and it would make my job much easier if we could do it that way. Now from the telegram that we got from you and Chicago -- I gather you must have been talking with each other, because I got more or less the same telegram -- but I - I can't - I've thought a lot about it, and it seems to me it's on the plus side in taking care of these people, and a lot of them, these State chairmen, have done a lot of good. In other words, they won't be called in - the thing that they feel is that they won't be called in to assist the Victory Fund Committee, they'll be called in to assist you.

S: I see.

HMJr: Do you see what I mean?

S: Yeah.

HMJr: Now that's the whole thing. Now I don't see why that won't work, and - and they got a thing called "face-saving" which is important where you have a lot of people who have - who have done a lot of good work.

S: No, there's no question about....

HMJr: Now -- this is for you -- Dick Patterson came down here the other night and raised unshirted hell. He upset me; I was sick afterwards; and

(cont.)



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HMJr: what he wanted I refused to do pointblank, and  
(cont.) that was to make him co-chairman.

S: Oh, I see.

HMJr: And I said, no, I wouldn't do it. So I've  
turned that down flat, and I don't - I can re-  
word the telegram any way anybody wants it to  
make it understood that there's only one boss in  
the Federal Reserve District and that's the  
fiscal agent. But you get the distinction of - of  
having - calling it a committee at the top level.  
Otherwise they feel that they've been called in  
to assist the Victory Fund Committee. Now the  
whole thing isn't terribly important, but it  
does take care of certain faces - face-saving -  
and I'd like it very much because it would help  
me. Now I told you if anybody gets hard or tough,  
I'll come and take care of him, and I've taken  
care of Dick Patterson.

S: Yeah.

HMJr: He was very tough.

S: Well, then the only - the - I agree with you it -  
it really shouldn't make much difference so long  
as it's understood where the responsibility and  
the authority lies. The question I'll have is  
with people feeling that way that if - if you do  
it one way they're being called on to assist the  
Victory Fund Committee, and if you do it the other  
way that they retain some authority, whether they,  
in view of the past fifty and their current dis-  
cussions - whether they won't continue this debate  
and argument and division which I think is - is  
just too bad for the Treasury's main objective.

HMJr: Well, I can promise you it won't. Now I - I  
settled the thing the other night with Dick  
Patterson. I told him pointblank I wouldn't.

S: Yeah.

HMJr: You see?

S: Yeah.

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HMJr: Then there'll be no misunderstanding as to who is boss and who represents me. But you get the difference -- I'd like to go over it once more -- the difference is one way, as I get it you have it, you'd like them to come in to assist the Victory Fund. I'm simply suggesting this committee of which these State chairmen will be a member, the managers of the Victory Fund, and yourself as chairman and boss.

S: Well, they - the one other aspect is the public aspect of it - is having the two committees already in existing - existence....

HMJr: Well....

S: ....the appointment of a third committee which may be looked upon as a....

HMJr: Well, call it an executive committee, if you want to.

S: Well, suppose....

HMJr: The com. - supposing you call it an executive committee?

S: Well, even then the - the question of a division of responsibility may continue to exist....

HMJr: No.

S: ....in the public mind even though we know just ....

HMJr: Well, I'll make it - in my public statement and at the press conference, I'll make it very, very clear, because there isn't a shadow of doubt in my mind....

S: Yes.

HMJr: ....and there won't be, and you know me well enough after these years that when I say something no matter how tough the going goes, I stick by it and stick by my people.

S: No question about it.

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HMJr: I mean I never let them down.

S: No question of that.

HMJr: And there'll be absolutely no question about the authority.

S: Well, suppose I take a look at this telegram and see....

HMJr: I've read your telegram very carefully.

S: No, I mean your telegram which - and see whether there are any changes which could be made there which would make it clear just how the land lies even though we retain the committee form.

HMJr: Retain the committee form but - but strengthen the thing that - that you're the boss.

S: Yeah.

HMJr: I'll do that.

S: I thought I might try my hand at it and let you have the result.

HMJr: But leaving the committee thing?

S: Yeah.

HMJr: Well, supposing you do that and get me off a telegram as soon as you can, will you?

S: I'll do that, yes.

HMJr: And I'm spending all of my time looking for "Mr. X".

S: I see.

HMJr: I got a couple of very good people but it so happens that both of them are with Donald Nelson, and - which is an advantage that they're here so they don't have to go through the process of getting a board of directors to give them the permission to come.

S: Yeah.

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- HMJr: But he's wrestling about letting me have them. But he's been very fair, and he said that he's thinking it over. I've talked to him twice this morning. They're top-notch fellows.
- S: Well, I hope you can get one of them be. - and I think myself that your job is just as important as his and that he ought to let them go.
- HMJr: Well, he - he's being very nice about it. Of course, each person has his own problems, but as I - I said, "I don't want to go to the President about it," - "oh, you won't have to do that," you see?
- S: No.
- HMJr: Well, you take another hand - pointing up your authority as the fiscal agent, will you?
- S: All right, I'll do that.
- HMJr: And I'll take a - I'll - I'll take another look at it.
- S: Right.
- HMJr: Because I want to get this organization thing settled, and - and it - it would be helpful to me. You understand my position. I mean you understand why I want to do it?
- S: Yes, I do.
- HMJr: Yes. But I - I settled Dick Patterson the other night, and he will stay settled. And, incidentally, he's been talking to the newspapers and one of them came in to see me from P.M. yesterday, and I gave him the whole story, as the result of which he's not going to run anything.
- S: Well, I'm sorry about him because I've got the feeling that he tells me one thing and he tells other people other things, and I just have lost confidence.
- HMJr: Well, it's - it seems to be very much of a personal issue, but I think you'll find that

(cont.)

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HMJr: once I give out the statement it's settled,  
(cont.) and you will have 1000% backing from this  
office.

S: Well, I'm sure of that.

HMJr: And he hasn't threatened to resign or anything  
like that, you see?

S: Yeah.

HMJr: Well, take another look at it.

S: All right, I'll do that.

HMJr: Thank you.

S: Thank you.

February 25, 1943  
11:30 a.m.

FINANCING

Present: Mr. Buffington  
Mr. Gamble  
Mrs. Klotz

H.M. JR: This is what I want you for: I just had a long heart-to-heart talk with Allan Sproul. I said, "Now look, Allan, get this thing straight. You are to be the boss in this district. There is such a thing as face-saving, and I want the State chairman of War Bonds to be a member of the committee, plus the executive manager, of which you are chairman, for this drive."

I don't know whether you have seen these long telegrams or not.

I said, "I don't care about it going below that level; I don't care about the county, or the State, or anything else."

I think I have sold him.

He said, "Can you change your telegram so that it would make it perfectly clear that I am to be the boss during this drive?" So, I said that we would.

I would like you two fellows to get together and take a look at that telegram again and see what we can put into it which would make it clear that during this drive the fiscal agent of the Treasury is to be the boss in the district.

MR. GAMBLE: I think that is perfectly reasonable. He is the only one who is recommending the change, isn't he?

- 2 -

H.M.JR: Chicago is the same. I told him so, and he didn't deny it.

MR. BUFFINGTON: It can go in after "chairmen," and say, "with full authority."

MR. GAMBLE: I think you can go further than that and say that you recognize the necessity of placing the authority in some one person, and it is going to be the president of the Federal Reserve Bank, because this drive must not fail. There is no reason for not doing that.

MR. BUFFINGTON: If you are going to give them the responsibility, you ought to give them the authority.

MR. GAMBLE: No hesitancy.

H.M.JR: Do you want to take that thing out of the Farm Credit and say that I am going to follow the model - the plan which I used in Farm Credit, where I had all these lending agencies, and appointed these general agents? They had full authority to act for the governor of the Farm Credit in the district.

MR. BUFFINGTON: I think for these men, if you just added after this word "chairmen," the words, "with full authority for the April drive," that is all that is necessary.

MR. GAMBLE: This wire says that on Monday you are going to release substantially the following. That is about what it says. When the wire goes out on Monday, it can be directed to, say--

H.M.JR: He asked if I could look at it, and he is sending me down a suggestion. I thought if we could have something - I am going to call Young. He is the only one, isn't he, who is kicking about this?

MR. BUFFINGTON: I haven't seen those.

MR. GAMBLE: Obviously, they have talked.

H.M.JR: I have gotten the same telegrams. Obviously, they have talked.

MR. BUFFINGTON: They are the greatest objectors to the waste in the Government, and are the greatest users of the telephone. They criticize us for expenditures down here.

H.M.JR: They have all this money from the interest on the bonds, which they don't know what to do with. You know the Federal Reserve is worried about their large income, and they think Congress will take it away from them. They have to spend it somehow.

I will call up Hap Young; and sometime after lunch if you fellows - Bell will be back then.

You think it can be done?

MR. GAMBLE: Yes. The thing is, they have to be sold, because I think this is just a temporary effort, and that we are going to be confronted with the same problem in May. They have to be sold that there is a definite value in the War Savings organization throughout the country that you want salvaged, and it is their business to salvage it.

H.M.JR: I wish you could have heard me. I said, "Now, listen, these fellows are there, and let's call it a spade." I said, "I don't want my State chairmen of War Savings to feel that they are becoming--"

MR. BUFFINGTON: Less important?

H.M.JR: No, I said, "No, they are serving under the Victory Fund; they are on the same level with the Victory Fund." I said, "I want this committee."

He said, "You will have three committees."



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I said, "Call this the executive committee. In other words, the State chairmen aren't going to report to the manager of the Victory Fund in that way. Those at the top level should be there as members of this committee."

MR. GAMBLE: You aren't going to change the name of the drive? You are not going to permit them to call it the "Second Victory Fund Drive"?

H.M.JR: No.

MR. GAMBLE: You are going to call it the "Treasury War Finance Committee"?

H.M.JR: Yes.

MR. GAMBLE: I think that is very important.

MR. BUFFINGTON: You have to designate it some way.

H.M.JR: I haven't had my publicity people in yet. But the whole point they are finding out is, they want to keep the - they want to keep this a Victory Fund drive. I said that the State chairmen come here (indicating) with the managers of the Victory Fund, and on the top of that is the Federal Reserve.

MR. GAMBLE: Yes, and the boss. There is no quarrel.

H.M.JR: Is there any quarrel?

MR. BUFFINGTON: We will look that wire over.

February 25, 1943  
11:54 a.m.

HMJr: Hello.

Operator: C. S. Young in Chicago.

HMJr: Right. Hello.

C. S. Young: Hello, Mr. Morgenthau.

HMJr: How are you?

Y: All right, sir.

HMJr: Mr. Young, I got your telegram and I also have one from Allen Sproul.

Y: Oh, yes.

HMJr: And after reading them, I said that I guess you two fellows have had your heads together.

Y: Well, we - we were thinking along the same lines as to the April drive. We thought that the - the first plan there was - was more workable.

HMJr: Well, now I've had a long talk with - hello?

Y: Yes.

HMJr: With Allen, and I think I've made my point - my - what I got in mind clear to him, and he seemed - hello?

Y: Yes.

HMJr: We've got a lot of clicks - clear to him, and I'd like to go through the same thing with you.

Y: All right.

HMJr: Now what I have is this, for the April drive - it would make my job much easier if instead of asking these State chairmen to come under the Victory Fund Committee at the top, that....

Y: Uh huh.

HMJr: Hello?

Y: Yes.

HMJr: ....that you as my fiscal agent with full authority and all the backing that I can give you as the boss in the district....

Y: Uh huh.

HMJr: ....would invite these State chairmen plus the managers of the Victory Fund to sit with you as a committee, of which you would be complete boss.

Y: Uh huh.

HMJr: But only to do it at that level. It would not go down any further, you see?

Y: Oh, yes.

HMJr: It would be just at that level.

Y: Uh huh.

HMJr: Now if we do it that way these State chairmen of War Bonds who have done a very fine job - it would be a "face-saving" thing for them.

Y: Sure.

HMJr: The other way they would be invited to come in under the Victory Fund Committee....

Y: I see.

HMJr: ....which they don't like and I don't blame them.

Y: Uh huh. Well, I'd have no objection because it isn't the - we don't care as to who the directive will be issued to, whether it would be to them or to us, and that the - we could work that out all right.

HMJr: No, the - no, the directive would go to you as the boss for me in the district.

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Y: The only thing that I was worried about, Mr. Secretary, was that the - if we're going - having these committees at the district level, and I thought that might just be more confusing  
....

HMJr: No.

Y: ....speaking to the public.

HMJr: No, just at the top level.

Y: Uh huh.

HMJr: Now what I - and Allen said he - he kind of thought that was all right if I could make it perfectly clear that he was the boss.

Y: Yes.

HMJr: Now I'm taking another look at my telegram and I'm going to see how we can strengthen that up, and I will send that to you sometime this afternoon.

Y: All right.

HMJr: But he said if I made it perfectly clear that the fiscal agent was the boss, why, he said - I gathered that from what he said - that the committee idea at the top would be all right.

Y: Yes, I was just afraid of going down to the county and township....

HMJr: No.

Y: ....level that you'd have a lot of confusion and the - it wouldn't do any good.

HMJr: I didn't have that in mind.

Y: Uh huh. Well, that - we can work that out, Mr. Secretary.

HMJr: Well, don't you think you could work that out?

Y: Oh, yes, we can work that out.

HMJr: I think so.

Y: I - yeah, we can do that, and - but it was just these committees under the - the district level and, of course, we can work so much better if we - if we just have the State Administrators and we can get along all right.

HMJr: Well, that's all I had in mind.

Y: Uh huh.

HMJr: But what I had in mind was that you would invite them in to sit with you and that they would not be invited in to sit under the chairmen of the Victory - I mean under the managers of the Victory Fund, you see?

Y: Yes, uh huh.

HMJr: Now granted that there'll be three names - but it's just that it - it makes it nicer. I mean you put yourself in their place, you see?

Y: Sure.

HMJr: But don't you think that sounds all right?

Y: Well, I - we can work that out all right.

HMJr: Well, take - take another look at the telegram, and if - if you had some thought as to how to strengthen your authority along the lines I'm talking, I'd appreciate it if you'd send me a wire.

Y: All right.

HMJr: Then I'll take what you send me and what Allen sends me plus what my own boys are working on, and I'll get you off something this afternoon.

Y: All right.

HMJr: See?

Y: All right, and - and I'll look that over.

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HMJr: Yes - now this looks pretty good to you?

Y: And the only thought that I had was that the - we wanted the - for your sake, we wanted to do an excellent job, and I didn't want a lot of confusion and - as to who's going to have the place in the sun and all that, you know.

HMJr: Well, do you think this would make confusion?

Y: I - I don't think so. It would be a little, but it wouldn't be - we can - we can handle that all right.

HMJr: But, on the other hand, it would - it would, you know, smooth over some personal feelings.

Y: Oh, sure, I know - and I understand. They - we have to - we have to take that into consideration. I understand your viewpoint on that too.

HMJr: And I think it's worthwhile doing.

Y: And the - the only thing we want is just to be sure that we can all work together and do the good job.

HMJr: Right. Well, if we can work out this one little detail, I think the rest is going to flow all right.

Y: Well, that little - that will be all right.

HMJr: Good.

Y: And that'll be all right, and I'll - and I'll look that over and if you want a telegram from me, why then, I'll look it over - why, I'll send it to you.

HMJr: I wish you would.

Y: All right.

HMJr: Thank you.

Y: All right.

February 25, 1943  
2:10 p.m.

HMJr: Hello.

Gen. Gordon  
P. Saville: Hello.

HMJr: Morgenthau speaking.

S: Sir, this is General Saville.

HMJr: Yes, General.

S: I have - you may remember me. We went up to the First Air Force together to look over air defenses.

HMJr: At Glenn Martin.

S: Yes, sir.

HMJr: That's right.

S: I have been detailed by the Chief of the Air Staff to prepare a presentation for you....

HMJr: Right.

S: ....on this question that you asked about.

HMJr: That's right.

S: When would be convenient for you next week, Mr. Morgenthau, for me to present that?

HMJr: Next week?

S: Yes, sir.

HMJr: You won't be ready until then, what?

S: No, sir. I want to - to try to assemble as complete dope as I can, and I'm assembling that now.

HMJr: Well, now let's just take a look. Just a moment, please. You - they told you what - what I wanted?

S: Yes, sir.

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HMJr: Uh - oh, now wait a minute, I'm going out of town. Can you do it - would - would you be ready by Tuesday?

S: Yes, sir.

HMJr: How long will it take, General?

S: Well, I would like to take about an hour and a half, if I could.

HMJr: Surely. And is it to be somewhere with the Air Corps?

S: Yes, sir. My hope was that I could get you over to our air room where we present our summaries and have all kinds of maps.

HMJr: That's all right. Well, I could - I could go there directly Tuesday morning.

S: All right, sir.

HMJr: I mean - is that too early?

S: No, sir. That - that is fine.

HMJr: That would be fine?

S: Yes, sir.

HMJr: Now supposing I got there, say, around nine o'clock?

S: That would be fine.

HMJr: And where - where would that be?

S: Well, sir, I'll tell you, I think the best thing, Mr. Morgenthau, would be for me to arrange to meet you, possibly at your home as I did last time....

HMJr: Fine.

S: ....before you left.

HMJr: Fine.



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S: What hour would that be?

HMJr: Eight-thirty?

S: Eight-thirty.

HMJr: Eight-thirty.

S: Eight-thirty a.m.

HMJr: All right.

S: And your home address, sir, may I have that?

HMJr: 2434 Belmont Road.

S: Belmont Road.

HMJr: Now did - did you go there before?

S: Yes, sir.

HMJr: You know, it's just off Massachusetts.

S: Yes, sir.

HMJr: 2434 - and that will be eight-thirty Tuesday morning. Now shall I have a car or will you have a car?

S: Either one, sir. You'll - you'll be wanting to go back to the Treasury, and being much higher ranking than I am, I think it would probably be easier for you to get the car.

HMJr: Well, I have a car.

S: I will then be at your house at eight-thirty....

HMJr: Fine.

S: ....planning to ride out here in your car.

HMJr: Right.

S: Then I'll let mine go.

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HMJr: Thank you.

S: Thank you very much, sir. Goodbye.

HMJr: Goodbye.

February 25, 1943

**Ted Gamble**  
**Secretary Morgenthau**

Please take care of this suggestion from Mr. H. E. Babcock of Ithaca, New York, today. Mr. Babcock is chairman of the Board of Trustees at Cornell University.

February 25, 1943  
2:38 p.m.

Operator: Go ahead.

HMJr: Hello.

H. E. Babcock: Hello. Hello, Henry.

HMJr: Hello, Ed.

B: It's awfully nice of you to talk to me.

HMJr: That's my privilege.

B: (Laughs) I hope I've got something for you. I - I don't know. The - we were having a 75th reunion here at Cornell.

HMJr: God, I didn't know you were that old.

B: Yes, sir, we are.

HMJr: No, I mean you.

B: Oh - oh, no, I'm not that old. I was fifty-four the other day, and I pitched manure and shoveled gravel all day.

HMJr: (Laughs) Well, that's pretty good.

B: And as the committees got to working around, they hit on a scheme of calling it off -- of course, there's nothing else to do -- and calling off the reunions....

HMJr: Yes.

B: ....and then they hit on this idea of everybody who would normally go to a reunion in the universities of the country -- and it's a big movement in June -- sending what they'd ordinarily spend in bonds to their universities.

HMJr: Well, that sounds good.

B: Oh, it - now if that sounds good to you, all we want you to do is to say so, and then I want to talk to Joe Eastman and have him endorse it....

HMJr: Yes.

B: ....keep the people off the roads and off the trains....

HMJr: Yes.

B: ....and that - I think that we can put all these alumni associations clear across the United States to selling bonds for you.

HMJr: I think that would be wonderful.

B: Well, now Vincent Callahan - do you know who he is?

HMJr: Yes, I do.

B: Well, he has the story....

HMJr: I see.

B: ....and if you care to give it your blessing, and it would be - the boys up here who originated the idea would be awfully proud, and....

HMJr: Yes.

B: ....furthermore, I think it would kick it along.

HMJr: Well, I'll - I'll get in touch with him right away.

B: That's swell of you.

HMJr: I'll do it right away.

B: How are you?

HMJr: I'm all right.

B: How's with the farm? Are you running the herd?

HMJr: The farm - the farm is all right, still solvent.

B: Yeah. (Laughs) Well, you always had it so.

HMJr: And Mrs. Klotz is sitting here and sends you her regards.

- 3 -

B: Well, that's fine. Is - and Callahan will get in touch with me, will he?

HMJr: No, I think it will be Ted Gamble, a man by the name of Gamble.

B: Yeah, I see. But it will clear through Callahan.

HMJr: That's right.

B: Thanks ever so much.

HMJr: I'll do it right away.

B: Okay.

HMJr: Thank you.

B: Goodbye.

February 25, 1943  
2:50 p.m.

FINANCING

Present: Mr. Bell  
Mr. Graves  
Mr. Gamble  
Mr. Buffington  
Mr. Odegard  
Miss Elliott

H.M.JR: I made some progress this morning with Chicago and New York.

I asked these fellows to fix me up a telegram. Have you done it?

MR. GAMBLE: We haven't typed it out for you.

H.M.JR: I don't have the original.

MR. GAMBLE: I will read you the preceding sentence to show where this goes in. "Details of the respective tasks of each organization at the State, county and community level shall be worked out by the Treasury War Finance Committee in your district on which you will serve." Then add: "The Federal Reserve Bank president, as responsible head of the April drive, shall have final authority over and responsibility for these details."

H.M.JR: Where would this go?

MR. GAMBLE: Where we are describing what is going to take place. That does two things. It not only places the responsibility and the authority on them, but it also makes clear that it will be his determination as to what those details shall amount to. If he decides that he doesn't want to do something at some community or county level, that is his responsibility.

- 2 -

H.M.JR: We haven't said that before, that the Federal Reserve Bank president is the responsible head of the April drive?

MR. GAMBLE: Not that way.

MR. BUFFINGTON: Mr. Secretary, might I make a suggestion? Earlier in that same wire, there is this sentence, "Therefore, I have this day requested the presidents of each of the twelve Federal Reserve Banks, Treasury fiscal agents, to serve as chairmen of a United States Treasury War Finance Committee--"

H.M.JR: Where is that?

MR. BUFFINGTON: That is earlier in that wire, the seventh sentence down.

Then add: "With full authority to direct this drive." It seems to me that that is the first place where there is the question of direction. That is where you want to give them the authority.

H.M.JR: I would put it in here earlier, "to serve as chairmen of the United States War Finance Committee," and then put it right there.

MR. BUFFINGTON: "With full authority and responsibility."

H.M.JR: Yes.

MR. BUFFINGTON: That is all right. That is better wording.

H.M.JR: "The twelve Federal Reserve Bank presidents to serve as chairmen of the United States Treasury War Finance Committee, with full responsibility." What did you say?

MR. BELL: Say, "and authority."



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H.M.JR: I would say, "with full responsibility and authority." I want to get "to me" in there.

MR. OEGARD: Say, "acting fiscal agent."

H.M.JR: You could say, "as chairmen of the Treasury War Finance Committee, and as my representative, will have full responsibility and authority in their respective districts," or something like that.

I mean, I am not saying - but that is the place to put it, in my opinion.

I have five minutes to go, and then I would like to have it within an hour - something to go out.

I talked to Sproul first, and then the other fellow. They have been talking to each other. I told them so. What they thought was that this War Finance Committee went right down to the county. They wouldn't have time to do that.

I told them, "No," but I said that in fairness to the State chairman it wasn't right to invite him to come and serve under the Victory Fund Committee in the district; that the State chairman should be invited by the fiscal agent to come and be a part of - if you want to call it that - an executive committee, because they have so many committees, and I didn't expect to organize the thing below that level. But, the State chairman would be invited by the fiscal agent to come in, and the administrator of the Victory Fund would be invited to come in; and they would meet around the table as a committee, he to be chairman and the boss in the district.

