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War Savings Bonds

See Financing, Government

August 24, 1942
9:30 a.m.

GROUP

Present: Mr. Paul
Mr. Haas
Mr. Thompson
Mr. Gamble
Mr. Blough
Mr. Sullivan
Mr. Kuhn
Mr. Gaston
Mr. Cairns
Mr. Schwarz
Mr. Buffington
Mr. Graves
Mrs. Klotz

H.M.JR: We will just go around.

MR. PAUL: Could I start? I have to leave in just a few minutes. They are going to start at ten today, and I hope after today it will be ten-thirty. I haven't anything except that the Widener hearing is tomorrow.

MR. CAIRNS: Tomorrow at ten-thirty.

MR. PAUL: Mr. Wenchel and Mr. Cairns are going up before the committee on it.

The only other thing I would like to suggest is that last week when I saw Judge Rosenman about that suggested tax message, or part of the total message that concerned taxes, I told the Judge that we had not cleared collection at the source. I think I ought really to send him a message that that has been cleared.

H.M.JR: With whom?

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MR. PAUL: With you.

H.M.JR: Oh,--

MR. PAUL: Then the President can do what he wants with it - just a brief message that it is all right if the President wants to put it in.

(Mr. Schwarz entered the conference.)

H.M.JR: That is all right.

MR. PAUL: That is all I have.

H.M.JR: Most of this morning I want to spend on - leave Blough down here. I want to go into this expenditure tax.

MR. PAUL: If you make any decision, I trust you will communicate it with me, because I - we are going to have a grand melee up there today, and it might be - if you make any decision, it might be--

H.M.JR: I can't make any decision until I talk with the President. Are you going to invite George for lunch tomorrow?

MR. PAUL: That is right.

H.M.JR: Will you let Mrs. Klotz know if he is coming tomorrow?

MR. PAUL: Yes.

H.M.JR: Well, you will have to hold the fort, and we will just see, that is all.

MR. PAUL: I think we can hold it with a lot of discussion about individual rates and debt relief, and that sort of thing, today.

H.M.JR: You can go any time you feel like it.

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(Mr. Paul left the conference.)

H.M.JR: Herbert?

MR. GASTON: We have had two luncheon meetings, at which we have had some discussion of the expenditure rationing and the spending tax. We were planning to have lunch today, at which we will talk about the present problem of what we may expect as to pressure on prices now, three months from now, six months from now; and is the pressure on prices increasing; and then to what extent is it practicable to deal with the problem by extension of various devices now in use. It is sort of a general review of the situation. That is at one o'clock today. We were planning to have that at one o'clock today.

H.M.JR: What else?

MR. GASTON: I haven't anything else.

MR. BUFFINGTON: You asked me to submit those. (Memorandum dated August 24, 1942, addressed to the Secretary.) That is all I have.

MR. GASTON: You might be interested in seeing that agenda.

H.M.JR: John?

MR. SULLIVAN: No, sir.

H.M.JR: You had better bring yourself up to date on this misunderstanding that they had between Helvering and the Office of the Secretary of the Treasury on the deduction at the source.

MR. SULLIVAN: I tried to get him this morning. He wasn't there.

H.M.JR: You get him.

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MR. SULLIVAN: I will, yes, sir.

MR. GAMBLE: I have nothing, sir.

MR. KUHN: I have the newspapers from Roanoke that you may want to see. This is a news story in pictures, and then in the evening paper they had the editorial about it. (Newspapers handed to the Secretary.)

H.M.JR: Fine, thank you.

MR. KUHN: I just got your letter to General Marshall. Did you want to include the Fourth Division?

H.M.JR: No, I don't, definitely not. No, I don't. As soon as it is all right - I think I had the names all right, didn't I?

MR. KUHN: They just need to be filled in.

H.M.JR: It was General Harmon, wasn't it?

MR. KUHN: Yes. There were two Harmons we saw on the trip. The one in charge of that outfit was General Harmon.

H.M.JR: The last afternoon?

MR. KUHN: That is right.

H.M.JR: What was the other general's name, now, the one down near Augusta?

MR. KUHN: Barton.

H.M.JR: What was that camp?

MR. KUHN: Gordon. I have nothing else.

MR. CAIRNS: I have nothing.

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MR. HAAS: I have nothing this morning.

H.M.JR: Schwarz?

MR. SCHWARZ: No.

H.M.JR: Thompson?

MR. THOMPSON: Under our regulations, thirty-minute luncheon provisions are provided. In view of the crowded condition of the city, the employees are finding it very difficult to finish their luncheon in that period. I think we should make it forty-five minutes, and I don't think we should add that fifteen minutes at the end of the day.

H.M.JR: No. I approve.

MR. THOMPSON: We are about to lose our usherettes. Some of them have gone back to school and others are getting better jobs as clerks.

The Civil Service Commission will not allow us to make our own selection and we have to take them from the registers, and on the registers we can't get the cute girls we have been getting in the past.

H.M.JR: You can't get what?

MR. THOMPSON: The cute girls. I would like to discontinue using them if you have no objection. I don't think it will hurt the system in any way because people will have to come in and get badges and be recorded. We will have a complete check. The State Department operates on that basis.

H.M.JR: Now listen, don't throw the State Department into my face.

MR. THOMPSON: It works very nicely over there.

MRS. KLOTZ: It does, too.

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MR. THOMPSON: A complete check is made at the end of the day. If anybody hasn't gone out, the badge will be missing and a check made.

H.M.JR: What do they do if they linger in the offices after hours?

MR. THOMPSON: Well, there isn't much chance of that happening. We have guards around the corridors.

H.M.JR: It is a cinch--

MRS. KLOTZ: Mr. Morgenthau, what happens when you have the usherettes? They don't stay with them.

H.M.JR: Yes, they do.

MRS. KLOTZ: Oh, no.

MR. THOMPSON: They stay if it is a short visit. If it is a long visit, they go back.

MRS. KLOTZ: I have gotten visitors and they have left them. Definitely, they leave them and go back.

H.M.JR: So rather than get some homely girls, you would rather have none?

MR. THOMPSON: I would rather have none. I think it is pretty well protected without the usherettes. They phone up to the office that they want to visit.

H.M.JR: Well, I didn't expect a recommendation like that from you, but--

MR. THOMPSON: I think it will be all right.

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

MR. GRAVES: I agree with Norman.

H.M.JR: You don't want any homely ones around?

MR. GRAVES: No.

H.M.JR: O.K.

MR. THOMPSON: There has been a general feeling on the part of all the officers that the usherettes aren't needed now.

H.M.JR: What do they call them - "starlets"? That is what they call them in Hollywood. (Laughter) Get some "starlets".

MRS. KLOTZ: He wouldn't be making a recommendation to be discontinuing them.

H.M.JR: Incidentally, the picture at the Earle - if anybody wants to see it they will have a very amusing evening.

MR. SCHWARZ: "The Talk of the Town"?

H.M.JR: It is a swell picture. It is the one at the Earle. It is a Columbia picture.

MR. THOMPSON: There is the question of whether we will have a holiday on Labor Day. The Fourth of July we reversed our policy.

H.M.JR: What day is that?

MR. GASTON: The seventh, Monday.

MR. THOMPSON: It is on Monday, the seventh. I would like to do as we did on the Fourth of July. I think it helps the morale a lot to give the employees a day off.

H.M.JR: We will give them the Fourth of July and Labor Day and Christmas?

MR. THOMPSON: And Christmas, and skip Thanksgiving.

H.M.JR: What does everybody think about Labor Day?

MR. SULLIVAN: I think they ought to have it, Mr. Secretary. It is on Monday; it gives them a chance to

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get a long week end and get a rest, and I think every one of them is working much harder than they ordinarily do.

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

MR. GASTON: It depends a good deal on what the rest of the departments do. I would be in favor of it if it isn't going to set a bad comparison with other departments.

MR. THOMPSON: The Fourth was bad from the viewpoint that about half of the departments worked and half didn't.

(The Secretary held a telephone conversation with Mr. Forster.)

H.M.JR: That was Forster, about vacancies which expired this year. I don't know anything about it.

MR. THOMPSON: All right.

H.M.JR: The usherettes are out? What--

MR. THOMPSON: War and Navy, of course, will work Labor Day.