They both said, "O.K.," if I would make clear the fact that they were the bosses in their districts - that both of them would be satisfied.

MR. BELL: Do they want that wire right away?

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H.M.JR: I said I would get it off tonight. I want to settle it. I am getting sick of it. They were both very nice.

MR. BELL: Yes, I talked to them. I told them the same thing. I don't know how they could get cut of that wire any indication that you intended to organize down to the grass roots.

H.M.JR: I can see that, Dan. It says--

MR. BELL: ... that the Federal Reserve president should act as chairman. How could he act as chairman of a thousand committees?

MR. GAMBLE: It says that the details of doing the work is the specific task of each organization.

H.M.JR: "Therefore, I have this day requested the presidents of each of the twelve Federal Reserve Banks, Treasury fiscal agents, to serve as chairmen of a United States Treasury War Finance Committee, with full authority as my representative in their respective districts, to direct the April drive."

MR. GAMBLE: Say, "full authority and responsibility."

H.M.JR: "Full authority and responsibility as my representative." Say, "representing the Secretary of the Treasury," if you want to be formal.

MR. BELL: That is better.

H.M.JR: Say, "representative of the Secretary of the Treasury," because that includes you.

MR. BELL: No, I think it is better - I don't mean because it includes me, but I think it is better to represent the Secretary of the Treasury. You are sort of putting it on a formal basis, and it isn't when you put in "my."

- 5 -

H.M.JR: If you just would - that ought not to be too difficult.

MR. BUFFINGTON: I can write that up if you want it done, or read it now as it should be.

H.M.JR: Read it once more.

MR. BUFFINGTON: "Therefore, I have this day requested the presidents of each of the twelve Federal Reserve Banks, Treasury fiscal agents, to serve as chairmen of a United States Treasury War Finance Committee, with full authority and responsibility as my representative--"

H.M.JR: Say, "as the representative of the Secretary of the Treasury."

MR. BUFFINGTON: ... "to have full authority and responsibility in their respective districts to direct this drive."

H.M.JR: Is that all right?

MR. GRAVES: Yes. It seems to be clear.

MISS ELLIOTT: Yes, sir.

H.M.JR: Ted?

MR. GAMBLE: Yes.

MR. BELL: Does this go to the presidents?

H.M.JR: I would say something like this, if you could get off a telegram to the presidents of all twelve: "After having your telegram, we would like to make the following clarifying statement."

MR. BELL: Say, "In order to clarify the intention, we have amended the telegram as follows."

MR. BUFFINGTON: Put in the lines that are involved, and then put it in as quoted.

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H.M.JR: Get that off to them tonight.

Sproul is sending us another.

You might just read it over the phone to Eccles.

MISS ELLIOTT: May I ask a question here, Mr. Secretary? Was there any confusion - any evidence of confusion in the minds of State administrators that these committees were to be organized down to the county level?

MR. GRAVES: I think not in the minds of those who were here. They now understand.

MR. BELL: In the replies there was none.

MR. GAMBLE: The replies from the administrators were all very good.

MISS ELLIOTT: They weren't confused on this organization in thinking there was to be this reorganization clear down to the county level?

MR. GAMBLE: No.

MISS ELLIOTT: May I ask another question? Will there be any confusion - these questions come into my mind - were the people who worked for the Victory Fund Committees paid, the volunteers who went out and worked for them in this special drive in December?

MR. BUFFINGTON: No.

MISS ELLIOTT: They will not be paid in this drive?

MR. BELL: No.

MISS ELLIOTT: If we set up one--

MR. BUFFINGTON: I think that some kind of a statement, which was suggested, might be made March 1, but nobody is expecting it definitely.

- 7 -

MR. BELL: I understood that the organization said that that question was out. I don't see why the Secretary should make any statement on it.

H.M.JR: The answer to the question is that they will not be paid - is that right?

MR. BELL: I understand they do not want pay, and the question will not come up again.

H.M.JR: What else? Those are good questions.

MR. ODEGARD: I would like to raise one. We have some farm advertisements that I think are very excellent. They are made on the basis of an investigation and study made by the Irwin-Wasey Advertising agency. They have sent down a copy of their preparation, indicating the basis upon which they proceed with this advertising program. I would like to have you see that, if you would care to take it home and read it. It was made so that you could understand--

H.M.JR: I don't take any more work home, Peter.

MR. ODEGARD: If you have a chance to look at it here--

H.M.JR: Can you put it up on one of those boards here?

MR. ODEGARD: No, it is a book. It was made especially for you.

H.M.JR: I am not trying to say - Randolph Paul has been waiting since Saturday to see me on things. Sullivan has been waiting since last week.

MR. ODEGARD: This wouldn't involve seeing you, Mr. Secretary.

H.M.JR: But, I have to read - I can't, I just haven't the time. The day isn't long enough. I can't do it any more.

- 8 -

MR. ODEGARD: The second question is whether we should go ahead with the production of those ads for the farm war bond program, or whether we should hold them up.

H.M.JR: My answer to you is that I would hold everything up, certainly until the middle of next week.

MR. BELL: I agree with that.

H.M.JR: Don't think I am not interested, but there is no use of my saying I will take them home and then not read the stuff.

MR. ODEGARD: By holding up, you mean that our people, for example, who have been working on plans - copy - looking forward to the April drive and to other things - that you would have them just not go ahead with those?

H.M.JR: I would have them mark time for another week and make it up at the other end, that is all. Do you agree with me?

MR. BELL: I do.

MR. ODEGARD: Of course, there are some things - of course, you lose out. That is, deadlines are constantly coming up.

H.M.JR: I can't help it.

MR. ODEGARD: Once you get out of papers you have difficulty getting back into them.

H.M.JR: I can't help it.

Secretary

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**EXPENSES OF LOANS**

**February 25, 1943**

To Presidents, Federal Reserve Banks:

Boston, Mass.  
New York, N. Y.  
Philadelphia, Pa.  
Cleveland, Ohio  
Richmond, Va.  
Atlanta, Ga.

Chicago, Ill.  
St. Louis, Mo.  
Minneapolis, Minn.  
Kansas City, Mo.  
Dallas, Texas  
San Francisco, Calif.

Your wire replying to my wire of February twenty-second received. In order to clarify as to where the authority rests the second sentence within the quotation is amended to read as follows Quote Therefore I have this day requested the Presidents of each of the twelve Federal Reserve Banks, Treasury Fiscal Agents, to serve as chairmen of a United States Treasury War Finance Committee and you will represent the Secretary of the Treasury with full authority and responsibility in your district to direct this drive Unquote

(Initialed) D. W. B.

**H. Morgenthau, Jr.**  
**Secretary of the Treasury**

DWB:NLE

February 25, 1943  
3:43 p.m.

HMJr: Hello.

Donald  
Nelson: Hello, Mr. Secretary. I spoke....

HMJr: It's Henry to you.

N: Sir?

HMJr: Henry.

N: Yes, sir, Henry.

HMJr: Right.

N: I called you before lunch.

HMJr: Yeah, they - I got the message, and they said  
I couldn't reach you for awhile.

N: Well, I - I had to go over to a luncheon with a -  
a group of editors.

HMJr: Right.

N: But the - the suggestion has come back to me  
that I think might appeal to you....

HMJr: Please.

N: ....and that's Jim Bruce, my - we might be able  
to pry him loose to help you with that job.

HMJr: Who?

N: Jim Bruce. You know him of National Dairy.

HMJr: No, I don't know him.

N: Why, I thought you - you worked with him in  
H.O.L.C. Don't you - you rem....

HMJr: Oh, from Baltimore?

N: Well, his - his - from Baltimore, yes.

HMJr: No. He's from Baltimore, isn't he?



- 2 -

N: That's right. He - his home is near Baltimore.

HMJr: I didn't know he went with National Dairy.

N: Yes, he's been with them now about two years, and while there might be some difficulty prying him loose, we might be able to pry him loose - help you pry him loose. We think he's a crackerjack of a man.

HMJr: Yeah.

N: Now either one of the other two men at the moment would be awfully difficult to take out of this organization.

HMJr: Well, I don't know anything about Jim Bruce.

N: Well, I thought you knew him.

HMJr: Well, I may....

N: I'm sure that your people do, because he's done a lot of work with your organization. He was with H.O.L.C. for awhile, and did a lot of work with your organization.

HMJr: Well, I remember the fellow, yeah, I do.

N: He's....

HMJr: I didn't know - I didn't associate him with National Dairy. His - well, his - was it his brother married Mellon's daughter....

N: That's right.

HMJr: What?

N: That's - I think that was it.

HMJr: Yeah.

N: His brother, Howard.

HMJr: Yeah.

N: Howard is down here, by the way, working in the - in the War Department.

- 3 -

- HMJr: Well, let - let's - let's not just talk about Bruce first. (Laughs)
- N: Well, but - I mean these two men - we're right in the midst of a - of getting this organization back to functioning again, and it would just be a terrific handicap to take either one of these two men if there's somebody else that can do the job as well.
- HMJr: Yeah. Well, I - I - I hadn't thought of - I mean Bruce, as far as I know, he's had no sales experience.
- N: Oh, yes, I think you - I think you'll find he has a lot of sales experience. I think you'll find that he has sold just this type of thing. I wish - I would appreciate it if you'd look into it; merely because we think that he's a crackerjack of a man.
- HMJr: Yeah.
- N: And either one of these other two men would - would cripple us badly any time during the next month or two.
- HMJr: Well, is - is Robbins - I didn't gather from Robbins that he was doing anything very important over there.
- N: You see, what we've had to do is to reshuffle some of the responsibilities....
- HMJr: Yeah.
- N: ....and we're thinking of building very strongly on him. As a matter of fact, I could tell you what -- I wouldn't like to talk to you about it over the phone -- just what organizational change is expected to take place, and he's important in it.
- HMJr: Yeah. Well, I'll inquire about Bruce.
- N: Will you do that?
- HMJr: Yes.

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N: Well - because I'm - I'm sure that you'll find him a very capable fellow. In fact, I wouldn't hesitate to take him. We haven't done it, but - because the company would be reluctant to do it, but I think we can pry him loose.

HMJr: Well, what - you don't know what position he holds with the National Dairy?

N: He's a vice president.

HMJr: Vice president. I see. Okay. Well, you'll be hearing from me again.

N: All right, sir.

HMJr: I haven't let up yet.

N: All right, Mr. Secretary.

HMJr: Thank you.

N: Goodbye, Henry.

February 25, 1943  
4:05 p.m.

Operator: Go ahead.

HMJr: Hello.

Clarence Francis: Hello, Mr. Secretary.

HMJr: How are you?

F: Well, I'm first-rate. I hope you are.

HMJr: I'm fine.

F: Good.

HMJr: Mr. Francis, let me tell you a little problem I've got. We've been looking around for somebody, a real salesman, to help us on this war financing....

F: Yeah.

HMJr: ....and Mr. Robbins - your Mr. Robbins - was one of the people who's been recommended very highly.

F: Uh huh.

HMJr: I had Robbins over the other night to talk with me, just informally, and I think he's the kind of fellow that would be extremely helpful to us - hello?

F: Yes.

HMJr: I've been talking with Don Nelson about him, and naturally Nelson doesn't want to let him go....

F: Uh huh.

HMJr: ....although up to very recently, I don't think that they've given Robbins very important work down there.

F: Not since the change.

- 2 -

- HMJr: Now I didn't tell Robbins I was going to call you because I didn't think there was any use in going any further until I had talked to you because I understand you're paying him a salary and you're still his boss.
- F: Yes, (laughs) that's right.
- HMJr: Now the thing that we've got here - we're trying - we've had this Advertising Council who've worked with us, you know?
- F: Yes.
- HMJr: And they've recommended very strongly that at this stage on these Government drives that we need a man who knows how to handle salesmen and sales organization, and he's been on this little informal group with Grant of General Motors....
- F: Yeah.
- HMJr: ...and has come in here, and while I've never offered the thing to Robbins, he looks at it as a great challenge, which it is. It's one of the greatest selling jobs in the world.
- F: Yes.
- HMJr: And we need professional salesmen to help us out and sales brains, you see?
- F: Yeah.
- HMJr: Now I've - the reason I'm calling you is that I'd like you to think about it. I'd like, if you would, to have a talk with Robbins.
- F: All right.
- HMJr: And, as I told Nelson, after all his department and mine are both working for the same man although sometimes the people kind of forget it.
- F: Yeah, yeah.
- HMJr: I mean that we're all working for the Commander-in-Chief.

F: Correct.

HMJr: Now I don't want to have to go to the President and say - tell him - let's say he decides that Robbins is the man and he should direct him to go from one to the other, because I don't want anybody to come unless they'd like to come, you see what I mean?

F: Yes, definitely.

HMJr: I mean I - I want him to feel this is what he'd rather do than - for the Government than anything else and it's the best job he could get.

F: Well, you can rely on Bill on that, if he said that, why....

HMJr: Well, he hasn't said that.

F: Yeah.

HMJr: Because I - I haven't made him a definite offer and I wouldn't until I talked to you.

F: Yes, sir, I see.

HMJr: But he did say he considered it a great challenge, and....

F: Well, now tell me something about this. Could he be retained on the same basis? Have you any rules, regulations, or restrictions about dollar-a-year men?

HMJr: Uh....

F: In this capacity.

HMJr: As far as I know - that we haven't.

F: Uh huh.

HMJr: I - I don't know of any rules or regulations.

F: Well, I - I presume you would make them. I just didn't....

HMJr: Yes, I talked to....

F: Secretary Wickard has. He has decreed that he'll have no dollar-a-year men.

HMJr: Well....

F: And it makes it very difficult, in my judgment, for him to get men.

HMJr: Well, here's the point. I would much rather have a man come down here and work for \$8 or \$9 thousand dollars for us.

F: Yeah.

HMJr: I quite frankly wouldn't take an investment banker and have him come down here and keep his salary from his firm.

F: Yeah, yeah.

HMJr: But what the hell good is the Treasury to General Foods?

F: No.

HMJr: What?

F: No - yeah, I see your point.

HMJr: I mean I wouldn't take a banker and have him come down here and work for me and have the bank pay him.

F: Of course, there's one thing that you might - that you might want to do and that's the way Joe Eastman works, and that is if there is any benefit in getting him on the payroll, as - as Joe Eastman seems to think....

HMJr: Yes.

F: ....fix him on the payroll but still permit the company to pay him the difference.

HMJr: I see.

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F: Do you see?

HMJr: Well, that part - I went into it with him. I did talk to him - I mean I never met a man who answered my questions as frankly as he did.

F: Yeah.

HMJr: He's one of the frankest, most direct fellows I've ever met.

F: Oh, yes.

HMJr: And I like him.

F: Yeah.

HMJr: I asked him about it, and he said, well, he could but it would be a great sacrifice. He's got four children in school and all the rest of that thing.

F: Yes - he has some income.

HMJr: And he told me he had some income.

F: Yeah.

HMJr: I would rather, all things being equal, have a man come down here and - and sever his connections.

F: Yes, I can see that.

HMJr: I've reached the point - I mean I'm doing something now which I've never done before, I'm taking the man with the best training to do a highly technical job for me.

F: Yes.

HMJr: Now in order to get it - well, I can't make my rules too stiff. I might just as well be honest about it.

F: Now how long - how long a time....

HMJr: I mean I wouldn't - hello?



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F: ....now are you talking months or years or....

HMJr: Well, if he comes I'd like to have him see me through until my term, which is a little less than two years now.

F: Woo, woo, woo! Two years of it - is - would that be a positive stipulation. That may make it difficult.

HMJr: Well....

F: Or....

HMJr: Well, don't....

F: Is that....

HMJr: Don't you think this, Mr. - if a man gets down here, he's not going to be much good to me for the first three months.

F: No, but I was thinking, for instance, suppose we said for the balance of this year and then take a look at it....

HMJr: Well, that....

F: ....and see what the conditions are, and under no conditions, of course, would he leave unless he had somebody to carry on.

HMJr: Well, that's fair.

F: Huh?

HMJr: That's fair.

F: Yeah, I - I think a two-year commitment is....

HMJr: Well, that's fair - I mean....

F: Huh?

HMJr: That - that's fair.

F: All right.

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HMJr: That's fair.

F: All right, and that's through - through 1943 and then look. I'm just making a note on this, and see - well, now all right, Mr. Secretary, let's do this. I'll - I'll talk this over with - with my associates here. I've got to see just what their plans were because I know they had some thoughts with this possible change over there -- with the Eberstadt situation -- that Bill might find himself in a - well, relieved after sixty or ninety days or something of that sort. You never know which way the wind will turn. So let me check it over with him. I'll talk with Bill, and when - when would you like to hear from me?

HMJr: I'd like to hear from you by forenoon tomorrow.

F: Oh-oh! All right, all right, we'll do it.

HMJr: Forenoon tomorrow.

F: I'll do it.

HMJr: Now when you call, will you call me on District 2626?

F: District 2626.

HMJr: Yes, that goes right to my own telephone operator.

F: I'll do that before noon tomorrow.

HMJr: If you - and I didn't tell him I was calling you.

F: I see.

HMJr: Do you think I should? Maybe it would be nice. Hello?

F: Yes, let's do that.

HMJr: Should I tell him I called you?

F: Let's - let's do that....

HMJr: Yes.

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F: ....and are you going to get him now?

HMJr: I - I can, or do you want to get him?

F: No. Why don't you tell him that and ask him if he'll call me at my home about seven o'clock tonight.

HMJr: To call you at your home about seven tonight.

F: Yeah.

HMJr: I'll do that.

F: Fine, and I'll call you before noon tomorrow sure.

HMJr: If you please.

F: Fine.

HMJr: Thank you.

F: Goodbye.

February 25, 1943  
4:15 p.m.

HMJr: Hello.

Operator: Mr. Robbins.

HMJr: Hello.

W. M.  
Robbins: Yes, good afternoon, sir.

HMJr: Good afternoon, Mr. Robbins. I've done something that I hope is not displeasing to you. I've just called up Mr. Clare Francis....

R: Yes.

HMJr: ....and told him my little story and also told him that I've been talking with Donald Nelson and have got nowhere - hello?

R: Yes.

HMJr: And that I felt that after all he was paying you your salary (laughs), and had something to say about where you would work.

R: That's correct.

HMJr: Also, in the final analysis, Mr. Nelson also works for the Commander-in-Chief the way I do, and while - so in the final analysis I could go to the President.

R: Yes. (Laughs)

HMJr: Well....

R: I - I don't get the significance, Mr. Secretary, of - you say you got nowhere with Mr. Nelson.

HMJr: Well, I - I asked Nelson about you.

R: Yes.

HMJr: I mean I said we - we've been talking, nothing definite, but how would he feel about your coming over here.

- 2 -

R: Yes.

HMJr: Well, suddenly you're very, very important.

R: (Laughs)

HMJr: See? (Laughs) I hope you don't mind my saying that.

R: (Laughs)

HMJr: And they've got great things in store for you....

R: Uh huh.

HMJr: ....now that I've put my finger on you.

R: Oh, my!

HMJr: And - and so he comes along and recommends somebody else who we've checked here. He's just a third or fourth-rater.

R: Uh huh.

HMJr: It's ridiculous and I'm angry - and I got angry and I called up Mr. Francis while I was angry - I mean because I didn't think it was fair that they should recommend somebody else who - well, I just wouldn't give him any job in the Treasury.

R: Uh huh.

HMJr: And....

R: You're entitled to - of course, I've - I've been close enough to this, Mr. Secretary, to realize, I think, and have an appreciation of what you're entitled to.

HMJr: Well, I'm entitled to the best.

R: My great doubt is whether I can fill that bill.

HMJr: Well, now Mr. Francis would like you to call him up tonight at his home at seven o'clock.

R: All right.

- 3 -

HMJr: And he said he - as far as the company is concerned, he'd give me an answer by forenoon tomorrow.

R: Uh huh. All right, sir. Well, now I - I will call him....

HMJr: Yes.

R: ....and - well, then - then where do I stand?

HMJr: Well, then after he - after you've talked to him he's going to call me tomorrow.

R: I see.

HMJr: Then I want to get together with you and really talk business.

R: All right.

HMJr: See?

R: All right.

HMJr: I mean we haven't really talked business yet.

R: No, we really haven't.

HMJr: But there was no use in my doing that. I thought I should ask Mr. Nelson, and he's given me the run-around; and I talked to Mr. Francis and he's talking business. He understands and he asked me a lot of questions, all of which I answered.

R: Uh huh, uh huh.

HMJr: How long and all the rest of that.

R: That's right.

HMJr: And he said that from the company standpoint what they'd say would be - they agreed it would be the balance of this year, and then have a fresh look at it the first of next year.

R: Uh huh, uh huh.

- 4 -

HMJr: Then he asked me about your salary and all of that. We - we went into the whole business.

R: I see. Well - well, sir, I'll - I'll call Clare - Clare Francis....

HMJr: Yes.

R: ....and I can do it either now or later this evening. He suggested at his home at seven?

HMJr: That's what he suggested.

R: Well, then I'll do it that way.

HMJr: And then I told him that we just had an informal talk and hadn't arrived at anything, and - but now that - I wanted to get more formal and that - so he said to talk to you, and he thought it would be nice if - I said I wanted to tell you about it and he wanted me to talk to you.

R: Yes, yes.

HMJr: So - and I might say that Mr. Bell was extremely well impressed after he had talked with you.

R: Yes, we had a nice visit together.

HMJr: Right.

R: A nice visit together, and I enjoyed very much meeting him.

HMJr: Okay.

R: Well, then after - well, you will hear then....

HMJr: After I hear from Mr. Francis, then I'll call you.

R: All right.

HMJr: Right.

R: Thank you very much.

HMJr: Right.

R: Goodbye.

February 25, 1943

To: Secretary Morgenthau

From: Mr. Thompson

Referring to your request for information on the amount of funds available for promotional activities in connection with the sale of Government securities:

After allowing for continuance of present activities of the War Savings Staff and the Victory Fund Committees at approximately their current levels, it appears that \$3,000,000 can be made available for promotional activities incident to the April drive.

Up to \$1,500,000 of this amount could be used for printing within statutory limitations. Otherwise the \$3,000,000 could be expended as you might direct, for radio, motion pictures, newspaper advertising, etc.

The \$3,000,000 has been computed from existing allotments as follows:

War Savings Staff . . . . .	\$2,000,000
Victory Fund Committees . . . . .	1,000,000

Total	<hr/> \$3,000,000
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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE February 25, 1943

TO Dr. Harry White  
FROM Secretary Morgenthau

Effective this date, I would like you to take supervision over and assume full responsibility for Treasury's participation in all economic and financial matters (except matters pertaining to depository facilities, transfers of funds, and war expenditures) in connection with the operations of the Army and Navy and the civilian affairs in the foreign areas in which our armed forces are operating or are likely to operate. This will, of course, include general liaison with the State Department, Army and Navy, and other departments or agencies and representatives of foreign governments on these matters.

In the above connection, you will, of course, keep Under Secretary Bell advised with respect to all matters affecting gold, coins, coinage, currency, or rates of exchange. You will also consult with Mr. Paul or Mr. Lufford and Mr. Fehle in all matters which come within the jurisdiction of the Foreign Funds Control.

OK & Mm 7-

# TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE

FEB 25 1943

TO Secretary Morgenthau

FROM Mr. D. W. Bell

You will recall that at a recent meeting of Senator Byrd's Committee on the reduction of non-defense expenditures Senator Nye criticized a procurement transaction of the War Department involving the purchase of a number of railroad cars equipped for hospital or medical purposes, and indicated that it was his understanding that the Procurement Division of the Treasury Department required the Surgeon General's office to purchase cars from a particular company, even though such cars were higher priced and involved higher operating costs.

Senator Nye was apparently confused, inasmuch as we cannot find that the Procurement Division was ever involved in any such transaction as he described. I have written letters to Senators Nye and Byrd, copies of which are attached, and I believe that this is all we need do about the matter.