H.M.JR: O.K. Let them have Labor Day.

MR. THOMPSON: Then I have this deferment case.

H.M.JR: I am going to do that right now.

If Haas and Blough would wait outside a minute or two I will be ready. You might just as well wait.

Who works on this? You (Graves) were asked to get in on it - and Gaston.

MR. GASTON: And maybe John, because it is his collector.

H.M.JR: All right. O.K.

August 24, 1942

Memorandum for Judge Rosenman:

Last week I indicated some doubt as to the Secretary's position on collection at the source, a short discussion of which was included in the draft material for the President's message or statement.

This doubt has been cleared and it will now be appropriate for this paragraph to be included in the President's message or statement if he so desires.

(Signed) Randolph Paul

REP:s 8-24-42

August 24, 1942
9:45 a.m.

DEFERMENTS

Present:

Mr. Gaston
Mr. Sullivan
Mr. Graves
Mr. Thompson
Mrs. Klotz

H.M.JR: Well now, where are the facts about the man, here?

MR. THOMPSON: Yes, and in the form attached.

(File in the case of John L. Manning examined by the Secretary.)

MR. THOMPSON: He is forty-five years old. I think the only basis on which I can recommend it is to enable Harold to have time to get a replacement for him as State administrator. I don't think his work as collector of internal revenue is so important, for a deferment.

MR. GASTON: I think, Mr. Secretary, we are going to have to reconsider this whole general question as it affects the Bureau of Internal Revenue, particularly, and some of the other services, where they seek to induct men into the service who are not physically fit for combat service, either physical handicaps or too old. I think the pressure is going to be so hard in the Bureau of Internal Revenue. They are way behind now in recruiting the force they need, and the pressure is going to be terrific if we go to the withholding tax.

I think we have got to have some special arrangement with Selective Service and the Army and Navy that

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they will spare men out of the service who are not fit for combat duty. I don't think there is any particular argument for taking men upwards of forty years old who couldn't be used in combat duty, who haven't had previous training as Army officers, and putting them into service supply work, desk work, in the Army and Navy. I think we are going to need them just as badly in the Revenue service as in the Army and Navy for office and desk work.

I think we will probably have to get some new understanding of that because we are certainly going to have a terribly tough time trying to build that Revenue service up to where it will have to be to handle the new law.

H.M.JR: Why don't I reconvene that committee which I am the head of?

MR. GASTON: I think it would be a good idea to do that. I think the distinction ought to be between combat service and non-combat service - too old or not otherwise physically qualified for combat service. I think Revenue ought to be number one priority.

H.M.JR: I wouldn't say that because I have got to keep on the financing, which is more important than that.

MR. GASTON: I think it goes down the line for the more essential people if they are not fit for combat service.

H.M.JR: Take Heffelfinger - is he single?

MR. THOMPSON: Yes.

H.M.JR: Take a man like that. If Bell is sick--

MR. SULLIVAN: I think they are pretty much in the same class. They are the boys who, with Harold's

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group, are raising the money to finance this war.

H.M.JR: Who else was in this group which I got together, with McReynolds and General Hershey?

MR. THOMPSON: Secretaries Knox and Stimson.

H.M.JR: Yes. They didn't come, but that is all right.

MR. THOMPSON: Knox did.

H.M.JR: Why don't you try to arrange, say, for a nine o'clock meeting Wednesday morning? That would give you time to get me some examples.

MR. GASTON: The same question has come up in regard--

H.M.JR: That will give me a chance to have some examples.

MR. THOMPSON: Yes.

H.M.JR: And you might tell them what it is about in each case.

MR. GASTON: The same sort of question came up regarding Ullmann in Harry White's service. He is classified as 1-B, not fit for combat service. He has got sinus trouble and he has flat feet, and on account of his physical handicaps they won't give him a commission. However, they would like to have him over in the Army working on contract work, statistical work, and that sort of thing. They say he is not eligible for that because of his physical handicap, but the Selective Service will induct him as 1-B and put him to work at some menial job, which does not make much sense.

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H.M.JR: I think the statement is perfectly correct, because if you do not do that what I am going to have to do is ask the Army to reassign the men back to the Treasury. That is the next step.

MR. GASTON: Yes.

MR. SULLIVAN: I think the former is by far the preferable.

H.M.JR: Oh, yes, if they are not fit for combat service.

MR. SULLIVAN: Yes, for the Army to leave them where they are.

MR. THOMPSON: I think Mr. Helvering is going to have to break down and take women for deputy collectors.

MR. SULLIVAN: That can be done in some parts of the country and for some types of work.

H.M.JR: Why can't a woman be a field deputy?

MRS. KLOTZ: She does field work in other branches of the service.

MR. SULLIVAN: There are places in the South and the West where I do not think you would be very happy to be sending women around.

H.M.JR: I know, but, on the other hand, if a woman - I don't care if it is in the South or West, it is a question of going into a man's office and examining his books, and I don't see why she can't do it.

MR. THOMPSON: He just is not going to be able to get men.

H.M.JR: And if it is a question of places, let them travel in pairs. Certainly two women together

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would be willing to go in any place, wouldn't they, if they were travelling in pairs?

MRS. KLOTZ: Certainly.

MR. SULLIVAN: I don't think there is any question about the women being willing to do it. It is rather a question of their effectiveness. There are pretty tough joints that have to be checked up.

H.M.JR: I don't care how tough the place is, as long as there are two they would not mind going together. They might object going alone, but not together. If they are tough, you have enough men so that whoever gives the assignment can send men.

MR. SULLIVAN: I agree with Norman that there are many places where women can be used where they are not being used.

H.M.JR: About this thing, Internal Revenue getting women, have I got to go out and do it myself? I have talked to you about it and nothing seems to happen.

MR. SULLIVAN: Excuse me, you talked to me after the Commissioner had left for his vacation, and I told you I had a plan that I wanted to discuss with you when you got back.

H.M.JR: You have got a plan? .

MR. SULLIVAN: Yes. I will be glad to go over that with you tomorrow or the next day.

H.M.JR: Well, anyway, send out word, Norman, that there will be this meeting Wednesday morning at nine o'clock, and get cases, particularly, where men have been drafted who are not going into combat service, and - should we ask for an age limit?

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MR. THOMPSON: Possibly forty.

MR. GRAVES: There may be other physical disabilities than age that would have the same effect.

MRS. KLOTZ: Take the man in Harry White's office, Mr. Ullmann, that is a typical example.

MR. GASTON: Of course if we have a man in our service who is forty-five years old and who has been in the regular Army, has training as a field officer, that is a different matter. He can be used in a rank corresponding to his age in combat service; but there will not be many of those.

H.M.JR: They are very rare. By the time they give them the rank, they are not fit to lead troops in combat service.

MR. GASTON: But on this particular case here, I do not think as a matter of principle they ought to be able to take a collector of internal revenue away from us on ten days' notice.

H.M.JR: Could we wait on this until Wednesday?

MR. GRAVES: I think in this case we ought to ask for a deferment regardless of what may happen on Wednesday.

MR. GASTON: I think we ought to ask for sixty days for Manning, just on the general matter of principle. They should not take a collector of internal revenue who is also an administrator of War Savings Bonds on two or three days' notice. We are entitled to at least sixty days to turn around, in a job of that importance.

H.M.JR: We will give him sixty days. (Request for deferment approved by the Secretary.)

August 24, 1942.
9:48 a.m.

Rudolph
Forster:

The Boss wanted me to call you about - or
told me....

HMJr:

Yes.

F:

....to call you about these Treasury vacancies
which now existed or terms which would expire
this year. You want me to talk to Gaston or
will you talk....

HMJr:

Treasury vacancies - no, talk to your pal,
Norman Thompson.

F:

(Laughs)

HMJr:

Will you?

F:

All right.

HMJr:

Yeah, he's in here now. When he leaves I'll
tell him to go in his office and call you.
How's that?

F:

That's fine.

HMJr:

You know Norman?

F:

Oh, very well.

HMJr:

All right. I'll - I'll have him call you.

F:

Thanks.

HMJr:

Thank you.

F:

Bye-bye.

August 24, 1942
10:10 a.m.