*DWB*

Enclosures  
2 carbon copies

FEB 25 1943

My dear Senator:

My attention has been called to a matter discussed briefly during a recent meeting of the Committee on the reduction of non-defense expenditures held February 10, 1943.

Although no stenographic record of the meeting was made, my information is to the general effect that you described a transaction involving the purchase, by the office of the Surgeon General of the War Department, of a number of railroad cars equipped for hospital or medical purposes, and suggested that the Committee might well look into this particular transaction. You seem to be under the impression that the Procurement Division of the Treasury Department insisted that the Surgeon General's office deal with a particular company and purchase a particular type of equipment, even though another available type which had lower operating costs, could have been procured at a lower price.

I have checked into this matter very carefully, and am unable to find that the Procurement Division of this Department participated in any degree in the transaction to which you refer. I am confident that further investigation will demonstrate that the matter was handled entirely in the War Department and that the Procurement Division of the Treasury Department was not involved.

Sincerely yours,

*W. D. Bee*

Under Secretary of the Treasury.

Hon. Gerald P. Nye  
United States Senate  
Washington, D. C.

JJO'GJR/lsw 2-22-43  
WTH:mlb 2-24-43

FEB 25 1943

My dear Senator:

I am enclosing a copy of a letter I have just sent to Senator Nye. Its contents are self-explanatory, and the letter is sent you in order to correct any mistaken impression with which you may have been left as a result of Senator Nye's remarks at the meeting of your Committee on February 10.

Sincerely yours,

*/s/ D.W. Bess*

Under Secretary of the Treasury.

Hon. Harry Flood Byrd  
United States Senate  
Washington, D. C.

Enclosure.

JJO'C. Jr./lsw  
2-23-43

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Mrs. Klotz

Will you give the Secretary  
the attached, please, as a  
suggestion for press  
conference?

cc  
H/S

FROM: MR. SCHWARZ

TREASURY DEPARTMENT

73

INTER OFFICE COMMUNICATION

DATE 2-25-43

TO Secretary Morgenthau  
FROM Mr. Schwarz (cc)

The Treasury's Procurement Division is planning to ask to be allowed to intervene in the electric rate hearings scheduled to be opened next week by the local Public Utilities Commission and to contend that the costs to consumers in the District of Columbia area are unreasonably high. As the purchasing agent for electricity for practically all Federal activities in the District, the Procurement Division last year was billed for approximately \$4,000,000 by the Potomac Electric Power Company and its affiliates. Further discussion should be reserved until a petition for intervention is filed.

TREASURY DEPARTMENT

74

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau

February 25, 1943

FROM Frances McCathran

CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Tax: Ruml Plan - Plan to force Congressional vote on the Ruml plan by discharging the stalemated House Ways and Means Committee of further responsibility in drafting pay-as-you-go legislation was indicated to be gathering force on Capitol Hill yesterday. Republican representatives especially appeared to be strongly in support of the move. In the House Ways and Means Subcommittee, too, Republican members, Knutson and Reed urged that one of two actions be pursued immediately: (1) The Ruml Plan or something similar be submitted for the full committee's approval; or (2) Knutson's plan of working out pay-as-you-go legislation now and deciding what to do about 1942 taxes later, be adopted.
2. Manpower - As rumors persist of labor and manpower shake-ups, WMC McNutt again was rebuffed in Congress yesterday when the House Appropriations Committee slashed his request for \$2,454,000 from the Deficiency Appropriations Bill. He needed the money, McNutt told the committee for the U.S. Employment Service whose wages, below the Federal wage scale, are causing large numbers of the employees to leave. If this agency fails in its program of transferring workers from nonessential jobs to war work, he will know "where...the reason is" McNutt added. But Congressman Taber resented the statement as a "threat". The Department of Labor also was refused \$337,000 in the Appropriations Bill. In subcommittee hearings Secretary Perkins, who said the funds would be used for improvements in plants which she thought would be a cure for absenteeism, was told by Representative Johnson of "deep-seated feeling" that she was "not very much disturbed or even concerned" about "the shocking situation of absenteeism in the various industries". The Labor Secretary also felt called upon to assure the Committee that she had never "encouraged strikes" but instead believed "methods must be developed" to prevent them.
3. National Resources Planning Board - The Deficiency

Appropriations Bill was also a disappointment to the NRPB. Extra funds for this agency were postponed until Congress could decide whether to continue the life of the board next year, even though the House has already voted down its regular funds.

4. The Farm Issue - Reiterating the policy of incentive payments instead of raising farm parity, Secretary Wickard yesterday asked for "a clear mandate from Congress immediately" for his Food-For-Freedom production program. Representative Dirksen, however, said that what the nation needs is a "good tough food Czar" who will "slug it out with social reformers" like McNutt and Farm Security Administrator C. B. Baldwin. There was no evidence to indicate that Wickard would do the job, he added.
5. McKellar Bill - Bitter debate for almost 2 hours between Senators Hatch and Wheeler in the Senate Judiciary Committee delayed until Monday final vote on the McKellar Bill, requiring, with certain exceptions, Senate confirmation of Federal appointments receiving \$4,500 or over. Hatch said the bill would be "completely destructive of the merit system" and "the greatest setback of the civil service which has transpired in many years". But Senator Wheeler claimed that in the last few years the Civil Service System had "practically been destroyed" anyway.



**AGENDA**

**FOR THE BOARD OF ECONOMIC WARFARE MEETING**  
**TO BE HELD FEBRUARY 25, 1943 AT 10:00 A.M.**  
**ROOM 201, SENATE OFFICE BUILDING**

Discussion of "Report to the Board of Economic Warfare  
Regarding Merchant Shipping Services to the Other  
American Republics". (Copy attached.)

COPY 3

2/23/43  
77  
**SECRET**

Report to the Board of Economic Warfare  
Regarding Merchant Shipping Services  
To the Other American Republics

At the meeting of the Board of Economic Warfare of January 14, 1943 a subcommittee was appointed to report on the export shipping situation to the other American republics, with particular reference to the programming of materials for projects in which the United States is especially interested in relation to the purely civilian requirements of the other American republics.

At the meeting, Mr. Lewis W. Douglas, Deputy War Shipping Administrator, stated that the present target tonnages of merchant shipping for the other American republics represented the maximum tonnage which could be expected unless ships were to be diverted from military theatres. The representatives of the War and Navy Departments indicated that no such diversions were possible. It thus appeared that only by a decision on the highest policy level could any additional tonnage be made available for the other American republics, and the subcommittee was, by implication at least, influenced by this factor in the range of its possible conclusions.

Aspects of the Shipping Problem

There appear to be three chief aspects to the shipping problem:

- (1) The recommended minimum programs of shipping to each republic with commodity and project breakdowns - the target programs within the limits of available shipping.
- (2) Administrative mechanisms for insuring that the available vessels are loaded in accordance with the programs.
- (3) The gearing of production in the United States to match the export shipping programs - which involves the backlog problem.

This

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This report of the subcommittee will undertake to consider only the first problem - the expression of our export and shipping policy towards the other American republics in concrete terms through the target programs. The other two aspects are obviously of an administrative character, and while difficult, flow out from the broader policy decisions involved in the first point.

History of the Target Programs

In May 1942 the Board of Economic Warfare considered a report on merchant shipping policy with respect to the other American republics which outlined the broad factors to be considered in determining such policy. During the month of June there were prepared the first target programs for the east and west coasts of South America - and the Priorities and Allocations Advisory Committee to the Combined Shipping Adjustment Board on June 9 and June 26 accepted these targets as goals for ship allocations. Target programs for the Caribbean countries were delayed in preparation, as the problems were of quite a different nature and the naval routing considerations during the summer of 1942 made determinations much more difficult. It was not until December 1942 that complete target programs for each of the American republics were announced, by the War Shipping Administration. These target tonnages, which are still in effect, are indicated in Table 1.

The only factors taken into consideration early last summer in preparing the proposed target tonnages were the civilian requirements of the countries in question, including coal requirements. The discussion at the meeting of the Priorities and Allocations Advisory Committee to the Combined Shipping Adjustment Board on June 9, 1942 specifically pointed out that no Lend-Lease or Pan American Airways cargoes were included. Since that period there has occurred, in the case of a number of the American republics an extremely large increase in special demands for shipping, including Lend-Lease tonnages for military equipment, the rubber program in the Amazon Valley and elsewhere, copper and other mining developments put forward by the Office of Imports of the Board of Economic Warfare and the Metals Reserve Company, the air transportation program of the Defense Supplies Corporation, other strategic materials

projects

- 3 -

projects such as quartz crystal and mica projects, and requests of the Petroleum Administrator for War for impressive quantities of materials for the maintenance and extension of petroleum operations in the several petroleum producing and refining countries. In Central America the War Department has requested considerable tonnages for materials and equipment for the carrying out of the pioneer road project.

Moreover, in certain of the other American republics projects of local interest long under discussion and in preparation have developed to the point where large quantities of finished products are being turned out for shipment to the countries in question.

The original targets took into consideration virtually none of these special demands, although some have moved because reductions have been found possible in a number of civilian supply items.

Since preparing the original targets, some modifications have been made by agreement among the War Shipping Administration, the Board of Economic Warfare, and the State Department. The original Brazil program was broken down into 70,000 long tons of coal and 28,000 long tons of general cargo. Beginning in January of this year, the breakdown was altered to 50,000 tons of coal and 48,000 tons of general cargo. Thus within the original target total savings in coal consumption have made possible a measure of relief for the exceedingly great demands made upon the general cargo tonnage by the Brazilian lend-lease, Brazilian steel mill, Itabira, Rubber Reserve, and several other programs.

Similarly, some other more minor adjustments have been made in the targets for other republics and in the case of a number of the smaller countries the total target has been altered slightly from time to time.

#### Statistics of Shipping to the Other American Republics

There are attached Tables 2, 3, 4, and 5 based on the data of the War Shipping Administration indicating tonnage shipped during 1942 and January 1943 to the several American republics. In analyzing these figures there are a number of points which should be kept in mind:

Shipments

Shipments to the land-locked countries of Paraguay and Bolivia do not appear separately but are included with those to Argentina or Uruguay and Chile respectively. In addition, shipments to El Salvador through Puerto Barrios may appear in the Guatemala statistics, and shipments to the Canal Zone and to the Republic of Panama are hopelessly confused. Certain other transshipments involving two countries may occur in a limited number of instances, as the War Shipping Administration statistics indicate the port of discharge rather than necessarily the final destination.

It will be noted that these figures indicate that in general the level of target programs has not been attained in connection with Brazil, Peru, Ecuador, Colombia, Costa Rica, Nicaragua, El Salvador and Venezuela. It should be noted that complete shipping programs for the last five countries mentioned were not finally determined until December 1942. The statistics do not permit an adequate appraisal of the situation with respect to Bolivia, Paraguay and Panama.

On the other hand, the statistics for December, and the preliminary partial figures for January indicate a great improvement in the situation of Peru, Colombia, Costa Rica, Nicaragua, El Salvador and Venezuela. In December, the last month for which complete figures are available, the target programs were met or exceeded in practically all of the countries except the East Coast of South America. Preliminary information indicates that the shipping tonnages are being rather well maintained in February as well. Colombia, which has been a very difficult problem, will again in February receive considerably more than its target tonnage, thus making up further for some of the very low months in the late fall of 1942.

In appraising these results a number of factors should be kept in mind:

- (1) The extremely difficult and changeable situations with respect to submarine warfare, naval routings and convoys in the Caribbean and East Coast trades.
- (2) The failure of Brazil to keep its vessels in efficient operation. In the last six months only one Brazilian vessel a month has cleared United States ports. This situation appears to be improving, as the War Shipping Administration is placing into service the thirteen

Brazilian

- 5 -

Brazilian vessels which it has chartered, and Brazil is placing into operation approximately twenty-two vessels which it has committed to the United States trade. These developments will render more probable the attainment of the 98,000 ton target in coming months.

- (3) The failure of some other American republics to make the most efficient use of their vessels. Attempts are being made to improve the situation by charter and by agreement.
- (4) At the end of the year the port of Buenaventura, Columbia, was badly congested following railway washouts which, along with routing problems in the Caribbean, complicated the delivery of goods to Colombia.

#### Shipping Requirements - The Case of Brazil

There are attached (Appendix A) the breakdowns of the target programs submitted for the month of March to the War Shipping Administration by the Board of Economic Warfare and the Department of State for each of the American republics. Perhaps the most difficult problem, and certainly one which illustrates all of the policy considerations involved, is that of Brazil.

The Brazil program as submitted for March is made up roughly as follows:

Coal	50,000
Civilian requirements	20,100
Rubber Reserve program	10,000
Itabira	4,000
National Steel Mill	2,400
Other projects	1,400
Lend-Lease	7,600
Tinplate for British meat-pack	<u>2,500</u>
Total-	98,000

The target tonnage for coal has been reduced from 70,000 tons per month to the present figure of 50,000 tons. Shipments in the last six months have averaged 39,800 tons. At the level of 50,000 tons, the principal consumers are the Lloyd Brasileiro for bunkering, the gas companies, the Brazilian Navy and important Brazilian railways.

It

It is the firm conviction of the requirements officers in the Board of Economic Warfare and the Department of State that the civilian requirements have already been slashed below the minimum desirable level which should be considered 25,000 tons.

The Rubber Reserve figure is below that deemed essential by the Rubber Reserve Company for the mere carrying out of their present program and the necessities for supplying the large number of workers being moved to the Amazon in accordance with the recent agreement with the Brazilian Government. There is attached (Appendix B) a separate memorandum prepared by the Rubber Reserve Company. The Rubber Reserve requirements may be summarized as follows:

February	17,863
March	15,548
April	14,000
May	13,250
June	11,600 *
July	3,900

\*If tankage will be ready by July, June shipments of petroleum products can be made in bulk.

The 4,000 ton rate for Itabira is not sufficient to take up materials being delivered for shipment in accordance with the program determination of the War Production Board. A figure of at least 6,000 tons for the next three months would be required for the purpose, and a figure of 5,000 or 6,000 tons a month thereafter.

The tonnage requirements of the National Steel Mill project, to which the Brazilian Government attaches no. 1 priority, as indicated in an Executive Decree of the President of Brazil, will average slightly over 5,000 tons a month for the next two years if carried out as planned.

While certain of the projects included in the "Other projects" category are being completed, other projects still in the mill, including large quantities of materials for the Central Railway of Brazil, will more than make up for their disappearance.

Although

- 7 -

Although the Lend-Lease shipments in March contain an exceptionally heavy item of materials for the airplane engine factory, direct military equipment has been entered at a very low figure, and to date less than 10% of the total Lend-Lease program has been delivered. The Government of Brazil attaches no. 1 priority to Lend-Lease military shipments, as well as of the National Steel Mill.

No requirements are listed for the Pan American Airways since arrangements have been made for the Army to transport the 1100 tons of cargo for this purpose.

It is obvious that all of the listed requirements of Brazil can not be scheduled as planned within the existing target shipping program even if that target is met.

#### Policy Considerations

1. The United States feels that materials for essential import programs must receive adequate consideration in the distribution of shipping space.

2. Military necessities of the other American republics must move.

3. Civilian requirements of the other American republics must move in amounts sufficient to maintain public health and order, and to permit at least a minimum level of economic activity. The maintenance of such a level of economic activity, and resulting political and social stability may be of the greatest importance to the prosecution of the war, to our own military plans, and to the production of essential strategic materials.

4. Certain projects of somewhat less direct war significance may enjoy a local position of overwhelming importance.

5. At least an important part of the total tonnage to be moved must be carried in vessels of the country in question. The target tonnages include tonnages of all flags. The War Shipping Administration has been removing its own vessels as local tonnages come into the trade, and conversely attempting to make up the gaps as local vessels have been sunk or have failed to operate efficiently.

6.



6. The target tonnages for South America at least were announced some time ago. At that time they came as a distinct shock to the countries in question, and in addition these countries have come to feel that their essential civilian requirements would be handled within the target figures. Although it has always been made clear that the exigencies of war might force reductions in the targets and in performance, the encroachment of United States and other projects, and military supplies, not only effects a real reduction in the amount available for civilian requirements, but raises psychological and political questions.

7. Where the targets are already tight, the failure to perform raises additional problems of priority of several types of cargoes, it is clear that United States project materials can not in all cases be accorded first priority, and the wishes of the Governments of the other American republics must be given every practicable consideration.

#### The Case of Brazil Again

Returning to the case of Brazil, we find that projects not originally given much or any consideration - namely, the Rubber Reserve, Itabira, Steel Mill and Lend-Lease programs - have in March been tentatively allotted a total of 24,000 tons or more than a quarter of Brazil's total target tonnage.

Calculated requirements for these four programs for March are even greater - about 34,000 tons. Moreover, there is no marked bunching of requirements except in the case of Rubber Reserve which has special non-recurrent requirements averaging to over 11,000 tons in February, March, April and May.

It may be laid down as definite that the Government of Brazil regards as of first priority the shipment of Lend-Lease and Steel Mill materials. President Vargas has ordered Lloyd Brasileiro if necessary to drop all other cargoes in order to assure that these are carried.

The Itabira project was initiated by the United States and Great Britain to assure a supply of high-grade iron ore - especially for Great Britain. Brazil's interest has by these efforts been aroused and a large amount of Brazilian capital has been invested in the project.

The

The Rubber Reserve program is similarly primarily of United States interest but is also of concern to Brazil as the continuing tonnages of cargo are for the maintenance of Brazilian workers in the Amazon, including the 50,000 now being transported to that area by arrangement between the two Governments.

### Other Countries

No attempt will be made in this report to analyze in detail each country program. There is attached, however, Table 6 indicating the distinguishable tonnages included in the March 1943 programs. A great deal of reservations must be adopted in using this table, as it includes projects both of interest to the United States and to the countries in question, and, moreover, the line of demarcation between a project of interest to the United States and one of interest to another republic is almost impossible to define. Beyond this, the figures probably understate what might probably be considered to be project tonnages, since a considerable amount of the coal and other supplies listed for civilian consumption are for the maintenance of railway operations, public utilities, and other enterprises, a portion of the activity of which is directly related to the projects.

Analysis of this table and of the general program indicates that in many of the republics the targets appear to be fully workable. This is probably the case in all of the republics except the South American republics, and in any event, minor adjustments have been and can be made from time to time in the small target figures applying to the Caribbean republics.

Among the South American countries project tonnages loom large in the cases of Peru, Bolivia and Chile. Moreover, if the requirements being submitted by the Petroleum Administrator for War for the second quarter are accepted, the programs for Venezuela and Ecuador will be thrown out of balance, and the situation of Peru further impaired.

In the

In the case of Chile, special arrangements have been made whereby the Corporación de Fomento operates ships outside of the target figure, and this has relieved in part at least the pressure of the projects. The Corporación's tonnage is only temporary, however, and discussions now in progress looking toward the maintenance of this extra tonnage in the trade should be pressed to a satisfactory conclusion.

The difficult situation of Colombia has already been mentioned, and the greatly improved deliveries in January and February cited. The problem of Colombia appears to be largely one of carrying out the target program rather than one relating to the amount of the target itself.

Conclusions:

As a result of its investigation and analysis, the subcommittee presents the following recommendations and comments:

1. The subcommittee believes that, within the over-all limitations on shipping which have been imposed by the exigencies of war, the actual performance in shipping to most of the American republics is sufficient to maintain their civilian economies at reasonable wartime levels and also provide sufficient space for the projects presently sponsored by the various governmental agencies. The special case of Brazil is taken up independently.

The subcommittee further believes that the present system of consultation between the War Shipping Administration, the Board of Economic Warfare and the Department of State for laying down detailed shipping programs within the targets appears to be working satisfactorily. It recommends that such consultation be extended to discussions of such modifications in the targets themselves as may appear desirable from time to time.

Some

-11-

Some of the members of the subcommittee have suggested an immediate discussion of the cases of the targets for Bolivia and Peru. Some of the members of the subcommittee have pointed out that, although the treatment accorded these American republics appears in absolute terms thus to be satisfactory, there is no basis for comparison of this treatment with that accorded in shipping services to other areas.

2. Especially in the cases of those South American countries where the target tonnages are tight the failure to meet the target tonnages will result in serious strains unless priorities are so arranged that the project material takes a place definitely subordinate to direct civilian requirements,

Similarly, in the cases of the same South American republics there is absolutely no room for expansion of project tonnages at the expense of the civilian requirements even if the target tonnages are met.

As a corollary, the Rubber Reserve Company, the Petroleum Administrator for War, the Board of Economic Warfare, and any other agencies which may propose projects should do so in full realization of the tightness of the shipping situation, and should not sponsor any additional projects or any increase in the present projects unless these can be shown to be absolutely essential to the war effort and, if of large magnitude, to warrant diversion of shipping tonnage from other areas.

Specifically, it is recommended that the second quarter tonnage requirements put forward by the Petroleum Administrator for War for Venezuela, Ecuador, Peru and other petroleum producing or refining countries be studied within such criteria.

3. A more detailed recommendation is made for the case of Brazil. No entirely satisfactory program for Brazil can be worked out within the 98,000 ton target limitation if all of the requests of the Rubber Reserve Company and the other projects are carried out. The only leeway in the situation appears to lie in the possibility of reducing temporarily coal shipments in spite of the strong protests of the Brazilian Government, and deferring temporarily a part of the Itabira and steel mill

shipments.

shipments, with a view to increasing coal, Itabira, steel mill and civilian requirements shipments in June and July as the rubber program drops off from its spring bulge.

The subcommittee, after reviewing all of the factors, recommends the following tentative revisions in the March shipping program for Brazil with the indicated adjustments to be made in April and May. These recommendations are based upon the following premises:

- a. That a rubber program must be carried out.
- b. That lend-lease shipments can not be reduced.
- c. That no one of the other programs can be eliminated entirely.

Recommended Program for Brazil

Coal 43,000 tons (tentative)

The Government of Brazil and the Embassy at Rio have stated emphatically that no reduction below 50,000 tons can be countenanced although deliveries in the past have fallen short of this figure. The Brazilian Maritime Commission has indicated that bunker stocks are very low and that failure to allocate more coal to the shipping companies may shortly result in a curtailment of coastal as well as international services. Nevertheless, it might be possible during March to get along with shipments at a lower figure if the position of each consumer is stated carefully and shipments are made only to consumers whose stocks permit no delay. Some relief may be expected from increased shipments of coal from southern Brazil to principal consumers.

In April and May this figure may be increased to 45,600 tons if lend-lease shipments decline to 5000 tons a month as suggested below.

In June or July, when the Rubber Reserve movement has subsided, it should be possible to step the figure up to 50,000 tons within the full target tonnage of 98,000 tons.

Rubber

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Rubber Reserve 17,000 tons (tentative)

In view of the importance of rubber, the subcommittee was loath to recommend any reduction, but the subcommittee believes that the tonnage of rubber to be obtained from the Amazon Basin should be carefully considered in relation to the 75,000 tons of shipping space required in the next four months to move the materials needed for the furtherance of the program. Representatives of the Rubber Reserve Company failed to present to the subcommittee a justification for the airport construction and the air transport programs on the grounds that such program is an integral and inseparable part of the entire rubber program. If this portion of the program were eliminated it would result in a saving of about 25% of the shipments planned for the first four months.

It is suggested that the Board consider carefully the essentiality of this portion of the rubber program and the effects of its elimination, a matter concerning which the subcommittee was unable to obtain information. It is also suggested that the Board recommend that every possible step be taken by the Rubber Reserve Company to the end that petroleum products may be moved in bulk rather than in drums as is being done now. (See memorandum of Rubber Reserve Company attached as Appendix B.)

The subcommittee recommends that the total of 60,000 tons be allocated to coal and the Rubber Reserve program, and requests the Board to determine whether the air transport program is essential or whether the tonnage involved (about 4,000 a month) should be devoted to coal.