TAXES

Present: Mr. Gaston ✓
Mr. Sullivan ✓
Mr. Haas ✓
Mr. Blough ✓
Mr. E. M. Bernstein ✓
Mr. Murphy ✓
Mr. Kuhn ✓

H.M.JR: What I would like to talk about for a while is this question of expenditure rationing versus rationing of money. Do you want anybody in besides yourself?

MR. BLOUGH: At this moment, no. I will at any later conferences.

H.M.JR: George?

MR. HAAS: I would just as soon have Murphy in here.

MR. BLOUGH: Of course Harry White has had people in.

H.M.JR: Who would be there for Harry White?

MR. GASTON: Bernstein. Oscar Gass is the man who actually wrote the details of the expenditure rationing plan. Lewis Shere, with Roy Blough, worked out the details of the spendings tax plan.

MR. BLOUGH: Shere is on the Hill, or I would have him in.

H.M.JR: Oscar Gass?

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MR. BLOUGH: He is on the Hill, too.

H.M.JR: Here is the thing. I think within the next twenty-four hours we are going to face this question of the sales tax, and I had a long talk Saturday afternoon, late, with Paul and Blough, and I would like to raise another five billion dollars on top of the eight. In talking with the people they pointed out certain, shall I say, hurdles on the expenditure rationing, such as the rich man would have sixty percent to spend, and the ten-thousand-dollar fellow would have six thousand dollars in spending tickets, and the five-thousand-dollar fellow would have three thousand dollars to spend, both living next to each other, which wouldn't make them very happy. So I kind of veered around to this tax on expenditures.

(Mr. Murphy entered the conference.)

H.M.JR: I would like to hear the pros and cons, and I think the easiest way would be to let Roy state the case for it, let's say, then let these fellows, including myself, interrupt, and so forth and so on, and let's see where we can get.

MR. BLOUGH: I will be very glad to do that. I do it, though, not necessarily - or, rather, put it this way, I feel very sure that it is--

(Mr. E. M. Bernstein entered the conference.)

MR. BLOUGH: There is a lot to be said on both sides of these things. They are very difficult questions. I will give the pro side, but I am quite sympathetic with many of the things on the other side.

The spendings tax could be viewed either primarily as a means of raising money or primarily as a means of stopping people from spending money. The rate structure would depend on which you were most interested in doing, but perhaps we can talk about it in general and then come back to that later. The spendings tax would, in effect,

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be another income tax, except that it would include some things that are not income and it would exclude some income, but for the average person the spendings tax would be something approximating his income tax, with these differences: The man with a two-thousand-dollar income, who spent fifteen hundred dollars, would be taxed not on the two thousand, but on the fifteen hundred; and the man with a two-thousand-dollar income, of which the fellow spent only a thousand, would be taxed on the thousand, and not on the two thousand.

MR. GASTON: That is without exemptions, Roy?

MR. BLOUGH: I am now speaking broadly. A man with a two-thousand-dollar income who drew on his savings and spent three thousand--

(Mr. Kuhn entered the conference.)

I just pointed out that a man who spent less than his income is taxed on what he spends, and not his income. A man who spends more than his income and draws on his savings is taxed on what he spends, and not on his income. If he had no income in the year and spent five thousand out of his savings, he would be taxed on the five thousand dollars.

Now, the advantages over the income tax of something like that are: First, that it gets away from these troublesome problems of debts and insurance commitments and things like that which people are obliged to pay or have made contracts to pay, and which become difficult as tax rates go high. Those things would be exempt. Purchases of bonds would be exempt. Any type of saving or payment of debt would be exempt.

The advantage that it has over the sales tax is that the sales tax can not have effective exemptions, and the people at the very bottom - the spendings tax could be developed with exemptions similar to the income tax. The further advantage over the sales tax is that the spendings tax would be imposed at progressive

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rates, probably highly progressive rates; and thus it could be put on very high rates in higher brackets, for example, in order to discourage the increase in expenditures. It has an advantage over expenditure rationing in that - well, it may be no more progressive in its actual effect than expenditure rationing. You approach it from the other side, and you take the money away from the fellow on a progressive scale when he spends it instead of giving him coupons to spend on a progressive scale, as you previously pointed out. It has advantages over the sales tax, further, in that the whole spending of the individual can be covered, while many spendings under the sales tax can't be reached successfully, such as professional payments, many types of payments for services, as distinguished from payments for goods. Furthermore, the spendings tax, falling, as it does, on the individual and based on what he spends, would not enter into price ceilings, which in the case of the sales tax would be difficult to avoid. That, roughly, is a statement of the pros.

MR. GASTON: Rather than being an income tax, it is a tax on standard of living. You set a certain exemption that might be for a married man with one dependent; it might be, say, twelve hundred or fifteen hundred dollars a year, depending on what you exclude or include from the commodities to which it applies.

Now, it is conceivable that a very wealthy man might confine himself to the same scale of expenditure for things to live on as a working man; and if he did that, he would have no spendings tax to pay, but he would have to show that he saved all the difference. But it is a tax on the excess of your standard of living, standard of spending, above the exemptions that are allowed. If you spend more than we allow the ordinary working man to spend, you have to pay a tax on account of that expenditure, and it is a progressive tax. The more you expend, the more tax you have to pay.

I think there is a good deal commendable about it. I think it is preferable to the expenditure rationing

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because of that very thing. The reactions that I got from several persons were just alike. They think of these ration books on sugar and gasoline as something the Government gives them; and if we are put in the position of giving a man with a ten thousand dollar income three times as much in tickets which are good for expenditure as we give to the man who is working for fifty dollars a week, or forty dollars a week, it is going to have a bad effect, no matter how unreasonable that attitude may be.

MR. HAAS: I don't think - I am not disagreeing with you, Herbert, but I don't think you have to view this in terms of expenditure tax versus the expenditure rationing, but rather that at this juncture where you are up against this sales tax, you could advocate expenditure tax as against the sales tax, and leave yourself open if later you had to use expenditure rationing, which might be the case. This may not be fully effective. I don't think you can prove that this would be fully effective, but it would be a good start, and it wouldn't conflict with doing the other.

H.M.JR: No. I asked that particularly of Blough, if we did this would this close the door to expenditure rationing, and he didn't think so.

MR. GASTON: You could at least widen the area of your rationing of specific commodities at the same time you did this.

MR. BERNSTEIN: It would depend very much on the level of taxation, of expenditure taxation; if you had a degree of progression that ran from five percent to twenty percent, I think you would find it entirely ineffective for the purpose of limiting expenditure, but you would find that the yields in revenue would be far superior to a sales tax. At some future stage you might then have to pass on it further. It might be enough for a starter. However, if you could get rates of expenditure taxation varying from ten to a hundred or two hundred percent at the margin, where a man is spending

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fifty thousand dollars a year he might have to pay two hundred percent for the last thousand he spends - pay a tax of two thousand on the last thousand. It might be very effective, and you wouldn't need expenditure rationing.

MR. GASTON: You are not really talking about income when you are talking - you are talking about tax on expenditure, that is, you are making things cost him twice as much, or three times as much.

MR. SULLIVAN: What is the primary objective here, to combat inflation?

MR. HAAS: Yes.

MR. SULLIVAN: To what extent do the people who spend fifty thousand dollars a year contribute to inflation; to what extent are their purchases directed to scarce commodities?

MR. GASTON: We are not talking about them alone; we are talking about the whole area above some exemption minimum. That exemption may be fifteen hundred dollars a year. We are talking about a tax which would yield revenue on all standards of revenue above an expenditure of fifteen hundred dollars a year, and it could run into big money.

MR. BLOUGH: I think John's point, though, is well taken, that you go from fifteen hundred up to five thousand, up to ten thousand, maybe up to twenty thousand. Certainly the dollars that are being spent in there are, by and large, being spent on goods and on services which are competitive with the war effort, and which are going to be scarce. I don't know, if a man is spending forty-nine thousand dollars and he spends another thousand dollars, if he isn't likely to spend it on more services or more other types of - well, service is a very common one, where you would be continuing the retention of some family retainer, let's say, to some extent perhaps doing a good service because the

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fellow probably couldn't get any job any other place. Now, that may be the type of place that John had in mind.