Civilian Requirements 20,000 tons

In view of the obvious importance of this item and the cuts that have already been made, no comments are required. At this level each commodity will have to be given the same careful study as indicated in the case of the coal requirements. As lend-lease and rubber requirements permit, this item should be given priority in increases, and an effort should be made to step it up to 25,000 tons by June or July.

Tinplate for British Meat Pack 2,500 tons

Itabira

Itabira 3,000 tons

The engineers have indicated to the Export-Import Bank that an average of at least 4,000 tons is necessary to insure the carrying out of this program, but that they of necessity will accept 3,000 tons a month for a few months, provided that when some relief is possible in June or July, the figure is stepped up to make up for this deficiency.

Steel Mill 3,500 tons

In view of the economic and political importance attached to this project by the Brazilian Government and the favorable treatment given United States projects in those recommendations, a cut of more than 30% would not seem practical. This is another project which must be stepped up to make up for this deficiency.

Other Projects 1,400 tons

See program for March attached.

Lend-Lease 7,600 tons

4,100 tons of this total represents shipments for the airplane engine factory which has obvious military and political value. It is to be hoped that total lend-lease shipments can be limited to 5,000 tons in succeeding months, and it is recommended that Army and Navy representatives give this their closest consideration.

It is recommended that, in view of the Export Control Decentralization Program now in force in Brazil and other countries and in view of the obvious and appropriate interest of the Government of Brazil in this whole matter, this recommendation not be accepted as final, but as a tentative suggestion to be placed before Brazil which may wish to make other modifications in the various projects of interest to it.

The subcommittee believes that the greatest possible flexibility should be maintained in the entire system of fixing shipping and export programs, and consequently it does not wish to attempt to set the pattern of exports to Brazil many months in advance. Nevertheless, it suggests

that

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that in June or July when the Rubber Reserve program has dropped off, the distribution of cargoes within the target tonnage might be somewhat as follows:

Coal	50,000 tons
Rubber Reserve	4,000 "
Civilian Requirements	25,000 "
Tinplate for British Meat Pack	2,500 "
Itabira	4,500 "
Steel Mill	5,000 "
Other Projects	2,000 "
Lend Lease	5,000 "
Total -	98,000 "

#### Priorities

The subcommittee understands that the April program being prepared by the Department of State and the Board of Economic Warfare will indicate a priority to be applied if only 80% of the target tonnage is supplied. In the meantime, the subcommittee recommends that if shipping is not available to move the target tonnage to Brazil in March, B priority be given to the following:

Coal	3,000 tons
Rubber Reserve	3,000 "
Itabira	1,000 "
Steel Mill	1,000 "
Lend-Lease	2,000 "

Neither this recommendation nor the 80% tabulations being prepared by the Department of State and the Board of Economic Warfare for April should in any way be considered to lessen the urgency and necessity of meeting the full program.



That in view of the fact that the Robert Roberts' account has  
been closed, the following information is being furnished to you for  
your information and records.

DATE	DESCRIPTION	AMOUNT
12/31/50	Balance Forward	100.00
1/1/51	...	...
1/2/51	...	...
1/3/51	...	...
1/4/51	...	...
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1/31/51	...	...

The information contained in this report was prepared by the Board  
of Economic Warfare and is being furnished to you for your  
information and records. It is not to be used for any other  
purpose without the express written consent of the Board.

DATE	DESCRIPTION	AMOUNT
1/31/51	...	...
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Robert's account was closed on the date indicated  
in this report. The information contained in this report  
is for your information and records only. It is not to be  
used for any other purpose without the express written  
consent of the Board.

TABLE 1  
 DRY CARGO TARGET SHIPPING TONNAGES FOR EACH OF THE OTHER  
 AMERICAN REPUBLICS

	TOTAL TARGET	COAL	NEWSPRINT
Argentina	40,000	15,000	6,500
Bolivia	4,500	--	120
Brazil	98,000	50,000 (1)	3,000
Chile	10,000	--	408
Colombia	9,200	--	437
Coste Rica	2,400	--	95
Cuba	60,000	20,000	700
Dominican Republic	2,100	--	35
Ecuador	2,053	--	130
Guatemala	3,800	--	120
Haiti	1,700	--	10
Honduras	2,500	--	10
Nicaragua	1,300	--	40
Republic of Panama	9,000	--	245
Paraguay	500	--	12
Peru	7,000	--	400
El Salvador	1,600	--	100
Uruguay	16,000	8,000 (2)	800
Venezuela	12,000	--	190

- (1) The coal target for Brazil was 70,000 until January 1943 when it was decreased to 50,000.
- (2) The original estimate of coal requirements for Uruguay was 14,000 tons per month, which was reduced to 8,000 tons because of the receipt of coal from countries other than the United States and because of the use of substitute fuels.

TABLE 2

 UNITED STATES EXPORTS TO OTHER AMERICAN REPUBLICS  
 JANUARY-DECEMBER 1942

(Dry Cargo in Long Tons)

Country	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	12 mo. avo. Jan.-Dec.	6 mo. avo. July-Dec.
	Argentina 1/	101,216	70,219	79,285	68,458	55,230	49,105	45,753	33,557	17,387	15,381	26,765	26,799	53,552
Bolivia 2/	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Brazil	135,508	114,825	76,086	62,070	78,695	80,034	43,036	81,231	65,225	89,463	49,213	60,217	85,055	64,731
Chile 3/	38,709	17,654	31,118	20,020	25,336	23,976	21,168	13,852	13,709	25,645	8,532	19,334	23,550	17,040
Colombia	11,026	8,717	7,982	7,404	10,560	13,535	2,463	6,346	3,477	3,628	763	5,527	7,402	3,701
Costa Rica	6,700	7,417	3,673	2,922	6,703	11,987	988	1,405	1,968	1,453	692	4,482	4,581	1,831
Cuba	108,412	81,554	78,069	105,381	69,496	65,238	80,745	51,179	79,733	60,560	72,082	173,790	85,520	86,348
Dominican Republic	7,130	4,751	4,134	6,060	3,106	984	236	2	8,649	593	3,845	4,161	3,974	2,914
Ecuador	3,731	2,239	3,457	2,669	7,226	4,795	6,331	5,289	2,585	2,117	930	2,508	3,989	3,293
Guatemala	5,730	5,696	6,757	7,538	6,255	4,988	4,583	735	4,621	6,587	8,424	5,175	6,099	5,021
Haiti	2,564	1,912	2,411	3,611	3,804	1,022	2,032	3,188	2,167	597	4,746	1,582	2,694	2,385
Honduras	5,772	6,055	8,093	5,533	4,292	5,536	4,062	925	1,775	3,874	3,771	2,791	4,771	2,866
Nicaragua	1,624	1,911	1,968	669	2,353	4,744	879	956	604	658	476	4,283	1,920	1,309
Republic of Panama 4/	-	-	-	-	-	-	-	-	-	-	18,428	15,073	-	-
Paraguay 5/	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Peru	12,669	17,755	20,633	8,364	5,311	11,185	10,653	10,305	8,418	4,456	3,515	10,510	11,251	7,976
El Salvador	-	784	403	717	1,038	3,108	467	590	-	442	330	435	757	377
Uruguay	17,677	15,902	8,027	15,682	5,010	10,280	12,095	25,778	13,413	14,721	10,205	10,054	14,413	14,378
Venezuela	36,419	15,919	25,029	27,761	22,641	23,281	8,561	7,726	5,469	8,078	10,627	11,421	18,448	8,647
<b>TOTAL</b>	<b>494,887</b>	<b>373,310</b>	<b>357,125</b>	<b>344,859</b>	<b>307,056</b>	<b>313,798</b>	<b>244,052</b>	<b>243,064</b>	<b>229,200</b>	<b>238,253</b>	<b>254,564</b>	<b>415,241</b>	<b>346,855</b>	<b>270,729</b>

1/ Includes Paraguay

2/ Included in Chile

3/ Includes Bolivia

4/ From January-October, shipments to Republic of Panama and Canal Zone are not shown separately.

5/ Included in Argentina

Source: War Shipping Administration.

## UNITED STATES IRON AND STEEL EXPORTS TO OTHER AMERICAN REPUBLICS, JANUARY-DECEMBER, 1942

(INCLUDING TINPLATE)

(Long Tons)

													12 months average	6 months average
	January	February	March	April	May	June	July	August	September	October	November	December	January-December	July-December
Argentina	25,455	7,552	20,508	10,374	5,062	8,378	9,834	7,292	3,990	2,061	11,401	5,876	9,815	6,409
Bolivia	451	837	509	867	306	1,406	196	756	541	(1)	(1)	(1)	—	—
Brazil	20,305	7,684	9,997	5,559	5,349	7,345	9,107	9,505	3,723	15,560	2,869	9,242	8,854	8,334
Chile	4,793	7,621	6,362	3,682	3,769	3,328	459	2,793	1,415	4,256	3,092	8,709	4,182	3,454
Colombia	1,960	1,528	1,532	1,355	837	837	286	31	1,253	450	112	2,053	1,020	698
Costa Rica	1,517	504	702	568	22	109	57	5	183	58	25	297	337	104
Cuba	4,414	2,345	2,840	3,309	906	641	2,604	4,134	2,893	3,873	7,030	8,537	3,644	4,845
Dominican Republic	212	426	241	130	8	93	—	—	224	—	146	522	167	149
Ecuador	303	338	426	426	189	355	31	487	235	178	84	309	280	221
Guatemala	369	198	221	124	79	68	15	(2)	94	1,829	1,231	1,124	441	706
Haiti	99	50	145	100	121	26	5	3	6	—	36	25	51	12
Honduras	653	466	1,021	295	70	3	102	(2)	12	51	17	105	233	48
Nicaragua	494	189	141	172	124	58	212	18	17	122	157	409	176	156
Republic of Panama (3)	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Paraguay	167	693	467	378	170	90	167	197	55	(4)	(4)	(4)	—	—
Peru	1,508	2,063	5,700	1,565	1,539	1,288	616	527	302	718	1,267	4,833	1,827	3,377
El Salvador	108	154	74	102	2	28	1	9	(2)	—	—	47	44	10
Uruguay	3,736	1,870	2,804	1,946	728	1,558	677	2,716	297	3,070	1,631	4,728	2,145	2,184
Venezuela	7,073	4,620	6,275	10,635	4,751	7,756	2,755	2,283	1,893	719	1,726	2,764	4,437	3,023
Total	104,393	41,737	60,118	41,954	24,171	33,731	27,185	31,015	15,073	32,745	30,740	49,577	41,036	31,056

(1) Included in Chile (2) Less than one Long Ton (3) Shipments to Republic of Panama & Canal Zone are not shown separately (4) Included in Argentina

TABLE 4

## UNITED STATES COAL EXPORTS TO OTHER AMERICAN REPUBLICS, JANUARY-DECEMBER 1942

(Includes Anthracite, Bituminous, Coal and Coke Briquets, and Coke)

(Long Tons)

	January	February	March	April	May	June	July	August	September	October	November	December	12 months average January- December	6 months average July- December
Argentina	—	39,810	17,767	22,059	10,798	13,481	11,646	19,986	—	—	1,031	9,549	16,677	7,035
Bolivia	6,537	—	5,688	1	98	—	—	—	—	—(1)	(1)	—(1)	—	—
Brazil	1,773	2,918	44,088	42,607	14,029	42,225	22,450	72,310	35,995	43,535	31,630	42,746	33,025	41,444
Chile	2,324	2	30	25	10,158	5	11,762	—	—	17,294	2,520	191	3,709	5,294
Colombia	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Costa Rica	6	6	—	—	—	—	6	—	—	—	—	—	1	1
Cuba	11,499	11,816	14,645	7,633	13,945	9,215	8,442	14,320	16,330	9,411	9,189	73,888	16,694	21,930
Dominican Republic	18	—	5	1	38	—	5	—	1	—	—	11	6	3
Ecuador	123	—	119	—	—	—	—	—	—	—	—	99	28	16
Guatemala	6	7	20	—	11	—	—	—	—	—	36	18	8	9
Haiti	2	—	—	—	14	—	4	—	—	—	14	—	2	3
Honduras	46	5	—	—	—	—	44	—	—	—	7	—	8	10
Nicaragua	1	—	—	1	—	—	—	—	—	—	—	—	—	—
Republic of Panama (3)	—	—	—	—	—	—	—	—	—	(2)	(2)	(2)	—	—
Paraguay	—	—	—	—	—	—	—	—	—	—	89	—	22	18
Peru	35	—	—	90	52	—	—	—	—	—	—	—	4	1
El Salvador	30	8	—	10	—	—	5	—	—	—	—	—	—	—
Uruguay	6,700	10,156	—	8,094	—	—	5,462	18,152	—	—	6,203	—	4,563	4,970
Venezuela	4	9	—	—	—	30	—	4	—	34	—	135	18	29
<b>TOTAL</b>	<b>29,105</b>	<b>64,737</b>	<b>247,766</b>	<b>80,525</b>	<b>49,143</b>	<b>64,956</b>	<b>59,831</b>	<b>124,772</b>	<b>52,326</b>	<b>113,809</b>	<b>41,719</b>	<b>126,637</b>	<b>87,944</b>	<b>86,516</b>

(1) Included in Chile

(2) Included in Argentina

(3) Shipments to Republic of Panama and Canal Zone are not shown separately

Sources: U.S. Department of Commerce based on War Shipping Administration statistics.

TABLE 5

## UNITED STATES EXPORTS TO CERTAIN AMERICAN REPUBLICS

January 1943

Preliminary.

(Dry Cargo in Long Tons)

Argentina	26,354
Brazil	85,720
Chile	10,120
Colombia	9,445*
Ecuador	500
Peru	14,175
Uruguay	16,309

\* In addition 8,287 tons were shipped to Panama for transshipment to the north coast of Colombia.

Source: War Shipping Administration

TABLE 6

DISTINGUISHABLE PROJECT TONNAGES IN MARCH 1943

PROGRAM

(long tons)

	<u>Total Target</u>	<u>Project</u>	<u>Percentage</u>
Argentina	40,000	1/	
Bolivia	4,500	1870	42
Brazil	98,000	27900	28
Chile 2/	10,000	4200	42
Colombia	9,200	735	8
Costa Rica	2,400	235	14
Cuba	60,000	3/	
Dominican Republic	2,000	540	27
Ecuador	2,055	360	17
Guatemala	3,800	490	13
Haiti	1,700	210	12
Honduras	2,500	not shown	
Nicaragua	1,300	not shown	
Panama	9,000	390	4
Paraguay	500	not shown	
Peru	7,000	3690	53
El Salvador	1,600	not shown	
Uruguay	16,000	not shown	
Venezuela	12,000	1949	16

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1/ Argentina is a special case.

2/ Figures are not indicative since the Corporación de Fomento has been operating extra ships and its tonnage is not included.

3/ Not significant - especially as the target is a minimum usually greatly exceeded.

## APPENDIX B

RUBBER RESERVE COMPANY  
Washington, D.C.RUBBER PROGRAM TONNAGE REQUIREMENTS  
February through July, 1943

Listed below are the tonnage requirements of the Amazon Rubber Program for the months February through June, 1943, broken down by categories.

	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>
Floating Equipment	800	2,100	1,500	500		
Marine parts & supplies	900	600	1,000	1,000	1,000	1,000
Drummed petroleum River Transportation	3,988	4,388	4,500	4,750	5,000	200
Coal - River Transportation	3,000	1,500	1,500	1,500	1,500	1,500
Construction equipment	3,015	2,860	1,000	1,000	600	100
Drummed petroleum Construction equipment	1,500	2,000	2,500	2,500	2,500	100
Teppers' supplies, etc.	2,100	2,100	2,000	2,000	1,000	1,000
Held over from January	1,960					
<b>Total</b>	<b>17,863</b>	<b>15,548</b>	<b>14,000</b>	<b>13,250</b>	<b>11,600</b> <b>(4,400)*</b>	<b>3,900</b>

\*If tankage will be ready by July, June shipments of petroleum products can be made in bulk.



APPENDIX B

SUBJECT MATTER COMPANY  
Washington, D.C.

NUMBER PROGRAM NUMBER  
1-100000-100000

It is noted that the above information is for the  
purpose of the study and is not to be used for  
any other purpose.

Item	Quantity	Unit Price	Total Price
Electric Equipment	100	2,100	210,000
Motor parts & supplies	500	1,000	500,000
Special materials	1,000	1,000	1,000,000
General supplies	2,000	1,000	2,000,000
Construction	5,000	1,000	5,000,000
Tools & materials	1,000	1,000	1,000,000
Special supplies	1,000	1,000	1,000,000
General supplies	1,000	1,000	1,000,000

Total amount of work to be done is \$10,000,000.

All amounts are in U.S. dollars and are subject to change.

The above figures have been estimated on the basis of information currently available on anticipated shipments of supplies, equipment and fuel. This information is not always complete, and any rapid changes in the priority or production situation might alter requirements for shipping space in particular months.

It is expected that requirements for dry cargo space will decrease materially after July, due principally to the fact that petroleum products will be moving in bulk after that date rather than in drums as at present. Dry cargo space requirements for the Amazon rubber program are therefore expected to average less than 10,000 tons a month for the whole of 1943. The seasonality of rubber tapping, and the necessity that the basic preparatory equipment be in the Valley by May 1, in time for the opening of the 1943 tapping season, results in a bulking of shipments in the first half of the year.

Estimates for shipments of floating equipment, construction equipment, marine parts and supplies and miscellaneous rubber tapping supplies have been prepared after a review of the time at which outstanding orders for the same will be completed and ready for shipment to Brazil. Delivery dates of the rather small balances of supplies and equipment needed but still unordered have also been estimated and their weights included in arriving at the tonnage requirements of the program. Under present production conditions, it is not possible to determine accurately the delivery dates on some orders. The dates used in preparing the above table represent the judgment of buyers familiar with the various markets.

Fuel consumption of the coal-burning steamers which will soon be operating on the Amazon and its tributaries has been determined from examination of former operating records. The best information as to the dates on which they will arrive in Belem and begin operating on the River indicates that not less than 3,000 tons of coal must move in February, and that at least 1,500 tons must move each month thereafter. The shipment of 3,000 tons in February will result in the establishment of a small reserve sufficient for approximately one month's operation.

Similar calculations have been made for the many diesel and gasoline-burning vessels and items of construction equipment which are now or shortly will be in operation in the Valley. Proper allowance has been made for the fact that there will be some time-lag between the arrival of construction equipment in Belem, and the date on which it will require fuel, and also for the fact that fuel must be moved to up-river points in anticipation of operations both of river craft and construction equipment.

Examination of the above table will disclose that heavy shipments of floating equipment and construction equipment begin to taper

off in April, and that by June 7,500 tons out of an 11,000 ton total is represented by drummed petroleum products. Included in presently scheduled shipments are sizeable tonnages of knocked-down oil tanks and tank farms. Fuel barges have already been shipped to the Valley for use in transporting bulk fuel from Belem to up-river bulk storage points. Depending upon the speed with which these can be erected, delivery to Belem of gasoline, kerosene and diesel oil can be made in bulk, thus reducing requirements for dry cargo space.

At the moment it appears that shipment in drums must be made through May. It may be possible to ship in bulk a sizeable portion of petroleum requirements in June, and certainly after July all except lubes and greases will go in bulk. The reduction in dry cargo space thus effected will undoubtedly be great enough so that the average monthly requirements of the rubber program during 1943 will not exceed 10,000 tons.

It has been requested that an estimate be made of the effect of reducing the tonnage allotment for the rubber program by 3,000 to 5,000 tons a month. Three thousand tons a month, during the next four or five months, represents so large a portion of the basic preparatory equipment that is being sent to the Amazon at the present time that its loss might completely stifle the Amazon rubber program. Unless this equipment is on hand in the Valley by May 1, in time for the opening of the 1943 tapping season, a very large share of the rubber expected to be secured in that area in 1943 can be written off as lost to the war effort.

The importance of the Amazon rubber program as compared with other sources of crude rubber in this Hemisphere is illustrated by the fact that 78% of all tree rubber expected to be imported from Latin America in 1943 will come from the Amazon area. It does not seem at all likely, moreover, that a diversion of effort from the Amazon to some nearer area of potential rubber development would even begin to offset the large tonnages which would be lost by slighting the Amazon program at this time.

Board of Economic Warfare  
Program Supply Branch

*Appendix A.*

February 1, 1943

SHIPPING PROGRAM

Bolivia

March - 1943

**SECRET**

		<u>Long Tons</u>
Naval Stores		10
Rubber and Rubber Products		5
Textiles (except jute bags)		25
Cotton Yarn	5	
Cotton Piece Goods	15	
Rayon Yarn	5	
Jute Bags		5
Lumber		400
Wood Manufactures		5
Newsprint		120
Paper and Paper Products		200
Lubricants (oils and greases)		300
Paraffin		175
Window Glass & Glass Products		100
Refractory Brick		50
Watson Geach (Tungsten Mine)	50	
Iron and Steel		1,200
Civilian Projects	200	
	1,000	
1. Bolivian International Mining	5	
2. Arramoyo de Minas	135	
3. Patino Minas	700	
4. Watson Geach	160	
Tinplate		90
Copper and Copper Products (Including Coins)		100
Machinery and Vehicles (Including Parts and accessories)		690
General Civilian		520
Electrical	20	
Industrial	150	
Agricultural	100	
Automobiles and Trucks	250	
Projects (all types of machinery)		170
1. Bolivian Internat'l Mining	10	
2. Patino Mines	50	
3. Villazon-Attacha Railroad (one locomotive)	110	
Chemicals and Drugs		150
Medicinals & Pharmaceuticals	5	
Soda Ash	30	
Other Industrial Chemicals (including copper sulphate)	45	
Paints, Pigments, and Varnishes	15	
Dynamite and Explosives (including blasting caps)	25	
Soap	10	
Other Chemicals	10	
Antofagasto Railroad		250
Bolivian Power Company		250
Latin American Airways		150
Miscellaneous		110
	TOTAL	4,500

SECRET

SHIPPING PROGRAM

Brazil

March 1943

		<u>Long tons</u>
Naval Stores		500
Rosin	300	
Turpentine (natural)	200	
Wood pulp		2,000
Newsprint		3,000
Coal		50,000
Lubricants (oils and greases)		100
Artificial turpentine		250
Window glass and glass products		400
Refractory brick		200
Sulphur		1,200
Iron and steel		12,000
Civilian	5,435	
Projects	6,565	
1. National Steel Mill	2,000	
2. Goodyear Tire and Rubber Company	45	
3. Electro-Chimica of Brazil	100	
4. Firestone Rubber Co.	60	
5. Itabira	4,000	
6. General Electric		
a. SP151, Plant Expansion, Rio de Janeiro	10	
b. SP#237, Lamp factory, Rio de Janeiro	100	
c. SP#307, Transformer Factory, Rio de Janeiro	50	
7. Sorocabana Railroad	200	
Tinplate		2,500
Copper and copper wire (Sorocabana Railroad)		40
Brass and other copper alloys		300
Lead		500
Zinc in bars and rods		400
Machinery and Vehicles (including parts and accessories)		1,825
Civilian		680
Electrical	80	
Industrial	100	
Agricultural	200	
Automobiles and Trucks	300	
Projects (all machinery and vehicles)		1,145
1. Industries Klobin	250	
2. National Steel Mill	400	
3. Electro-Chimica	150	
4. Sao Paulo Telephone Co.	15	
5. Sorocabana Railroad	120	
6. General Electric		
SP #142 Bela Horizonte	75	
SP #151 Plant expansion, Rio de Janeiro	10	
SP #237 Lamp factory, Rio de Janeiro	75	
SP #307 Transformer plant, Rio de Janeiro	50	
Chemicals and Drugs		3,735
Coal Tar Dyes	110	
Phenol	45	
Medicinals and Pharmaceuticals	75	
Lead arsenate	75	
Cellulose acetate	75	

SECRET

SHIPPING PROGRAM

Brazil

March 1943

		<u>Long tons</u>
Naval Stores		500
Rosin	300	
Turpentine (natural)	200	
Wood pulp		2,000
Newsprint		3,000
Coal		50,000
Lubricants (oils and greases)		100
Artificial turpentine		250
Window glass and glass products		400
Refractory brick		200
Sulphur		1,200
Iron and steel		12,000
Civilian	5,435	
Projects	6,565	
1. National Steel Mill	2,000	
2. Goodyear Tire and Rubber Company	45	
3. Electro-Chimica of Brazil	100	
4. Firestone Rubber Co.	60	
5. Itabira	4,000	
6. General Electric		
a. SP151, Plant Expansion, Rio de Janeiro	10	
b. SP#237, Lamp factory, Rio de Janeiro	100	
c. SP#307, Transformer Factory, Rio de Janeiro	50	
7. Sorocabana Railroad	200	
Tinplate		2,500
Copper and copper wire (Sorocabana Railroad)		40
Brass and other copper alloys		300
Lead		500
Zinc in bars and rods		400
Machinery and Vehicles (including parts and accessories)		1,825
Civilian		680
Electrical	80	
Industrial	100	
Agricultural	200	
Automobiles and Trucks	300	
Projects (all machinery and vehicles)		1,145
1. Industries Klobin	250	
2. National Steel Mill	400	
3. Electro-Chimica	150	
4. Sao Paulo Telephone Co.	15	
5. Sorocabana Railroad	120	
6. General Electric		
SP #142 Bela Horizonte	75	
SP #151 Plant expansion, Rio de Janeiro	10	
SP #237 Lamp factory, Rio de Janeiro	75	
SP #307 Transformer plant, Rio de Janeiro	50	
Chemicals and Drugs		3,735
Coal Tar Dyes	110	
Phenol	45	
Medicinals and Pharmaceuticals	75	
Lead arsenate	75	
Cellulose acetate	75	



Chemical specialties (other plastics materials)		20	
Formaldehyde		60	
Sodium sulphate		75	
Soda ash		1,000	
Caustic soda		1,500	
Zinc oxide		200	
Carbon black		75	
Titanium oxide		75	
Paints, pigments and varnishes		250	
Superphosphate (fertilizer)		-	
Other fertilizers		100	
Miscellaneous			165*
Quartz-mica program (entire unshipped balance of program)			100
Rubber Reserve (North Brazil only)			10,000
Lend-Lease Materials			7,600
Brazilian Airplane Engine Factory		4,100	
Rails	3,500		
Machinery	600		
Brazilian Military Commission		2,800	
Brazilian Naval Commission			
Brazilian Aeronautical Commission		500	
			<hr/>
		total	98,000

\* Give preference to photographic material, scientific and professional instruments, tanning extracts, and precision instruments.

SHIPPING PROGRAM

Chile

March, 1943

		<u>Long tons</u>
Textiles (except jute bags)		160
Cotton Yarn	50	
Cotton Piece Goods	75	
Woolen Piece Goods	10	
Rayon Yarn	25	
Jute Bags		50
Wood Pulp		500
Newsprint		400
Paper and Paper Manufactures		200
Lubricants (oils and greases)		250
Paraffin		150
Asbestos		220
Asphalt and Tar		50
Iron and Steel (except Tinplate)		4,775
Civilian	1,000	
Projects	3,775	
1. Chilean State Railway	* 2,155	
2. Braden Copper	760	
3. Andes Copper	300	
4. Chilean Exploration	500	
5. Bethlehem Chile Iron Mines	60	
Tinplate		500
Central Heating and Refrigerating Equipment		25
Nonferrous Metals		250
Machinery and Vehicles (including parts and accessories)		890
Civilian	490	
Electrical )	350	
Industrial )		
Agricultural	50	
Automobiles )	90	
Trucks )		
Projects	400	400
Chilean Trading Corp.	400	
Household and Office Machinery		25
Chemicals and Drugs		1,000
Medicinals and Pharmaceuticals	5	
Calcium Carbide	100	
Ammonia and Ammonia Compounds	300	
Pigments, Paints, and Varnishes	100	
Other Chemicals	495	
Photographic Equipment and Materials		25
X-Ray Films		5
Miscellaneous		500
Pan-American Airways		25
	** Total	10,000

\* 485 additional tons of iron and steel for the Chilean State Railways to be shipped on vessels chartered for the use of Corporacion de Fomento de la Produccion

\*\* Tonnage requirements of Corporacion de Fomento de la Produccion are not included in this total because of special shipping arrangements already made.



SHIPPING PROGRAM

Colombia

March, 1943

Long tons

Milk - powdered and condensed			30
Raw tobacco			4
Hops			15
Textiles			275
Prepared cotton or fibre yarn	40		
Cotton and wool thread	75		
Cotton cloth	40		
Cotton duck	35		
Wool yarn	35		
Rayon yarn	50		
Cork			4
Newsprint			437
Cigarette paper			30
Kraft paper			200
Cardboard paper			190
Other paper manufactures			70
Lubricating oils and greases			150
Paraffin			350
White cement			30
Window glass			25
Glass bottles (beverage and pharmaceutical)			25
Sanitary and porcelain ware			25
Refractory brick materials (fire brick, etc.)			100
Asbestos			30
Sulphur			25
Iron and Steel			2,900
*Civilian		2,365	
Projects		535	
1. S.P. 219 Tropical Oil Co.	120		
2. S.P. 286 Compania Minera Choco Pacifico	15		
3. S.P. 194 & 243 Intern'l Petro. Co.	400		240
Hardware, miscellaneous			50
Ferro-alloys			1,500
Tinplate			90
Nonferrous metal and manufactures			
Machinery and Vehicles (Including parts and accessories)			735
Civilian		600	
Electrical	75		
Industrial	250		
Agricultural	200		
Automobiles and Trucks	75		
Projects (all types of machinery)		135	
1. S.P. 114 Colombia Sugar Co.	50		
2. S.P. 219 Tropical Oil Co.	30		
3. S.P. 286 Choco Pacifico	5		
4. S.P. 194 & 243 Inter.Petro.Co.	50		
Chemicals and Drugs			1,130
Coal tar dyes	30		
Medicinals & pharmaceuticals	150**		
Copper sulphate	50		
Plastic materials	10		

Sulphuric acid	50	
Aluminum sulphate	25	Water purification
Chlorine	30	only
Calcium carbide	20	
Caustic soda	200	
Soda ash	100	
Paints, pigments, and varnishes	100	
Ammonium sulphate	50	
Potash salts	75	
Explosives	100	
Soap	50	
Other chemicals	90	
Miscellaneous***	450	
Pan American Airways	65	
	<u>9,200</u>	Total

\* Give preference to railway materials, to orders of Caja de Credito Agrario and to Ferrocarril de Pacifico for material for improvement of part of Buenaventura.

\*\* Give preference to extracts, alkaloids, serums, vaccines, vitamins, quinine, medicines, apo-therapeutics.

\*\*\* Give preference to office supplies, photographic supplies, transmission belting, rubber articles, and brushes, tires and tubes.

February 1, 1943

SHIPPING PROGRAM

Costa Rica

March - 1943

		<u>Long tons</u>
		555
Foodstuffs	20	
Lard	5	
Evaporated milk	475	
Wheat flour	40	
Sesolium	5	
Yeast	10	
Soybean oil		5
Naval Stores		20
Textiles (cotton textiles)		95
Newsprint		20
Wrapping paper		45
Other paper products		50
Gasoline and fuel oil		65
Lubricating oils		550
Cement		425
Iron and Steel	25	
Agricultural hand tools	215	
Other civilian	185	
Projects		
1. S.P. 86 Cia Nacional de Puresa y Luz	25	
2. S.P. 137 United Fruit Co. (Abaca)	160	
Nonferrous metals and alloys and ferrous-alloys		15
Machinery and Vehicles (including parts and accessories)		255
Civilian		125
Electrical	25	
Industrial	25	
Agricultural (no tractors)	50	
Automobile and truck parts and accessories	25	
Projects (all types of machinery)		130
1. S.P. 86 Cia Nacional de Puresa y Luz	20	
2. S.P. 137 United Fruit Co. (Abaca)	110	
Chemicals and Drugs		2
Medicinals and pharmaceuticals	100	
Copper sulphate	1	
Industrial acids	20	
Paints, pigments and varnishes	20	
Fertilizers	7	
Other chemicals		120
Miscellaneous		<u>30</u>
Pan American Airways		
	TOTAL	2,400

MEMORANDUM

TO :

FROM :

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SHIPPING PROGRAM

Cuba

March - 1943

		<u>Long tons</u>
Foodstuffs		22,000
Lard	2,000	
Rice	10,000	
Flour	6,000	
Other	4,000	
Naval Stores		200
Rubber and Rubber products		50
Seed potatoes		200
Textiles (except jute bags)		350
Jute bags		1,400
Lumber		1,600
Crates and cooperage		200
Other wood products		100
Wood pulp		500
Newsprint		700
Wrapping paper		200
Paper board and cardboard		500
Other paper products		200
Coal and coke		20,000
Petroleum products		690
Lubricating oil	400	
Vaseline	200	
Paraffin	80	
Other	10	
Cement (White)		100
Window glass		50
Glass bottles		350
Refractory brick		100
Sodium chloride (ordinary salt)		400
Iron and Steel (except tin plate)		4,000
Tin plate		700
Alloys, ferrous and nonferrous		75
Machinery and Vehicles (incl. parts & accessories)		525
Electrical	75	
Industrial	300	
Agricultural	75	
Automobiles & Trucks	75	
Chemicals and drugs		2,200
Medicinals and pharmaceuticals	80	
Disinfectants and insecticides	70	
Hydrochloric acid	80	
Soda Ash	200	
Caustic soda	400	
Calcium carbide	150	
Chemical salts	300	
Fertilizers	800	
(a) Ammonium sulphate	200	
(b) Superphosphate	400	
(c) Potassium chlorate	200	
Other chemicals and drugs	120	
Miscellaneous		1,500
Pan American Airways		<u>1,960</u>
	** Total	60,000

Ship according to ratings

\* Excludes Nicaro Nickel because of special shipping arrangements.

Should additional tonnage become available, preference should be given to sugar bags (jute or cotton) and to foodstuffs.

SECRET

1954

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SHIPPING PROGRAM

Dominican Republic

March, 1943

Canned Milk			10
Tallow			50
Flour			100
Rubber products			10
Seeds			15
Textiles			25
Bagging (jute and cotton)			25
Newspprint			35
Trapping paper			60
Paper bags			5
Cardboard			15
Other paper			20
Lubricating oils and greases			15
Kerosene			50
Other petroleum products			10
Cement			300
Window glass and glass products			50
Asphalt			50
Iron and steel			450
Civilian (including hardware)		250	
Projects		200	
S.P.R. Sugar Co.	75		
Porcella, Vincini Co.	55		
Cuban-Dominican Sales Corp.	50		
James Brown	20		
Tinplate			20
Nonferrous ores, metals, and alloys			15
Machinery and vehicles (including parts and accessories)			165
Civilian		75	
Electrical	15		
Industrial	25		
Agricultural	15		
Trucks and parts	20		
Projects (all types of machinery)		90	
Porcella, Vincini Co.	20		
Cuban, Dominican Sales Corp.	60		
James Brown	10		
Chemical and Drugs			185
Civilian		160	
Sulphuric Acid	20		
Soda Ash	10		
Caustic soda	40		
Paints, pigments, and varnishes	30		
Soap	25		
All others	35		
Projects (All chemicals and drugs)		25	
Cuban Dominican Sales Corp.	25		
Miscellaneous			160
Civilian		95	
Projects		65	
S.P.R. Sugar Co.	25		
Cuban Dominican Sales Corp.	30		
James Brown	10		
Pan American Airways			100
		Total	2,000

Should additional tonnage be available, goods may be loaded freely without reference to the above breakdown.



SHIPPING PROGRAM

Ecuador

March, 1943

		<u>Long tons</u>
Foodstuffs (exclude flour)		70
Cereal grains products	35	
Other food products	35	
Naval Stores		120
Textiles and Textile manufactures		25
Newsprint		130
Paper and paper manufactures		25
Lubricants (oils and greases)		35
Paraffin		100
Window glass and glass products		25
Refractory brick (for La Cemento Nacional)		10
Asphalt and roofing		10
Iron and steel		860
Civilian (includes agricultural hand implements)		550
Projects		310
1. Cotopaxi Exploration Co.	150	
2. Intern'l Petroleum	160	
Bathroom fixtures		35
Copper and Aluminum products		10
Machinery and Vehicles (including parts and accessories)		285
Civilian	255	
Electrical	15	
Industrial	100	
Agricultural	25	
Automobiles & Trucks	115	
Projects		30
Cotopaxi Exploration Co.	10	
Intern'l Petroleum	20	
Chemicals and drugs		200
Medicinals and Pharmaceuticals	10	
Insecticides and Fungicides	10	
Caustic Soda	20	
Soda Ash	15	
Other Industrial Chemicals	40	
Pigments, paints and varnishes	75	
Explosives	20	
Other Chemicals (including soap)	10	
Miscellaneous		105
Pan American		<u>10</u>
		2,055

SECRET

CONFIDENTIAL

March 1945

Item No.	Description	Quantity	Unit	Remarks
1	Iron and steel	100	tons	
2	Aluminum	50	tons	
3	Asphalt and roofing	200	tons	
4	Gasoline	1000	gallons	
5	Motor oil	500	gallons	
6	Automotive tires	1000	pieces	
7	Automotive parts	500	pieces	
8	Automotive accessories	1000	pieces	
9	Automotive repair kits	500	kits	
10	Automotive tools	100	sets	
11	Automotive equipment	50	sets	
12	Automotive accessories	1000	pieces	
13	Automotive repair kits	500	kits	
14	Automotive tools	100	sets	
15	Automotive equipment	50	sets	
16	Automotive accessories	1000	pieces	
17	Automotive repair kits	500	kits	
18	Automotive tools	100	sets	
19	Automotive equipment	50	sets	
20	Automotive accessories	1000	pieces	
21	Automotive repair kits	500	kits	
22	Automotive tools	100	sets	
23	Automotive equipment	50	sets	
24	Automotive accessories	1000	pieces	
25	Automotive repair kits	500	kits	
26	Automotive tools	100	sets	
27	Automotive equipment	50	sets	
28	Automotive accessories	1000	pieces	
29	Automotive repair kits	500	kits	
30	Automotive tools	100	sets	
31	Automotive equipment	50	sets	
32	Automotive accessories	1000	pieces	
33	Automotive repair kits	500	kits	
34	Automotive tools	100	sets	
35	Automotive equipment	50	sets	
36	Automotive accessories	1000	pieces	
37	Automotive repair kits	500	kits	
38	Automotive tools	100	sets	
39	Automotive equipment	50	sets	
40	Automotive accessories	1000	pieces	
41	Automotive repair kits	500	kits	
42	Automotive tools	100	sets	
43	Automotive equipment	50	sets	
44	Automotive accessories	1000	pieces	
45	Automotive repair kits	500	kits	
46	Automotive tools	100	sets	
47	Automotive equipment	50	sets	
48	Automotive accessories	1000	pieces	
49	Automotive repair kits	500	kits	
50	Automotive tools	100	sets	
51	Automotive equipment	50	sets	
52	Automotive accessories	1000	pieces	
53	Automotive repair kits	500	kits	
54	Automotive tools	100	sets	
55	Automotive equipment	50	sets	
56	Automotive accessories	1000	pieces	
57	Automotive repair kits	500	kits	
58	Automotive tools	100	sets	
59	Automotive equipment	50	sets	
60	Automotive accessories	1000	pieces	
61	Automotive repair kits	500	kits	
62	Automotive tools	100	sets	
63	Automotive equipment	50	sets	
64	Automotive accessories	1000	pieces	
65	Automotive repair kits	500	kits	
66	Automotive tools	100	sets	
67	Automotive equipment	50	sets	
68	Automotive accessories	1000	pieces	
69	Automotive repair kits	500	kits	
70	Automotive tools	100	sets	
71	Automotive equipment	50	sets	
72	Automotive accessories	1000	pieces	
73	Automotive repair kits	500	kits	
74	Automotive tools	100	sets	
75	Automotive equipment	50	sets	
76	Automotive accessories	1000	pieces	
77	Automotive repair kits	500	kits	
78	Automotive tools	100	sets	
79	Automotive equipment	50	sets	
80	Automotive accessories	1000	pieces	
81	Automotive repair kits	500	kits	
82	Automotive tools	100	sets	
83	Automotive equipment	50	sets	
84	Automotive accessories	1000	pieces	
85	Automotive repair kits	500	kits	
86	Automotive tools	100	sets	
87	Automotive equipment	50	sets	
88	Automotive accessories	1000	pieces	
89	Automotive repair kits	500	kits	
90	Automotive tools	100	sets	
91	Automotive equipment	50	sets	
92	Automotive accessories	1000	pieces	
93	Automotive repair kits	500	kits	
94	Automotive tools	100	sets	
95	Automotive equipment	50	sets	
96	Automotive accessories	1000	pieces	
97	Automotive repair kits	500	kits	
98	Automotive tools	100	sets	
99	Automotive equipment	50	sets	
100	Automotive accessories	1000	pieces	

Board of Economic Warfare  
Program Supply Branch

SHIPPING PROGRAM

Guatemala

March, 1943

		<u>Long tons</u>
Foodstuffs		775
Wheat Flour	650	
Other	125	
Rubber products (truck tires, etc.)		5
Hops and malt		35
Textiles		119
Cotton yarn	16	
Wool yarn	1	
Rayon yarn	2	
All other	100	
Jute Bags and bagging		85
Newsprint		120
Paper manufacturers		42
Coal and coke		10
Lubricants (oils and grease)		140
Paraffin		35
Lime		290
Glass and glass products		65
Iron and Steel		705
Civilian (Incl. 25 tons of hand tools)	445	
Inter R.R. of Central America	260	
Copper, brass, bronze, items		3
Machinery and Vehicles (Incl. parts and accessories)		171
Electrical	16	
Industrial	120	
R.R. equipment	100	
Agricultural	25	
Auto & trucks (parts and accessories only)	10	
Chemicals and Drugs		770
Medicinals & pharmaceuticals	10	
Copper sulphate	700	
Soda ash or caustic Soda	30	
Paints, pigments, varnishes	10	
Other chemicals	20	
Matches		10
Pan-American		230
Miscellaneous		190
	<b>Total</b>	<b>3,800</b>

Board of Economic Warfare  
Program Supply Branch

February 1, 1943

SHIPPING PROGRAM

Haiti

March - 1943

		<u>Long Tons</u>
Foodstuffs (excluding flour)		100
Flour		400
Cotton piece goods		130
Other Textiles		20
Jute bags		47
Newsprint		10
Wrapping paper		10
Other paper		10
Petroleum products (in packages)		40
Fuel oils	25	
Lubricating oils	10	
Other	5	
Cement		450
Government	250	
Civilian	100	
Projects	100	
Shada*	90	
La Plant acion Dauphin	10	
Clay Products		5
Glass and glass products		15
Iron and Steel		145
Civilian	85	
Projects	60	
Shada	30	
La Plant acion Dauphin	30	
Machinery and Vehicles (including parts and accessories).		45
Civilian	30	
Industrial	10	
Electrical	5	
Agricultural	5	
Trucks and parts	10	
Projects (all types of machinery)	15	
Chemicals and Drugs		168
Shada	15	
Civilian	153	
Copper Sulphate	23	
Paints and Pigments	10	
Fertilizers	8	
Ammonia sulphate	7	
Potash salts	1	
Soap	100	
Other chemicals and drugs	12	
Miscellaneous		85
Pan-American Airways		20
		TOTAL <u>1,700</u>

SHADA - Haitian American Development Corporation

SHIPPING PROGRAM

Honduras

March - 1943

Long Tons

Foodstuffs		500
Flour	100	
Wheat	200	
Other Foods	200	
Rubber and rubber products (tires, etc.)		10
Textiles		80
Bags		20
Lumber, includ. railroad tires		100
Newsprint		10
Paper products		80
Motor Fuels		50
Lubricants (oils and greases)		25
Paraffin		15
Cement		200
Lime		170
Glass and glass products		25
Iron and Steel		300
Tels Railroad	200	
Civilian	100	
Machinery, Vehicles (incl. parts and accessories)		55
Electrical	8	
Industrial	25	
Agricultural	12	
Auto and trucks	10	
Chemicals and Drugs		725
Medicinals and pharmaceuticals	10	
Copper sulphate	600	
Calcium Carbide	4	
Pigments, paints, etc	10	
Superphosphate	50	
Dynamite and explosives	25	
Other Chemicals	25	
Matches		5
Pan American		5
Miscellaneous		<u>100</u>
TOTAL		2,500

Board of Economic Warfare  
Program Supply Branch

February 1, 1943

SHIPPING PROGRAM

Nicaragua

March - 1943

	<u>Long Tons</u>
Flour	350
Leather	3
Rubber products	5
Tobacco	10
Textiles	100
Bagging (cotton or jute)	10
Newsprint	40
Paper manufactures	30
Gasoline and fuel oil	50
Lubricants	25
Glass ware and china ware	15
Iron and Steel	225
Ferro-alloys and nonferrous metals and alloys	20
Machinery and Vehicles (including parts and accessories)	150
Electrical	20
Industrial	70
Agricultural	40
Automobiles and trucks	20
Chemicals and Drugs	177
Medicinals and pharmaceuticals	12
Calcium carbide	50
Cyanide	25
Soda ash or caustic soda	30
Paints, pigments and varnishes	10
Dynamite	25
Soap	10
Other chemicals	15
Miscellaneous	65
Pan American Airways	25
TOTAL	1,300



SHIPPING PROGRAM

Panama

March - 1943

		<u>Long Tons</u>
Foodstuffs		3,200
Preserved meats (ham and bacon, etc.)	60	
Lard	100	
Evaporated milk	180	
Other dairy products (margarine, butter, powdered milk, cheese, etc., etc.)	200	
Polled Oats	130	
Wheat flour	1,000	
Dried vegetables	150	
Onions	130	
Potatoes	250	
Canned soups, tomato sauce, crackers fruit juices	570	
Others (apples, jams, spices, vegetables oils, fresh vegetables)	260	
Malt	150	
Leather manufactures		30
Rubber products		20
Tobacco manufactures		90
Textiles		175
Cotton textiles	95	
Other textile materials	80	
Lumber		600
Wood products		50
Newsprint		245
Freight paper		90
Paper manufactures		500
Other papers		170
Lubricating oils		300
Cement		1,000
Lime		200
Glass bottles		300
Other glass products		90
Iron and steel		600
Civilian	360	
United Fruit Co. Abaca Project	220	
Machinery and vehicles (including parts and accessories)		290
Civilian	140	
Electrical	20	
Industrial	10	
Agricultural	70	
Trucks and automobiles	40	
Projects (all types of machinery)	150	
Abaca Project	150	
Chemicals and Drugs		620
Medicinals and pharmaceuticals	10	
Copper sulphate	150	
Soda Ash	10	
Caustic soda	20	
Paints, pigments and varnishes	45	
Ammonium sulphate	60	
Mixed fertilizers	140	
Soap	30	
Other chemicals	155	
Other raw materials		160
Miscellaneous		250
Pan American Airways		20
	TOTAL	<u>9,000</u>

No whiskey to be shipped.

On additional tonnage, give preference to foodstuffs.

SHIPPING PROGRAM

Paraguay

March - 1943

		<u>Long Tons</u>
Textiles		10
Cotton manufactures	5	
Vegetable fibers and manufactures	5	
Newsprint		12
Paper manufactures		30
Tobacco manufactures		5
Lubricating oils and greases		15
Paraffin		5
Glass and glass products		15
Non-metallic minerals		10
Iron and steel (exclusive of tinplate)		133
Tinplate		175
Machinery and vehicles (parts and accessories)		25
Electrical	5	
Industrial	5	
Agricultural	10	
Auto and trucks	5	
Chemicals		40
Miscellaneous		25
	TOTAL	<u>500</u>

Board of Economic Warfare  
Program Supply Branch

SHIPPING PROGRAM

Peru

March, 1943

		<u>Long tons</u>
Fats and oils (lard, margarine cooking oils, etc.)		30
Other food stuffs (excluding rice and flour)		100
Rubber and rubber products		40
Textiles		40
Cotton duck	5	
Cotton piece goods	5	
Wool manufactures	2	
Rayon and rayon yarn	28	
Lumber		1400
Civilian	200	
Cerro de Pasco	900	
Other mines	300	
Wood Pulp		25*
Newsprint		400
Paper and paper manufactures		125
Lubricants (oils and greases)		40
Paraffin		10
Window glass and other glass products		50
Refractory brick and materials		75
Iron and Steel		1800
Civilian	400	
Projects	1400	
1. A. F. Wiese	10	
2. Cerro de Pasco	500	
3. American Smelting	100	
4. International Petroleum	450	
5. Vanadium Corp.	150	
6. Com. Minera Pacaurco	40	
7. Central Railroad of Peru	150	
Bathroom fixtures		25
Tinplate		200
Copper, aluminum, and other nonferrous metals		50
Machinery and vehicles (including parts and accessories)		1540
Civilian		600
Electrical	50	
Industrial	100	
Agricultural	150	
Automobile (parts only)	100	
Trucks	200	
Projects (all machinery, vehicles & parts)		940
1. Goodyear	250	
2. Vanadium Corp.	50	
3. Com. Minera Pacaurco	10	
4. Cerro de Pasco	120	
5. Other mines	110	
6. Central Railroad	200	
7. Internation Petro.	200	
Chemicals and Drugs		550
Medicinals and pharmaceuticals	10	
Insecticides (for agriculture)	50	
Dyes	30	
Soda Ash	125	
Caustic Soda	90	
Paints, pigments, and varnishes	40	

SHIPPING PROGRAM

El Salvador

March, 1943

Long tons

Foodstuffs			
Dairy products			740
Wheat	1		
Flour	540		
Malt & other grains	170		
Baby foods	21		
Yeast	3		
Spices	3		
Hides, skins, and leather	2		
Stearins			5
Linseed Oil			6
Rubber manufactures, tires, etc.			3
Seeds			7
Textiles			1
Cotton piece goods	88		125
Sewing threads	10		
Bagging	12		
Other textiles	15		
Newsprint		1	100
Cigarette paper			2
Other paper products			20
Coal and coke			50
Lubricants			5
Paraffin			25
Cement			36
Lime			10
Porcelain sanitary supplies			5
Sulphur			6
Iron & steel			200
Nonferrous metals, alloys and ores			3
Machinery and Vehicles (including parts and accessories)			65
Electrical	10		
Industrial	25		
Textile	4		
Railway	17		
Coffee Mill	2		
Domestic sewing machines	2		
Agricultural	20		
Automobiles and trucks	10		
Chemicals and drugs			93
Aniline dyes	2		
Medicinals and pharmaceuticals	5		
Bicarbonste of soda	1		
Sulphuric acid	1		
Calcium carbide	1		
Sodium cyanide	20		
Caustic soda	20		
Fertilizer			
Superphosphate	40		
Other chemicals	5		
Matches			8
Miscellaneous			80
Pan American Airways			5
			<hr/>
		Total	1,600

SHIPPING PROGRAM

Uruguay

March - 1943

		Long Tons
Glucose		25
Potato starch		10
Naval Stores		220
Rosin	200	
Turpentine	20	
Tanning Materials		25
Packing and gaskets		2
Seeds (vegetables)		20
Tobacco		10
Textiles		107
Cotton yarn	25	
Cotton cards and camelback for tires	50	
Rayon	30	
Vegetable fibers for brushes	2	
Wood pulp		350
Wood manufactures (wood in-steps for shoes)		2
Sawspint		800
Coal		3,000
Lubricant (oils and greases)		300
Paraffin		20
Vaseline		20
Refractory materials		25
Abrasives		10
Carbon and graphite electrodes		5
Graphite		3
Fluor spar		5
Iron and steel (excluding tinplate but including 25 tons of hand tools)		1,800
Tinplate		2,000
Ferro-alloys		50
Copper, in all forms		100
Brass and bronze manufactures		10
Lead solder		2
Lead manufactures		5
Tin (sheets or ingots)		30
Zinc		50
Babbitt metal		1
Antimony		3
Machinery and Vehicles (including parts and accessories)		475
Electrical		75
Storage batteries and accessories	20	
Other	55	
Industrial		150
Agricultural		200
Automobiles and Trucks		50
Chemicals and Drugs		590
Naphthalene		2
Coal tar dyes		20
Medicinals and pharmaceuticals		50
Insecticides		5
Lead arsenate		5
Arsenic		150

	<u>Long tons</u>	<u>Long Tons</u>
Cresylic acid	50	
Boiler compound	3	
Acetic acid	15	
Citric acid	2	
Formic acid	7	
Tetrachloroethylene & Trichloroethylene	5	
Acetone	3	
Formaldehyde	3	
Carbon Tetrachloride	20	
Synthetic resins (plastics)	5	
Calcium chloride	50	
Calcium sulphide	5	
Bichromates	15	
Caustic potash	5	
Sodium sulphide	30	
Sodium sulphite	3	
Sodium bisulphite	5	
Sodium hydrosulphite	8	
Rare gases (argon, argon)	5	
Barium peroxide	2	
Pigments, paints & varnishes	50	
Lithopone	30	
Paint thinners & solvents	5	
Paints & varnishes for leather	2	
Zinc oxide	10	
Sodium chlorate or potassium chlorate	10	
Dynamite	5	
Dental materials	2	
Manganese dioxide	2	
Essences in general	1	
Ink (printing)		20
Asphalt, felt (roofing)		25
Miscellaneous		430
Materials for packing houses		250
Paper		
Spices		
Chemicals		
Machinery		
	<b>TOTAL</b>	<b>16,000</b>

SHIPPING PROGRAM

Venezuela

March, 1943

	<u>Long Tons</u>
Milk, powdered, evaporated, condensed	300
Crushed oats	30
Flour	1,350
Malt	200
Tanned leather	40
Rubber and rubber products	20
Naval stores	115
Seeds, seed potatoes, and other seeds	150
Textiles	262
Sewing thread	20
Shoemakers' thread	2
Cotton duck	70
Cotton fabrics	140
Rayon yarn	30
Wood pulp	330
Newsprint	250
Cardboard in pulp	137
Waterproof paper	7
Paper cartons	33
Toilet paper	10
Other paper products	150
Coke (carbon coke)	40
Lubricants (oils and greases)	100
Paraffin	190
Portland cement	1,000
White cement	100
Glass and glass manufactures	50
Refractory brick and materials	140
Abrasives	5
Graphite electrodes	30
Iron and steel	2,500
Civilian	1,320
Projects	1,180
1. SP 288 Int. Gen. Electric, La Guaria Power plant	30
2. SP 158 Texas Petro. Co.	50
3. SP 172 Asiatic Petro. Co. -Caribbean Petro.	90
SP 173 " " " -Venez.Oil Concess. Ltd.	280
SP 174 " " " -Colon Devel. Co.	20
SP 175 " " " -Petro. Utensiles Co.	10
4. SP 240 Socony	700
Small Tools	20
Tinplate	200
Copper manufactures	120
Copper alloys	4
Lead and manufactures	45
Machinery and Vehicles (including parts and accessories)	1,944
Civilian	1,245
Electrical	100
Industrial	310
Textile	50
Transmission belting	10
Mining equipment	58
Telephone and telegraph	42
Railways	50
Water filters	15
General Industrial	85

Agricultural	535	
Automobile (parts only)	100	
Trucks	200	
Projects		699
1. #105 Alfredo Savard & Co. Caustic Soda and Chlorine plant	32	
2. #276 Industria Lactis Powder milk plant	72	
3. #288 Int. Cen. Elec. Power plant expansion	120	
4. #158 Texas Petro Co.	75	
5. #172 Asiatic Petro-Caribbean Petro.	20	
#173 " " -Venez. Oil Commissions Ltd.	65	
#174 Asiatic Petro. -Colon Dev. Co.	10	
#175 " " -Petro. Utensiles Co.	5	
#240 Socony	300	
Printing Apparatus and Material		30
Chemicals and Drugs		1,180
Medicinals and pharmaceuticals, (Including absorbent cotton)		30
Disinfectants		15
Copper sulphate		12
Acetic acid		10
Muriatic acid		10
Sulphuric acid		110
Calcium carbide		50
Sodium salts		220
Soda ash		235
Caustic soda		150
Anhydrous Ammonia		12
Chlorine		10
Paints, pigments, and varnishes		100
Ammonium sulphate		30
Potassium salts		13
Dynamite, caps, and fuses		50
Tooth paste		4
Other chemicals		100
Instruments for arts and trades		40
Clinical and laboratory apparatus		40
Crown caps		25
Matches		107
Miscellaneous		630
Pan-American Airways		70
	<u>TOTAL</u>	<u>12,000</u>

Allocate additional shipping to foodstuffs and project material.



*Royal Norwegian Embassy*  
WASHINGTON, D. C.

February 25, -43.

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

Dear Mr. Morgenthau:

May I in this way thank you for the statement you have made in regard to the 3rd Anniversary of the invasion of Norway.

As soon as the special publication is off the press I shall be delighted to send you some copies of it.

Faithfully yours

*Hans Olav*

Hans Olav  
Counselor of Embassy.

HO/ba

February 22, 1943.

Dear Mr. Olav:

I refer to your letter of February 16 in which you suggested that I send you a brief statement on the subject of Norwegian participation in the cause of the United Nations which might be incorporated in a booklet for distribution by the Royal Norwegian Information Service.

Such a statement is enclosed and I am happy indeed to be offered the opportunity of making it.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Hans Olav,  
Counsellor, Royal Norwegian Embassy,  
Washington, D. C.

File to Thompson

Photo file in Diary

Statement of Henry Morgenthau, Jr., Secretary of the Treasury,  
for the use of the Royal Norwegian Information Service.

The saga of Norwegian courage under the Nazi yoke during the past three years has been a source of inspiration for all of us engaged in the global struggle against the Axis. Facing tremendous odds, the people of Norway have shown by their organized resistance how dearly they cherish the freedom that temporarily has been taken from them.

The people of the United States are proud to have as allies, too, the brave young men of Norway who have escaped from their imprisoned homeland in order to carry on the fight for deliverance from the outside. The gallant manner in which they are shouldering their full share of the burden in their own Merchant Marine, Navy and Air Force stirs us to do everything humanly possible to hasten the day of that deliverance.

Royal Norwegian Embassy

WASHINGTON, D. C.

February 16, 1943

Hon. Henry Morgenthau, Jr.  
Washington, D. C.

Dear Mr. Morgenthau:

On April 9th, 1943, it will be three years since the Germans launched their surprise attack on Norway, and in this connection the Royal Norwegian Information Service plans to issue a booklet containing statements by a number of representative Americans regarding the Norwegian war effort.

Ever since the invasion the Norwegians have been fighting the enemy on two fronts -- within the country and from abroad. Among Norwegians there have come to be known as the "home front" and the "outer" or "external front."

King Haakon and the Royal Norwegian Government, now situated in London, have been directing the fight from abroad under an express mandate given them by the last free Norwegian parliament. Fighting today on Norway's external front, and side-by-side with Americans, British and other Allies, are the Norwegian Merchant marine, the Royal Norwegian Navy and the Royal Norwegian Air Force. At stations in England and Scotland the Royal Norwegian Army is ready for the call to action. Both the Navy, Air Force and Army have been completely reorganized, re-equipped and retrained during these three years, and to a large extent the recruits for these services have been drawn from the young men who mainly through their own resourcefulness have succeeded in escaping from occupied Norway.

On the home front more than 98% of the people have consistently stood firm in their opposition to the Germans and to Quisling, despite privation and terror. Both as individuals and as members of groups or organizations the Norwegians have remained loyal to the ideals of democracy and freedom. You have doubtlessly read of the courageous fights that have been and are being made against the Nazis by the Church of Norway, by organized labor, by athletic organizations, by the school teachers, doctors, lawyers, publishers and virtually all other professions, and even by the children.

We should greatly appreciate receiving from you a brief, preferably informal statement of about 100-200 words regarding Norway's fight (or any phase of it that has been of particular interest to you) for inclusion in our projected booklet. Besides being made available for general distribution, this publication will be spread among members of the Norwegian fighting forces and of the merchant marine. An effort will also be made to send some copies into occupied Norway.

The United States Office of War Information has expressed interest in this plan and has requested use of the statements received for radio broadcasts to occupied Norway.

Would you kindly let me know whether it will be possible for you to cooperate in this project? If so, it will be necessary that your statement reaches us not later than March 1st.

Thank you for your kind attention.

Yours very truly,

*Hans Olav*  
Hans Olav, Counsellor

NOT TO BE RE-TRANSMITTEDBRITISH MOST SECRET  
U.S. SECRETOPTEL No. 6ATREASURY  
COPY  
DEPARTMENT  
1943 FEB 26 AM 10 13  
ASURY

Information received up to 7 A.M., 25th February, 1943.

1. NAVAL

Russian warships have sunk an enemy 8,000 ton transport in the BARENTS Area.

2. MILITARY

TUNISIA. No further report yet received.

RUSSIA. Russian thrusts towards OREL from the South have been supplemented by pressure from the North. Along the Northern flank of the salient in the DONETS Bend German counterattacks combined possibly with thaw conditions appear to have checked Russian progress. Russian attacks along the River MIUS Front north of TAGANROG are meeting strong German resistance.

3. AIR OPERATIONS

WESTERN FRONT. 24th/25th. 119 aircraft were sent out - WILHELMSHAVEN 115 (1 crashed), RUHR Area 4. The attack on WILHELMSHAVEN was made through thick cloud.

TUNISIA. 22nd/23rd. Wellingtons bombed BIZERTE, one is missing. 23rd 166 Bomber and over 400 Fighter sorties were flown in support of ground forces in the KASSERINE Pass area. During anti-shipping operations 5 barges carrying lorries were sunk and others damaged. Enemy casualties 4, 2, 3. Allied 8, nil, 5.

SICILY. 22nd/23rd. 27 bombers attacked PALERMO and shipping in the Harbour. 23rd. About 25 tons of bombs were dropped at MESSINA. The train ferry terminus was hit and elsewhere considerable damage was claimed.

MEDITERRANEAN. 22nd. Escorted U.S. Mitchells sank a large ship between SICILY and TUNISIA. 24th/25th. A large ship in an escorted convoy is reported to have been torpedoed and sunk off SICILY by a Wellington.

LATE NEWS.

TUNISIA. 23rd. Centre. Enemy withdrawing KASSERINE GAP. At 6 p.m. Valley two miles northwest of Pass reported clear, 300 Italians captured. North. Light enemy attack in West OUSSELTIA Valley successfully held.

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRET  
U.S. SECRETOPT. No. 70

Following is supplementary resume of operational events covering the period 18th - 25th February, 1943:

1. NAVAL

One of H.M. Cruisers on passage to ICELAND (C) sustained considerable damage from weather on 19th. Photographic reconnaissance confirms the presence of most of the German heavy ships in BALTIC or German North Sea ports. GNEISENAU at GYDNIA and the uncompleted 8" cruiser SEYDLITZ at BREMEN seem to have been dismantled. Photographs of building yards suggest that the rate of U-boat building remains fairly constant.

MEDITERRANEAN. Convoys of 9 and 6 ships have arrived at TRIPOLI (L) and MALTA respectively during the week. Reports received during week of 9 enemy ships torpedoed by H.M. Submarines. By end of January 110 ships in all had been transferred to Italian ports from South of France since enemy occupation. Some have already been identified in service to TUNISIA.

SUBMARINE WARFARE. Week ending 24th. Two attacks on convoys took place in Mid-Atlantic. 27 attacks on U-Boats by surface and 4 by aircraft during same period of which 6 by surface craft and 3 by aircraft are considered promising.

SHIPPING CASUALTIES. During the week 20th-26th inclusive 19 ships were reported to have been torpedoed. Four British (1 a tanker), 4 Norwegian (Two tankers) 3 U.S. ships, and one Panamanian tanker were torpedoed in attacks on an outward bound convoy in the NORTH ATLANTIC. One U.S. ship and a Panamanian tanker (still afloat) also in convoy, were torpedoed in N.W. Approaches, a British ship was torpedoed N.E. of the Azores, a British tanker S. of Madeira, a Brazilian ship N.E. of BRAZIL, a British ship E. of CAPE AGHULAS and a U.S. ship, which was towed into port. In the MEDITERRANEAN, in addition, a British ship was damaged by aircraft in ALGIERS Harbour.

TRADE. Imports in convoy into UNITED KINGDOM week ending 20th 431,000 tons, of which 163,000 oil. Of 300 ships totalling about 900,000 tons in FRENCH MEDITERRANEAN ports on German occupation reported that only about 50,000 tons will remain under French control exclusively for Corsican trade. Except for ships required by Germans for Spanish trade, all others are being sent to Italian ports where they will be divided between Germans and Italians.

2. MILITARY

TUNISIA. 8th Army. The general line of Eighth Army is now within 6 miles of MARETH. Maintenance of our forward forces through TRIPOLI port is sufficient for present scale of operations and numbers troops involved. The 8th Army came under command of General Alexander in TUNISIA on 20th. General Wilson succeeded General Alexander as Commander in Chief Middle East on 16th.

First Army. One of reasons for withdrawal by enemy forces KASSERINE area is threat to MARETH positions by 8th Army. French Forces in Central Sector are tired and their maintenance is very stretched but remain in good heart. U.S. and British Forces engaged in fighting last week have been mixed and intention is to reorganize under normal separate national and formation commands as soon as possible. Large part of losses during U.S. withdrawal made good.

FAR EAST. BURMA. North of DONBAIK Japanese counter-attack supported by mortar fire has forced our troops to withdraw slightly. RATHADAUNG front no change. Small enemy forces have been active in KALADAN VALLEY.

FRANCE. Four more divisions (S.S. Totenkopf, 327, 333, and 319 Infantry Divisions) have left, reducing German divisions FRANCE and Low Countries to 30. First 3 already identified RUSSIA, 4th may be in GERMANY on route *there*

3. AIR OPERATIONS.

WESTERN FRONT. DAY. Chief events U.S. Fortress attack WILHELMSHAVEN and R.A.F. Ventura attack DUNKIRK docks with primary objective German armed raider.

NIGHT. Out of 1160 Sorties, 20 aircraft los. Four main attacks BREMEN, WILHELMSHAVEN, NUREMBURG and COLOGNE. 222 sea mines laid, 3 aircraft missing. Coastal Command aircraft attacked 2 convoys off DUTCH COAST, 3 ships totalling about 3,500 tons hit.

NORTH AFRICA. Air operations chiefly in support of our troops during operations in KASSERINE PASS area. Bombing attacks were made on MARATH line combined with heavy bombing of GABES area.

MEDITERRANEAN. Particularly successful week against enemy shipping by R.A.F. and F.A.A. aircraft from MALTA and R.A.F. and U.S. medium bombers from NORTH AFRICA, 14 ships either sunk or seriously damaged, including one cruiser damaged, two escort vessels probably sunk and one 10,000 ton tanker sunk. Numerous attacks by day and night on industry, docks, airfields and railways in SICILY and on mainland.

RUSSIA. Air operations over whole front seem to have been restricted by weather but considerable activity maintained in Caucasus where Russians probably have air superiority over TAMAN bridgehead and have repeatedly attacked coastal towns. Germans making considerable use transport aircraft this area for evacuation superfluous personnel and wounded.

4. EXTRACTS FROM PHOTOGRAPHIC AND INTELLIGENCE REPORTS ON RESULTS OF AIR ATTACKS ON ENEMY TERRITORY IN EUROPE.

MILAN. 14th/15th February. Extensive material damage to centre of town and factories. Heavy casualties increased by panic. One station hit causing interruption railway services, goods station also hit. Two hotels near main station, one with light A/A battery on roof, completely demolished. ISOTTA, BIANCHI, CAPRONI and BROWN BOVERI factories reported damaged.

SPEZIA. Photographs confirm damage to buildings on quay and in anti-submarine base.

TOURS. Photographs confirm damage to engine sheds and adjacent building, rolling stock and railway workshops.

5. HOME SECURITY.

Estimated civilian casualties week ending 24th - Killed 13, seriously wounded 14.

February 26, 1943  
9:48 a.m.

HMJr: Hello.

Clarence  
Francis: Mr. Secretary. Good morning.

HMJr: Hello, Mr. Francis.

F: Say, we had a - I had a talk with Bill last night and gave him the green light.

HMJr: Wonderful.

F: Now the - the thing that I just wanted to clear is - in your mind - I'm sure you understand it, and that is that we never tell anybody to do a thing.

HMJr: I understand.

F: We leave it entirely for his own final decision.

HMJr: I understand.

F: But so far as we're concerned, he's got the green light for 1943 on the basis that you and I talked.

HMJr: Well, did you get the impression this is something he wants to do?

F: Oh, yes, yes. He is - he's quite - well, apparently since your talk with him the other night....

HMJr: Yes.

F: ....his mind has been turning on organization....

HMJr: Yes.

F: ....size of - of the task, the kind and type of men....

HMJr: Right.

F: ....the availability of the men....

HMJr: Yes.



- 2 -

F: ....can he get the men....

HMJr: Yes.

F: ....what will be the attitude of the public and others on having a man not skilled in finance....

HMJr: Yes.

F: ....heading it....

HMJr: Yes.

F: ....and he's got many things of those, all of which seem very sound questions and which have to be met....

HMJr: Yes.

F: ....which can be met.

HMJr: Yes.

F: But I thought his approach to it was very sound, and I suppose we talked for a half an hour and - and developed different points.

HMJr: Good.

F: So my guess is -- and I don't want to anticipate him any....

HMJr: No.

F: ....is that he will want to talk with you. I think it would be advisable to - to talk with him, and that he just wants to settle and come back and have us sit down over the different problems of organization to see whether he can enlist help of various people, not just ourselves, in getting the right kind of people....

HMJr: Fine.

F: ....for it, and that's what I think he's going to want, and I think he's going to - I think without any question he will indicate to you very definite interest, but he was most sincere in your - for your welfare, the Government's welfare, to be very sure that every point has been looked at and - before any announcement is made or anything really done.

- 3 -

HMJr: Have you any doubt in your mind he can do the job?

F: No, sir.

HMJr: No.

F: No, as I visualize the job, it's - it's the setting of a national organization right down to the grass roots.

HMJr: That's right.

F: And we've all done that. He's come right up through it.

HMJr: And he can have your help and advice.

F: Oh, definitely. You see, when Bill - when Bill came out of college some eighteen or nineteen years ago, he came right with me in the sales company.

HMJr: I see.

F: And he's come right on up through.

HMJr: Fine.

F: And today he is president of our sales company and he does roll it....

HMJr: I see.

F: ....right along. I'm plugging for him here while he's away. We've all got to take....

HMJr: I see.

F: ....extra things while he's down there. But he knows it.

HMJr: Well, I - I appreciate it, and I'm going to ask him to come right over.

F: Fine. If we can be of any help, let us know.

HMJr: Well, you - you can, and I'm going to - I'm going to take you up on that.

- 4 -

F: All right.  
HMJr: Thank you.  
F: Thank you.

February 26, 1943  
10:33 a.m.

HMJr: Marriner?

Marriner  
Eccles: Yes, Henry.

HMJr: Good morning.

E: How are you this morning?

HMJr: I'm fine. Marriner, how would you and your twelve presidents like to come over and have lunch with me Monday?

E: Well, that would be fine. Let's see - we were going to come over anyway and meet with Dan at two so we might just as well come at one.

HMJr: Come at one and have lunch with us, and then we can....

E: That'll be - I think that would be fine.

HMJr: ....meet after - now will there be twelve?

E: No, there'll be eleven. Bill Day isn't coming.

HMJr: There'll be eleven, and....

E: And unless he's sending an alternate and I haven't heard yet, so that....

HMJr: Oh.

E: ....there're - I think you can just count on eleven.

HMJr: And should there be anybody besides yourself from the Fed.?

E: Well, I - that - that, of course, is entirely up to you, but what we've been doing....

HMJr: Yes.

E: ....in connection with this drive is - I mean in connection with the - with this Victory Fund organization, of course, we've considered that that was really - I was the liaison between the Board and the - and the banks.

- 2 -

HMJr: Well, that suits me.

E: So that I - I don't think it's necessary. We - in the meetings before over there, the Board have felt satisfied to have me represent them.

HMJr: Well, then let's - see, because we don't have as good accommodations as you do, see what I mean?

E: Well....

HMJr: I mean for feeding.

E: Well, why don't you come over here then?

HMJr: No, no, no....

E: (Laughs)

HMJr: ....I meant if I had to have the whole Board, I meant.

E: Yes. No, well, I don't think that's necessary.

HMJr: Well....

E: They didn't expect to meet at - in the afternoon so....

HMJr: I mean I - I don't want to be rude to anybody.

E: No, no, well, I'm - I'm sure they'll understand. It'll be perfectly....

HMJr: Well, then I'll look forward to you and the eleven, and - and there'll be Bell and - and I - I think that's enough, isn't it?

E: Well, that's quite a crowd.

HMJr: Oh, no, no, we can take care of that nicely.

E: Can you?

HMJr: Oh, very nicely.

E: Well, that - that'll suit us fine. I'm - I'm sure that - then we'll stay right on there with - with - I understood you had an appointment at two.

- 3 -

HMJr: Yeah, well, I'll work that out with Bell.  
You had an appointment with Bell at two?

E: Well, what we were going to do, we figured that  
we would - you see, we're going to meet you at  
three, and I had suggested to Dan that that -  
that that might not give us too much time to  
discuss the subject of this sort....

HMJr: Well....

E: ....with twelve people in, and so he said, "Well,  
why don't you come over at two and meet with  
me, and then whenever the Secretary is through..."

HMJr: Yeah.

E: "....why, then we can meet with him."

HMJr: Okay. Well, I'll....

E: So that was the way the thing was arranged.

HMJr: Well, let's leave it that way.

E: So we'll come over at one, and then we'll -  
the whole afternoon is - will be available.  
I've told the presidents to plan on spending  
the afternoon in connection with this work.

HMJr: Good.

E: So they're planning on it.

HMJr: Fine.

E: So we'll see you at one o'clock then.

HMJr: Thank you.

E: All right.

February 26, 1943  
3:25 p.m.

Donald  
Davis: Don Davis talking, Mr. Secretary.

HMJr: Hello, Mr. Davis.

D: Yes, sir.

HMJr: Mr. Davis, Mr. Nelson seemed to want you so much and you've seemed so reluctant that - well, on - I didn't think it would be wise to push it, you know?

D: I see. Well, I tried to spell it out to you in terms that if I was asked to do that, I would not consider any service under duress, but on the other hand, my personal preference right now is here.

HMJr: Well, I thought I would take cognizance of that, and I wasn't going to make an issue out of it.

D: Yes.

HMJr: Well, I just thought I'd tell you.

D: Again may I express my appreciation for the consideration of me.

HMJr: Right. (Laughs)

D: And the manner in which you've handled it has been very helpful to me.

HMJr: Well, anyway I hope to see you again sometime.

D: Thank you very much, sir.

HMJr: Goodbye.

D: Goodbye.

THE SECRETARY OF THE NAVY  
WASHINGTON

February 26, 1943

My dear Henry:

Confirming my verbal statement to you on Wednesday, I am glad to advise you that the Navy will provide the Coast Guard for your use a brand new replacement Lodestar sometime prior to March 1. Under my instructions, this plane will be fitted up with an interior arrangement similar to the one you are now using.

Sincerely yours,

Frank Knox

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



TREASURY DEPARTMENT

123

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau

February 26, 1943

FROM Joseph J. O'Connell, Jr.

You have asked whether there is legal objection to employing someone in the Treasury Department who is at the same time on a leave-with-pay status from private employment.

The statutory hurdle most directly in point is section 86 of Title 5 of the U. S. Code. This statute provides that no Government employee "shall receive any salary in connection with his services as such an official or employee from any source other than the Government of the United States ~~and~~ and no person ~~shall~~ shall make any contribution to, or in any way supplement the salary of, any Government official or employee for the services performed by him for the Government of the United States."

The Attorney General has rendered opinions on this sort of situation on several occasions, and in each he has, in substance, stated that the prohibition is against the payment by anyone other than the Government of the employee's salary in connection with his services as such public official, and that the mere fact of compensation from a private employer does not, without more, preclude employment by the Government.

Thus he held that the Chancellor of the University of Puerto Rico could, while on leave of absence with pay, be employed as Regional Administrator of the Puerto Rican Administration (See 38 Op. A. G. 294 (1935)). Likewise, he held that a professor at M. I. T. could be granted leave of absence with pay in order to accept employment as a consultant in the service of the United States. The most recent pronouncement of the Attorney General on the subject is in an opinion addressed to the President dated April 27, 1942. In this opinion the Attorney General states the general principles applicable to this type of situation, and in so doing cites with approval the rulings in the cases to which I have already referred.

Secretary Morgenthau, 2.

Under the circumstances, it is quite clear that there is no legal objection to our employing a man who is on leave of absence with pay from private employment unless it appears that compensation is being paid to him by his private employer "in connection with" his services for the Government. This, I take it, is clearly not the situation in the case you have put to me and hence there can be no doubt but that it can legally be done.

Joseph J. Connell

## MEMORANDUM FOR THE SECRETARY.

February 26, 1943.

Mail Report

The lead gained last week by opponents of the Rural Plan was increased this week. There were only 25 who wanted adoption of the plan without any amendment. Forty-three letters, however, stated flatly there must be no forgiveness of taxes.

However, the general point of view might be summed up as, "Don't forgive taxes, but get on the pay-as-you-go basis". There is very definite approval of some sort of pay-as-you-go method of taxation, the total number of letters endorsing the idea in general having passed the 100 mark, while 60 letters contained suggestions, many of which implied this approach to income tax collection. There were 44 letters of inquiry, and scattered suggestions for discounts to award complete payment by March 15, and similar ideas.

The Victory Tax is still unpopular, though mail mentioning it has greatly fallen off. The ratio is 9 unfavorable to 2 favorable. A number have suggested that refunds on the Victory Tax be applied to 1942 obligations, or to payment for Bonds. A number of businessmen stated that the concurrent payment of 1942 and 1943 taxes would wreck them, while 7 individuals protested any discussion of higher taxes.

Four CIO Unions requested the raising of present exemptions, and the repeal of the Victory Tax. Strong opposition to taxation of men in the service was expressed in several letters.

There were 35 Bonds sent the Secretary for redemption, and of the 8 received Friday morning, 7 were from either North or South Carolina. Complaints continued to specify delay in receiving Bonds, particularly families of men in the service, or employees in some connection for the War Department. There were 36 such complaints, out of a total of 43.

- 2 -

Memorandum for the Secretary.

February 26, 1943.

There were only 3 complaints of the use of the mailing tube which is said to be too expensive and elaborate for the purpose.

There were 8 unfavorable letters regarding the notice that 3-3/8% Treasury Bonds, 1943-47, are to be called. Three letters enclosing clippings about the stock market pointed out the danger of a rising market so far as Bonds are concerned.

There are increasing reports of cashing Bonds to pay income taxes, or for no specified reasons, and many threats that the Bonds already bought must be cashed, or payroll deductions changed, because of tax demands during the current year.

Among many suggestions, the following are outstanding: Revoke redemption privileges; provide more sales facilities, especially at points where prospective purchasers have cash in hand; employ insurance salesmen to promote Bond sales; allow Bonds to be used as collateral for tax loans to prevent cashing in.

In the miscellaneous mail there was strong approval of the Treasury's statement in regard to agricultural credit agencies. Eleven banks commented favorably. There were 2 or 3 scattered expressions of disapproval, one of the best of which is contained in the abstract.

Continuation of the salary ceiling of \$25,000 was favored by 3, opposed by none.

Congressional mail, including Bills submitted for consideration, was unusually heavy. Many of the letters, as referred, followed the usual pattern of Treasury mail, being inquiries on income tax matters, suggestions, Bond comments, etc.

*g. Forbush*

General Comments

M. W. Thatcher, Vice Chairman, National Executive Council, Farmers Educational & Cooperative Union of America, St. Paul, Minn. As one of your friends and strong public supporters, I feel perfectly free to criticize your attitude toward the new type of credit being offered by R.A.C.C., to induce farmers to increase production of certain designated war crops. \* \* \* Let us take flaxseed to illustrate our point. It is a hazardous crop to raise, but a large domestic production is essential to meet wartime requirements. If the farmer gives up the production of less hazardous crops - which have been part of his normal production schedule and are more certain of maturing - and, instead, plants flaxseed to support the war effort, he should be given some protection by the Federal Government on this risk crop. In substance, the Federal Government says to the farmer: "You furnish the work and the land, and we will loan you the money you need for seed, gasoline, oil, etc. If the flax crop fails to mature, we will, on proper proof of loss, cancel the note which you have given to R.A.C.C." Now compare the limited risk the Government assumes in this kind of an agreement with the farmer, to the full risk it assumes when private industry converts its plant from peacetime production to wartime production. I believe that the position which you have taken on this matter -- that a loan to a producer of flaxseed, for example, under conditions which I have outlined, is to be regarded as "loose credit" -- is most untenable. It is a dangerous position for you to take, when the lack of inducement to put in risk crops could easily result in our having a much smaller supply of these crops than is needed. \* \* \* I am enclosing the newspaper article which states your position and quotes some of your remarks. I believe it must rank, if it is true, as one of the most demoralizing news stories which has come out of Washington in recent years. I am afraid that the farmers will feel most resentful of the position which

the Associated Press states you have taken, and unfortunately, I believe they have a right to feel this way. In most parts of the country the banks are still charging 7% interest on production loans. I have heard of no banker who is willing to share any of the financial risks in connection with farm production -- even on risk crops which the Federal Government declares are so essential to the war effort. \* \* \*

Congressman Reid F. Murray forwards letter he has received from Frank D. Chapman, President, Berlin Chapman Company (Canning Machinery), Berlin, Wis., which reads as follows: As a small manufacturer employing between four and five hundred men, I am trying to write something constructive. We are not in the class that couldn't get work because we are able to get all the work we can do. We also have a surplus labor supply. \* \* \* We are also able to get material on a reasonable basis. Our factory at present is engaged in making rubber condensers, 100 Octane gas, Ships' Condensers for Escort Vessels and Merchant Ships. To properly turn out the required amount of production, it has been necessary for us to expand our plant facilities enormously. Our big question is just one thing, this is a Necessity Certificate. As you know, a Necessity Certificate is a directive by the Treasury Department allowing us to depreciate our new facilities 20% a year for the duration of the war, in case the war is finished in less than five years. So far, we have been successful in getting Necessity Certificates, but the time element has given me gray hair and the creeps. It takes too long to get a Necessity Certificate through the Treasury Department so the manufacturer can feel safe in expanding his facilities. \* \* \* It takes from six months to a year to get these. During this time we are forced to buy, or deem it our patriotic duty to buy, more machinery to get out equipment on time, but the financial end of it is that if these Necessity Certificates are finally not granted, this company is sunk. I am just wondering, although I do not wish to make a complaint, if some attention couldn't be called to the Treasury on the slowness in getting out these Certificates. \* \* \*

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W. W. Wilkinson, President, The Bank of LaCrosse, LaCrosse, Va. I see your statement in the press this morning regarding the competition of Production Credit Associations with our local banks. Glad that some Government Agencies realize the unfair competition non-Government enterprises have to contend with. Look at this advertisement for business (local Production Credit Association). They neither pay taxes nor income, yet they are protected by taxpayers' money against loss. This one has a surplus of \$27,000.00, yet they have never paid any tax nor income. I hope your suggestions will be put into effect at once.

J. M. Burkholder, Secretary, James Mercantile Co., Encinal, Tex. I am also in favor of rural banks handling seed and production loans and do not favor Government Agency competition. In our section of the country, the rural banks exact from 6 to 10% interest on small loans and are reluctant to renew loans from season to season, in cases where it is necessary, and when conditions get bad, they all want a borrower to pay up. The Federal lending agency will lend money for 4½% and don't require such rigid repayments; it is for these reasons that many are changing from the rural bank to the Federal Lending Agency. Personally, I think if banks could charge no more than 6% on small seasonal farm and crop production loans, and 5% on livestock and farm machinery loans of longer terms, that the rural banks would soon regain most of the lost business, and the Government would be relieved of the burden that should be borne by the private banking system. \* \* \*

K. A. Riner, Vice President, Farmers State Bank, Mentone, Ind. Referring to your press conference wherein you stated that you hoped that rural banks would get "first crack at farm war production loans", and that representatives of 6,000 to 7,000 banks had complained of Government competition in loans to farmers for war production, by the Regional Agricultural Credit Corporation, and further you believed that rural banks would be in a better condition to cooperate with the new Victory Loan drive in April if they were "in a happier

frame of mind", we are wondering if you appreciate the seriousness of the situation with respect to country banks in their effort to survive the onslaught of, not only the recently revived Regional Agricultural Credit Corporation, but the Production Credit Associations, and other subsidized Federal Lending Agencies. \* \* \* Country bankers, although eager and willing to continue to cooperate with the Treasury Department in its War Bond selling campaign, are rapidly approaching the position where they will have little, if any, time to devote to any activity other than that of endeavoring to protect their institutions against the co-ordinated activities of the Regional Agricultural Credit Corporation, The Production Credit Associations, and the Agricultural Adjustment Administration. \* \* \*

M. A. Perry, Cashier, New Harmony National Bank, New Harmony, Ind. It is a great satisfaction to the country banks of this country to see you take a stand in their behalf. It seems to me that this Administration has taken the attitude that a bank is of no importance in their community, and that they should be put out of business, not by direct legislation, but by setting up agencies to compete with them. \* \* \* We have in this bank more than a million dollars of deposits with less than one hundred fifty thousand dollars in loans. \* \* \* The yield of the Government securities is so meager that we must have local loans to overbalance this low income. \* \* \* When our country wants to do their financing, they call upon the banks. They have never failed to do their duty. \* \* \* They do it without one single penny of compensation. Then when they follow up with some damn fool law which robs us of our just income, we feel that we have a just complaint. \* \* \* This bank is making very meager profits. We have five employees, three who are being paid less than \$1,000 per year. We are within twenty miles of a defense plant where the employees are being paid from \$50 to \$100 per week. How do we keep our help? They are just loyal, knowing we cannot pay more. If they were Union help, we would be compelled to fold up and close. \* \* \* I hope you will



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use your influence to see that these Government Agencies cease to operate, that we may be able to regain our earning power in order, if for no other reason, that we can pay our help what they earn, and what they justly deserve. We would also like for you to do all you can to have us placed in the class where we play an important place in the winning of this war. A helper in a bank is of little use for at least the first year. He is of little use until he has that training. We must have this help when you ask us to put over your financing. \* \* \*

Everett L. Williams, Sparta, Wis. Congratulations on your radio talk. It was sincere and honest, and given in the kind of way folks like to hear. \* \* \*

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Favorable Comments on Bonds

R. Lal Singh, Editor, India News, Los Angeles, Calif. We Indians of Los Angeles were very proud and happy when we received your warm congratulatory telegram on January 26, 1943. INDIA NEWS was very happy to have initiated and carried through the project of selling a huge amount of U. S. War Bonds on the day traditionally observed by Indians throughout the world as Indian Independence Day. We appreciate too the full difficulties faced by the Administration in its treatment of a subject so delicate as the subject of India. Because we appreciate this difficulty, we all the more appreciate your kind words to us, and were very glad to show by our actions that the Indians of Southern California are heartily in support of the United Nations, and wish the American and British and all United Nations forces every possible success in defeating the Axis. \* \* \*

L. B. Slaughter, (Whole Distributor of Humble Oils), Electra, Texas, in reporting excess Series E Bond purchases, says: \* \* \* Living in a small town, doing a very small business with some farming and stock-raising on the side, should we close up shop and rush to some defense work, or should we redouble our efforts here and contribute our all to the job in hand? Not having the physical stamina nor youth we once had, we decided on the latter and went all-out at once, reducing our help for farm and ranch work to one man, and one man for the gasoline business. Our former employees went to defense work immediately. We also streamlined our domestic and social affairs, the extra money that ordinarily was paid out each week for maid service, gardener, wave sets, manicures, and even shoe-shines (it is surprising what an application of paste polish applied at home will do for an old pair of shoes), was banned. This all went into a Defense Stamp fund. We found that by so doing, we were able each month to

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buy an additional \$25 Bond. We also found that a college football game, or a big league baseball game could be almost as exciting heard over the radio, as sitting in the reserved section. \* \* \* Dollars thus saved were added to our Stamp fund. By this careful planning, we have been able to give not 10%, not 50%, but every penny above our actual necessary expenses, to the purchase of Bonds. Of course, we have not been restricted to forty-hour weeks. Our weeks include Sundays, and they are from dawn to dark, but we are not complaining, and do not feel that we have sacrificed anything. In fact, when we hear our leaders mention the rationing of gasoline and food as an additional sacrifice, we are a little ashamed, as we feel that the only people, thus far, who have sacrificed are those who have given their loved ones in line of duty. We have, perhaps, been inconvenienced a bit, but if there is any of the pioneer fiber left in our souls, we will be stronger by having these experiences. We are eagerly awaiting your reply, and trust that you will understand that our Bond buying was for no selfish purpose, but was the only way we knew to prove our allegiance to the Government that has made it possible for us to save and to share in its securities.

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Unfavorable Comments on Bonds

A Number of Employees, (Five names given), Philadelphia, Pa. (Letter referred by the White House.) We are employed at the Quartermaster Depot and most of us have pledged 10% of our wages every week since last May. As yet, we have not received any Bonds, and if anyone dares to inquire about them, we are either laughed at or reprimanded and told there is a war going on. \* \* \* Why aren't we getting these Bonds, and why doesn't some one look into this matter as they tell us Washington is to blame. We have noticed that whenever anyone wrote to Washington, they were called down severely about it in the office. As we do not wish to risk our jobs, or be put on work where the remuneration is small, we will sign a few names of the people who are also interested in receiving their Bonds. Please investigate the manner in which this place is conducted.

Ernest F. Farley, Esmond, R. I. I represent the workers of the Union (Esmond Mills) as an executive member. I am a member of the big labor management committee, to help solve the problems of the Mill. I am a member of the small labor management committee, whose job it is to take care of the sale of U. S. War Bonds and United War Fund. \* \* \* We were deducting from the pay of the workers about 30% in November. This we felt was not enough so we held an outdoor rally, and we increased our payroll deductions to 92%. We received a Minute Man Flag to fly over our mill. But since then, through the lack of receiving our Bonds, I mean the workers, of course, our payroll deductions have dropped to 66%. The main reason for people stopping the Bonds is the fact that it takes two to three months to receive them after they are paid for. \* \* \* We have asked some of the payroll workers why we are not receiving our Bonds faster, and they tell us the bank can't send them out any faster because of lack of help. So we suggested to management to become an issuing agent. \* \* \* Management does not feel as though they

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would care to stand this responsibility because they have to buy the Bonds, and if any were lost, they would have to pay for them. \* \* \* They were told by the Providence office that they need not buy the blank Bonds. They would send them to the Mill in case management wanted them, and when they were paid for (\$18.75) by a worker, type their name on the Bond and a serial number along with the official stamp, give the Bond to the worker and forward the money to the bank. Then management inquired further and the Federal Reserve Bank tells them this cannot be done, or at least, it implied as much, but we did not see the letter, and management maintains they must buy the blank Bonds, and don't feel as though they care to take this responsibility. In the meantime, our quota is going down all the time. \* \* \* Somewhere along the line, someone, somewhere, is holding up these Bonds, and our soldiers are not getting bullets for their guns. \* \* \* I hope you will answer my letter and tell me just what is what, because every time I go through the Mill, workers say, where is my Bond? When am I going to get it? I'm going to stop my Bond deductions, and they stop their deductions, and this does not help the War effort.

George S. Stevenson, New Haven, Conn. I address this letter to you directly because I regard the matter as of real importance, and because I believe that my feelings are shared by large numbers of those who are enlisted under your good leadership for the Victory Fund campaign in April. \* \* \* You can depend upon the last ounce of energy of every last one of us. In the New Haven area our chairman already has his plans skillfully and firmly drawn in the determination to make April surpass December, and it will be no easy task. On the eve of that supreme effort is it fair that we be confronted with that dismaying statement about "coupon clippers"? I write with especial feeling because my particular job happens to be the lining up of prospects for substantial purchases, and during the past few days I have heard some bitter comments on that

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stigma cast upon bond-holders. For example, I have been asked, "If my savings of the past are branded as wrong, how about my savings of the present and future?" Now I beg you to take precaution that will prevent the recurrence of such an unfortunate episode as the "coupon clipper" statement. Please believe me that I write this letter soberly and earnestly, after several days of deliberation as to where my duty lay.

Miss Catherine J. Towner, Detroit, Mich. Last week while buying a War Bond, I was especially taken with the number of people in line who were cashing in their older Bonds. The man who wrote out my Bond mentioned that he cashes in twice as many Bonds a day as he writes out. \* \* \*

E. H. Benner, (Real Estate), Omaha, Neb. The Bond issues which have been put out by your Department do not seem to meet the needs of current business. As you know, every business has to maintain itself in liquid form, and if a Bond could be sold to the public which was immediately redeemable at face value, with a 2% earning power, a lot of the money which is kept in banks to meet any sudden demand or exigency of business would be invested in these Bonds. There possibly would be considerable traffic in such Bonds, but many businesses would not need to draw upon this reserve and the funds would remain until some necessity arose. Businesses like ours have money on account belonging to our clients and we cannot jeopardize that money because it is on demand. The demand does not seem to come, but it is still there. \* \* \* Honestly, I wish that the men in authority in Washington would come to realize that the control of the businesses of this country is not in the hands of people who have a seven-year old mentality.

A. W. Lamm, Treasurer, Clay-Adams Company, Inc., N.Y.C. We consider the attached letter received by us Feb. 5 from your New York Office, uncalled for, unjustified

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and offensive. Inasmuch as we appear to have reached no satisfactory agreement with our employees regarding the 10% payroll deduction plan for the purchase of War Bonds, a number of questions are asked which are in the same category as the classic, "Have you stopped beating your wife yet?" In the first place, we felt that we had reached a satisfactory agreement with our employees regarding the 10% payroll deduction plan for the purchase of War Bonds and Stamps, inasmuch as every one of our employees, with no exception, is enrolled in the payroll deduction plan, and has been since March, 1942. When we have been asked to submit detailed reports by your office, either in Washington or New York, we have been glad to do so. \* \* \* Some of our employees' deductions are for extremely small amounts, whereas others run into much more substantial amounts, far in excess of the 10% minimum, and these varying deductions are governed, of course, by the earnings of each employee in proportion to his obligations. \* \* \* In answer to the last paragraph in the letter, we enclose copy of letter we are writing to Nevil Ford, State Administrator, returning the card and the self-addressed envelope, which is the information they want so they will be in a position to know whether or not to try to service us. All we can say is that if their letter is a sample of their service, we think it is better if they don't. We consider that the type of letter we received actually defeats the purpose for which it is sent. You refer to employers' efforts to inspire their employees. Do you consider that the attached letter is inspired or inspiring, regardless of the facts in the case?

J. R. Weiler, Cashier, Harlan National Bank, Harlan, Ky.  
I am writing to enter a one-man protest against the arrangement of "Request for Payment", on the back of U. S. Savings Series E Bonds. The first blank line is very confusing, and as I understand it, has no meaning or value on the \$25 Bonds because a partial distribution of a \$25 Bond cannot be made. Many owners sign on the first line, and then if we have them re-sign on the second line, the Federal Reserve Bank at Cincinnati

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will not accept the Bonds, and we are required to fill out Form PD 1522. In most cases, a bank clerk must stand with his finger held on line 2, in order to get the applicant for redemption to sign on that line. This is a wastage of bank time. Blank line 1 should be abolished. If this cannot be done, then lines 1 and 2 should be indicated by figures 1 and 2 set to their left so that a bank clerk can hand the Bond back to a customer and tell him to sign on line 2. Any kind of re-arrangement will be an improvement to the present one. I hope you may see your way clear to readjust it on future printings.



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Favorable Comments on Taxation

Hansan Wu, Hansan Trading Co., N.Y.C. May I respectfully express my approval of your steadfast insistence upon collection of the 1942 income tax and of your resistance to the clamor of the proponents of the Ruml and other tax cancellation plans. With the United States engaged in a costly world war, taxes must be paid by all of the people in extremely heavy degree, not only to provide the sinews of war, but to reduce Governmental borrowing and thereby retard the rate of increase in our national debt which, if uncontrolled, would threaten the very foundations of the America we are fighting for. Under such conditions, isn't it mere folly to scratch off taxes now due and about to be paid into the Treasury on the ground that such a plan will make it easier to collect future taxes? Has the old American adage, "One bird in the hand is worth two in the bush", become outmoded? \* \* \* Many of my Chinese relatives and friends are impatiently waiting to pay their 1942 income taxes and my remarks express the sentiments of several of them. A few of them have asked me to ascertain the answer to a technical question. Are they entitled to exemption for wives and minor children whom they support, residing in China? I have been advised by a young lady clerk in the Internal Revenue Department that the dependency of children under 18 years is allowed, but there is no provision made for the wife of the taxpayer. Is this correct? \* \* \*

R. J. Simpson, Los Angeles, Calif. As a business analyst and efficiency expert of twenty-five years' standing, I wish to heartily endorse the opinion of your legal adviser, Randolph Paul, as broadcast from Washington to wit: To amortize 1942 income taxes over a period of six years and by no means to waive any portion thereof. The pay-as-you-go plan for the payment of current 1943 taxes is quite commendable, but to waive a matter of billions in taxes, 1942, is far beyond my understanding of business procedure. We, in

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California, suspect that there is a very powerful lobby at work in Washington endeavoring to influence prospective legislation to cancel 1942 taxes, and we do hope that our President may lend his efforts towards defeating any legislation favoring cancellation of the said 1942 income tax. The U. S. Treasury cannot afford such a loss as you may well know.

William W. Allen, Brookline, Mass. Keep up your objection to the Ruml Plan. It is my hope that the 1942 taxes, as the tax law now stands, and part of 1943 taxes are collected in 1943.

A. Griffen Ojens, Los Angeles, Calif. \* \* \* If your Dad were Secretary of the U. S. Treasury, he would make every effort to prevent the \$200,000 and over income taxpayers from sabotaging the Treasury in regard to 1942 income taxes. The Treasury's weakness in forestalling capital "appeasement" will lead to insistent and effective demand by the "big shots" through the use of the small income taxpayers to an ultimate cancellation of the 1942 income tax. The whole thing seems unpatriotic, un-American, indecent, and an additionally criminal act against generations yet unborn.

V. E. Adams, Atlanta, Ga. The Treasurer of the U. S. is 100% correct in opposing the Ruml Plan, or any other plan to forgive 1942 income taxes due the Federal Government. Last year was undoubtedly the peak year for war profits. \* \* \*

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Unfavorable Comments on Taxation

Louis F. Lee, Lawyer, N.Y.C. \* \* \* I am informed that under the present tax law members of the Armed Services are subject to tax even on their pay for such services, and that the only extra deduction that is permitted is the sum of \$300 for a married non-commissioned officer, and \$250 for an unmarried non-commissioned officer. Commissioned officers are permitted no deduction. I have talked with many persons concerning this, and every one seems to be outraged at the fact that anything received by any one in the Armed Services, commissioned or non-commissioned, should be in any wise taxed. Surely every one will agree that they are giving their all for their country. \* \* \*

Harry R. Allard, Los Angeles, Calif. There is a lot of comment on the fact that income tax is slow in coming in. May I state that up to yesterday, the company for which I work has not notified the employees as to their earnings for the last year? I have been ready and willing to pay my tax in whole, or in part, but cannot do so without the notification by the company. It has been the policy of this company for several years to be months late with our notifications. While not all of the employees would pay up, many would pay far sooner than they have done if they knew their exact income. \* \* \*

Mrs. F. B. Jalu, Chillecothe, Mo. (Encloses clipping on "abating tax liabilities".) I supposed the tax question was settled for this year, so I filed my return at the Federal Office here January 8, 1943, with Geo. Dameron, and gave him my check for the year - \$250.37. It was sent to Kansas City and cashed. Now I want my money back, except the first quarter - \$62.59. And in the future will be careful how I pay, but am always prompt in paying taxes. Thank you, and tell me how to get my money.

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Omar Holliday, St. Louis, Mo. I am 78 and retired. My wife and I have a joint income of about ten thousand dollars -- all from dividends. We own stocks that we could sell today and which would yield about \$7,200 profit. All are long-term. As I understand it, under the law of 1942, the tax on this profit is \$1,800. If I could clear this transaction NOW, it would give great pleasure to pay this \$1,800 into the Treasury at once, or as soon as the transactions are cleared. In other words, if the law permitted, I could turn over to the Treasury \$1,800 almost at once. Since I cannot know what I may have to pay under the law now under consideration, I am afraid to sell. It seems to me that a change in the law to permit payments or clearances as soon as the transactions are closed, might bring a lot of money into the Treasury, which never finds its way there under the present laws. \* \* \*

Miss Ernestine Conrad, St. Louis, Mo. I've got the "Income Tax Blues" and here is why -- I am a salesgirl and average \$82.50 per month. Same salary this year as in 1942. Now, you figure out how I and other white-collar workers in this low income group are going to live and pay taxes too. (Gives weekly budget.) \* \* \* Out of \$3.00 per week that is left, must come necessary personal toilet replacements, necessary clothing and underwear replacements. Then, on top of this, must come the income tax. In the meantime, there has also been a compulsory Red Cross and Community Chest contribution. \* \* \* So, Mr. Morgenthau, you'll just have to put me in jail because I don't see how I can pay the income tax the way you Washington officials have it figured out. The Treasury Department seems to think that people are not paying their first income tax installment because they feel the Ruml Plan, or a similar one, will go into effect. The plain truth is that we in the lower brackets just cannot afford income tax really, and at the same time maintain a half-way decent living standard and our health --

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which surely in times like these must come first. \* \* \* I can tell you many of us are praying for the day when the Republicans get in again. We all feel like it can't be worse under them, and it might be so much better! It was with a feeling of positive revulsion that I read Mrs. Perkins' proposal to increase the Social Security rate. How are you going to squeeze anything more out of us? Mr. Morgenthau, they say you do not read mail like this, but I hope and pray that your secretary will pass my letter on to you for your personal consideration. If not, then I and thousands of others like me, are sunk! We've got to get someone to speak for us. Farmers have their lobbyists, factory workers theirs through their Unions. Even the movie stars organized against the salary ceiling limit. But, who is there to speak for the low income, white-collar worker -- he or she, salesgirl, clerk, or stenographer? And I include those making up to \$100 per month in this. What has this Administration, which always has made a talking point of being on the side of the "little fellow" really done for us? \* \* \*

"A Worker", Philadelphia, Pa. I am a worker at the Philadelphia Mint and have taken it upon myself to express the idea of the men in general about their financial statement for salary earned in 1942, etc. We have been trying since February 1 to get this report so we can file our returns, but the office contends that Washington is responsible for the delay. In the meantime, March 15 is drawing near and we still do not have the statement. We don't know who is responsible for this, but please do something for us if you possibly can. \* \* \*

Walter V. Bennett, Overbrook, Pa. It is certainly going against the grain for me to have to vote the Republican ticket next year, but I am afraid it's going to be necessary, despite my great admiration (and affection) for President Roosevelt. \* \* \* I have come to believe that the present Administration is concerned only with the people making \$2,500 or less, and is not at all concerned

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about the middle-class. The idea of pay-as-you-go taxation is a good one. We know that about 75% of the forty billion dollar increase in the national income for 1943 (estimated) over the national income for 1931 will go to labor. And every last one of us knows that the average mechanic will change from plant to plant merely so that no one can trace his income, and he will therefore pay no taxes. Under the pay-as-you-go plan, it would come out of his pay envelope, and he couldn't dodge it. \* \* \* But, take the middle-class man like myself, paying a tax of, we'll say, around \$2,000 a year. You know darn well he won't have that \$2,000 laid away, and will count on paying the amount quarterly. \* \* \* If you start to bite 20% or 25% out of that 1943 salary on the pay-as-you-go plan, the poor but honest guy has no chance whatever of paying both taxes, and will be forced to sell Bonds he owns, close out his life insurance, and in many cases, give up his home. When you do a thing like that to a person, Mr. Secretary, war or no war, you produce a hater of the Administration. My advice to you would be to watch your step very carefully because it's full of dynamite, and believe me, I am just as anxious as you are to see that our soldiers get good food and good equipment, because I have an only son in the war and I want him to return safe and sound.

Robert I. Minson, San Diego, Calif. Please inform me why you object to the Ruml Plan. None of the published objections that I have yet seen appear valid. The fact that some rich men might secure an advantage means little or nothing. The rank and filers, like the writer, are the birds whose tax money sustains the nation. It seems that whenever there are two ways to do a thing, the Government never fails -- it always does it the hard way. Isn't it about time that you upset this custom and apply a little common sense and simple honesty to the tax problem?

Mrs. Wandeyne Macdonough, N.Y.C. Here we are, almost one hundred and thirty million people waiting patiently for Congress to decide on the tax situation. We have

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been patient so far, but now the time is growing shorter, and no longer will we tolerate this fumbling and "dilly-dallying" that is going on in Washington. This jealousy between the backers of the Ruml Plan and the Treasury Department is positively disgusting to all of us. We, the people, who must pay the taxes, want the Ruml Plan passed, and it is up to you to remove this situation and friction. We will gladly pay our taxes, but we want a fair deal. It won't cost the Treasury a single cent by making this easy for us, instead of antagonizing the whole country. \* \* \*

Howard W. Niven, Rochester, N.Y. \* \* \* I have been on the point of writing to you several times to urge you to approve a pay-as-you-go plan for taxes. This article from "Newsweek", however, put it so clearly and concisely that anything I might say would probably be superfluous. May I suggest that you step out into the meadow and take a look at the forest as a whole, and realize that the mass of us would think considerably more of you if you would concur with our wishes? \* \* \*

F. E. Rownd, Kansas City, Mo., sends Secretary Morgenthau copy of letter he has addressed to Senator Bennett Champ Clark, which reads in part as follows: \* \* \* Press reports indicate that you are familiar with the public thought on this subject of income tax payments. It is not the amount of tax, but the manner of paying, that the public objects to, in the present law. On the other hand, it appears that the Secretary of the Treasury is not close enough to the public thought. Up to now, he has added to the efforts of thousands of others in the Administration, to bring about the defeat of the New Deal in 1944. \* \* \*

Roman V. Kirchner, Lancaster, Pa. \* \* \* Why will the Collector of Revenue not accept currency issued by the U. S. Government in payment for income taxes imposed



- 20 -

by the same Government? Any person unfortunate enough not to have a checking account in a bank must pay his taxes with a Money Order. Understand me, I am not complaining about paying the tax, but the additional fee necessary in obtaining the Money Order. I cannot feel satisfied that this is a just condition, and I am asking you for some explanation. \* \* \*

Anonymous -- <sup>122</sup>N.Y.C. \* \* \* I am a Public Accountant since over 15 years, and during this time tried to attend to tax matters in a way that should do justice both to the Tax Department and the taxpayers. \* \* \* I am alarmed by the unfriendly attitude these Bureaus (Internal Revenue) seem to take lately when they find out that the questioning is coming from an Accountant, and openly state that the information is only available for taxpayers. I have no desire to criticize these Bureaus but desirous to call your attention to the fact that such attitude is against the interest of the Treasury Department. \* \* \* It is a mistaken belief that the tax experts are working against the Treasury Department; on the contrary, as it is their own interest that the report should be acceptable and not subject to further questioning. \* \* \*

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE

to Secretary Morgenthau

February 26, 1943

FROM Frances McCathran

## CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Tax: Ruml Plan - As Republican Congressmen appeared to be lining up in support of the Ruml plan, Representative Reed, a member of the Ways and Means Subcommittee drafting pay-as-you-go legislation, declared it to be the only one which would make taxpayers fully current in 1943, since all other proposals would take several years. No loss of revenue would result from the Ruml plan, he claimed, but instead "revenue would continue to flow into the Treasury as usual, the only difference being that 1943 taxes would be geared to the higher level of 1943 income which will actually result in a collection this year of \$13,000,000,000 in personal income taxes as against \$10,000,000,000 if 1943 taxes are based on 1942 incomes". He also asserted servicemen would be benefited because those who had high civilian incomes in 1942 wouldn't have to pay taxes on them out of army pay.
2. Salary Limitation - In a report written by Representative Disney reviewing the salary limitation issue, the House Ways and Means Committee urged the House to pass the Debt Limit Bill containing the Disney salary rider, which would nullify the President's order on salary ceilings and impose the same limitations, retroactive to Pearl Harbor only, by Congressional process. The bill also contained a provision permitting banks and trust companies to serve as redemption agents for War Savings Bonds. In his report, Disney stated that while Congress disapproves the "amassing of large fortunes as a result of the war" a "crop of war millionaires" would be prevented by present taxes and regulations, such as: (1) the high excess profit tax rate; (2) the power of the Treasury and the war agencies to renegotiate war contracts which "if they chose to be tyrannical" could bankrupt a contractor; and (3) the Treasury's authority to disallow unreasonable salary increases for tax deduction purposes. In his report, Disney declared that Congress had never given

the President authority to limit salaries under the October Anti-Inflation Bill and reiterated his already often-repeated statement that his amendment was an attack on "government by directive". There were indications, however, that the question of the propriety of tacking a political rider on to a war finance bill might be raised on the floor of the House.

3. Farm Parity - With even staunch Administration supporters like Senators Barkley, Wagner and Mead voting for it, the Bankhead Bill to exclude subsidies or incentive payments in the computation of the parity formula passed the Senate yesterday with a vote of 78 to 2. Senator Barkley, however, supported it "with some trepidation" and hoped it would not lead to "runaway inflation". Passage of the measure led to speculation on the fate of the Pace Bill in the House to include farm labor costs in computing price ceilings. Some quarters predicted that a compromise between the Administration and the farm bloc was in the offing, with the bloc dropping the Pace Bill which would raise prices about 10 or 15% and ceasing objections to subsidies in return for Administration acceptance of the Bankhead Bill. Representative Pace remained confident of his bill's acceptance, however, and other sources chalked the Bankhead Bill up as an outright victory for the farm bloc and a slap at the Administration's Stabilization Program. Bankhead claimed that Congress never intended to give the President authority under the Stabilization Act to exclude government payments in fixing price ceilings but Senator Barkley said Congress should have made itself clear and that the President consequently had a right to his own interpretation. The Senate also almost considered along with the Bankhead Bill a proposal submitted by Senator Danaher to repeal the President's Salary Order but finally decided to let the House act first on the Disney amendment.

Mr White discussed  
orally with Secy 2/27/43

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE Feb. 26, 1943

TO Secretary Morgenthau  
FROM Mr. White  
Subject: Developments in North African Program

1. Currency for new invasion areas.

An agenda has been prepared for a conference Monday morning with the British Government on the type of currency to be used in an invasion of the European continent. The British have questioned the desirability of the continued use of the yellow seal currency in invasion areas in preference to military notes, and the various refugee governments have made representations for the use of their local currency as against any special currency issued by the Allied governments.

2. Pay of Officers and Crews of French Men-of-War.

In accordance with the President's instruction to the Secretary of State, steps have been taken to provide dollar funds for the pay of officers and crews of the French men-of-war undergoing repair in the United States.

A provisional arrangement to meet the immediate needs of the French was agreed upon between representatives of State, Treasury, War, and Navy and representatives of the French military and naval missions in the United States whereby French authorities have drawn a sight draft on the French Treasury in North Africa in the sum of 31,250,000 francs in favor of the Secretary of the Treasury. The proceeds of this draft will provide adequate funds to meet the immediate needs of the French for salary payments. This provisional arrangement was made in preference to using blocked funds of the former French Government in view of the broad questions of policy involved in the use of these funds.

A cable has been dispatched to Mr. Murphy by State, Treasury, War, and Navy advising him of this provisional arrangement and instructing him to undertake discussions with General Giraud to provide arrangements to cover similar expenses that may arise hereafter.

3. Sterling arrangements with North Africa proposed by British.

The British have indicated that they plan to make an arrangement, in agreement with the French, to handle payments between the

Sterling Area and French Africa through special exchange accounts in the Bank of England and the North African Treasury. These institutions are to be the sole holders of sterling and North African francs. The sterling accruing to the French can only be used in the Sterling Area. The advisability of this regularized procedure will be discussed orally with the British on Monday, March 1, 1943.

#### 4. Allocations of local costs in North Africa.

American representatives in Africa have indicated that the questions involving the policy to be followed in handling Allied payments to the French are pressing. Especially urgent are the questions of Allied payments to the French for civilian defense measures and for the Allied use of port facilities and the Algerian railway.

The British Government has indicated that they are not liable for any part of the cost of the military or civil expenditures of the French other than for services and supplies actually furnished to them. For these services and supplies they will pay cash and in turn will ask payment in cash for any services or supplies furnished by them to the French. If the French are unable to meet the whole cost of their budget, the deficit will have to be covered by arrangements between the United States and the French administration. A discussion of this matter is being undertaken with the British.

To provide for the immediate problem, a cable has been dispatched to General Eisenhower by State, War, Treasury, Lend-Lease, and Board of Economic Warfare advising him that for the time being he should continue to incur any expenditures for the account of the United States Army which he is satisfied are needed by reason of the military situation. If any situation arises where there is a disagreement as to what constitutes the respective shares of British, French, and Americans, the British and the French should pay what they believe to be their share and the United States Army should pay the balance of the bill. It is emphasized that this arrangement is provisional pending subsequent over-all financial arrangements to be made with the British and the French.

#### 5. Budgetary Assistance to the French.

The French have already stated that they expect considerable financial aid from the Allied nations. The High Commissariat in North Africa has indicated that a deficit of approximately 27,000 million francs is expected in the military and civil budget.

The budgetary problem is not one of a shortage of dollars, but a shortage of franc receipts. In this connection the French North

African authorities have available to them over \$40,000,000 held in the names of the central banks of Algeria and Morocco for the account of the French Treasury in Africa. It is reported that an additional \$40,000,000 in United States yellow-seal currency is held by the banks in North Africa.

6. Currency holdings of returning Army personnel.

Arrangements have been provided through the customs authorities to remove as far as is practicable any difficulties that may be experienced by the United States military personnel in bringing their holdings of United States currency into this country when returning from North Africa.

7. Local currency for French North and West Africa.

Arrangements for the manufacturing of local bank notes in the United States for the Bank of Morocco and the Bank of West Africa and for the supplying of the Bank of Algeria with materials for the printing of its own notes are proceeding satisfactorily. As soon as adequate supplies of local currency are available the special United States yellow-seal currency will be withdrawn from circulation.

8. Internal financial controls in North Africa.

American representatives in Algiers have cabled the Treasury that the French have finally agreed in principle with a program for economic warfare embodying broad and flexible powers granted to a central administration for financial and commercial controls, uniform administration for all of French North Africa, and a selective method for the sequestration of economic property. Additional information as to the French position towards this matter has been requested.

9. General License for certain North African banks.

The Treasury has generally-licensed, with a procedure for prior notification, the accounts of the Bank of Algeria, the Bank of Morocco, and the Bank of West Africa. The blocked accounts of commercial banks in French North and West Africa may be transferred to the generally-licensed accounts of the three State banks upon request. The American representatives in Africa have indicated their approval of this procedure. As soon as these arrangements are in effective operation remittances from and to North Africa may be satisfactorily handled. No public announcement will be made here.

10. Inflationary problems in North Africa.

Inflation remains a problem of importance in French North and West Africa. Discussions with French authorities indicates that they have little awareness of the necessity for strong inflation controls and that they are relying upon the United Nations to ship consumer goods and products in quantities large enough to offset the increased buying power of the population. Any Treasury action that may be taken towards providing adequate controls is now being discussed.

11. Arrangements for franc notes of French sailors.

Arrangements have been made to allow sailors from the French warships visiting American waters to dispose of their African currency for dollars at approximately the official rate of exchange.



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COPY NO. 13

BRITISH MOST SECRET  
U.S. SECRET

OPTEL No. 65

TREASURY DEPARTMENT  
1945 FEB 27 10 10 AM '45  
SECRET

Information received up to 7 A.M., 26th February, 1945.

1. NAVAL

One of H.M. Submarines is overdue from exercises off the West Coast of SCOTLAND. Another of H.M. Submarines in the GULF OF GENOA sank 2 tugs on the 12th, possibly torpedoed a large east bound tanker on the 15th and shelled a schooner building yard at CERVO damaging 2 schooners on the 19th. Another of H.M. Submarines on the 18th off the north coast of SICILY shelled two schooners which were left derelict.

2. MILITARY

TUNISIA. Eighth Army. Active patrolling continued by our light armoured forces east of MARETH LINE. On 24th road from MEDENINE to within 10 miles of MARETH LINE reported clear of enemy.

First Army. On the 24th, the enemy's withdrawal through the KASSERINE Pass continued with our forward units in contact throughout the day.

BUFMA. ARAKAN. 22nd/23rd. In a small raid by our patrols on MYEBON Southeast of AKYAN one river steamer and two launches were sunk and the jetty destroyed before our forces withdrew.

3. AIR OPERATIONS

WESTERN FRONT. 24th/25th. WILHELMSHAVEN. Over 90% of aircraft despatched of which 98 were R.C.A.F. attacked the objective dropping 182 tons of bombs. Main force bombed on flares placed by Pathfinders and completed attack in 20 minutes. Glow presumably from fires seen reflected on clouds. No aircraft missing. 25th/26th. 417 aircraft sent out - NUREMBURG 377 (9 missing, 1 crashed), sea mining 54, RUHR 6, leaflets 20. At NUREMBURG there was a certain amount of ground haze.

TUNISIA. 24th. 53 U.S. heavy, light and medium bombers attacked enemy communications and positions in the KASSERINE area. Many vehicles were destroyed or damaged. At night Wellingtons and Halifaxes of Western Desert Air Force dropped 51 tons of bombs on GABES town and landing grounds and Allied medium light bombers dropped 38 tons on enemy positions in the MARETH area. 28 escorted U.S. bombers attacked EL AQUINA airfield and roads and railways in the SBEITLA and FERIANA areas.

SICILY. 25th. 31 escorted British bombers attacked COMISO airfield and a factory near PACIGNO.

INDIA. 25th. 18 heavy bombers which ineffectively attacked the DINJAN area ASSAM were intercepted by U.S. Kittyhawks. Enemy casualties 6, 12, nil. Allied nil.

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Regraded Unclassified