H.M.JR: Bernstein brought up something that I hadn't even thought of. In talking of this thing we didn't talk about this hundred or two hundred percent on the last--

MR. BLOUGH: You were talking about five billion dollars at that time.

H.M.JR: Have you had any time at all to figure what we would have to do through expenditure tax to get five billion dollars?

MR. BLOUGH: There is a man working on a schedule right now, but it is not ready.

H.M.JR: How long will it take him?

MR. BLOUGH: I think I can have it this afternoon.

H.M.JR: Can you?

MR. BLOUGH: Of course, Mr. Secretary, it all depends on how people react to it. If they stop spending drastically, we have to make some assumptions about that - nobody can tell.

H.M.JR: That would be all right.

MR. BLOUGH: We have sent requests to Mr. O'Donnell, also, for estimates on certain schedules.

H.M.JR: It is like - I sent you a note - I want to get this latest report from the Department of Commerce. Evidently, what the people are saving has greatly increased. There is a report out on it this morning in the paper.

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MR. BLOUGH: Let me withdraw the promise for after lunch, but I am hopeful.

MR. HAAS: You got an advance on that, but I will look and see.

MR. KUHN: Some of that was used in the statement of the American Bankers by permission of the Department of Commerce.

MR. GASTON: The SEC is putting out a similar statement which was sent over here for clearance.

MR. MURPHY: It was in last Wednesday's paper.

H.M.JR: The point I am getting at is this. It is not only inflation; it is revenue and this whole question of closing the gap and everything else, and I think that--

MR. HAAS: One other angle on this thing, Mr. Secretary, that would interest you, is that on these large volumes of demand liabilities, such as the War Savings Bonds, this tax would tend to cut down redemptions because it puts a definite penalty on them. I think that is quite important, particularly next year.

MR. BLOUGH: It puts a penalty on the spending of the money.

MR. GASTON: They would have to show a net saving position. They would only get credit against the spending tax for net savings.

MR. BLOUGH: The way they would work it out, in effect, would be to take a man's income during the year, two thousand dollars, and you would say, "Well, how much did you decrease your assets during the year, and how much did you increase your assets during the year," and he comes in with a report, "I had an income

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of a thousand dollars, and I increased my assets three hundred dollars." Well then, he had a spending of seven hundred dollars, so that it would have the effect that George has mentioned.

I think we should bear one thing in mind. Certainly Senator Taft, if his performance on the radio last night is any sign, would make this definite attack on it, that the basic standard of living that you are going to protect, as Herbert pointed out, would, unless it is pushed down much lower than our present income-tax exemptions, leave out about two-thirds of the spending that is going on at the present time, because possibly in the neighborhood of two-thirds of the spending would come under an exemption equivalent to the present income-tax exemptions.

MR. GASTON: Yes, but we can answer him that we have consumer goods sufficient to cover certainly that area and something left over.

MR. BLOUGH: Which means that the burden is going to be placed very heavily on those above--

MR. GASTON: There is another advantage that hasn't been mentioned in connection with this tax, in connection with probably some extension of the specific rationing so as to protect particular scarcities. That is that it leaves some opportunity for the free play of the market supply and demand. We attempt expenditure rationing according to a tight schedule; we try to allot expenditure only to the amount of goods that are going to be produced. We don't know whether that is going to be more or less. It might happen to be - it would have to be varied to meet the conditions of production. That is going to be a very difficult thing to do.

H.M.JR: Well, let's just go around the room a minute. Henry?

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MR. MURPHY: I would be in favor of an expenditure tax at the present time, as compared with expenditure rationing. I think that the great advantage of an expenditure tax is that you can wade into it rather than diving into it. We could start out at fairly easy rates, which would have a chance, whereas with expenditure rationing, which involves very complex machinery and which is a much more difficult device than taxation, because you can't predict what the results will be. With expenditure taxation you tax a person and wait to see what he can do, but you can start it gradually and step it up. I don't think it would be incompatible with expenditure rationing.

It ought to be pointed out, though, that there is a direct conflict in any rate schedule between its effect on reducing consumption and its revenue effect. A schedule which would yield you five billion dollars might restrict consumption and have less effective control on inflation than a schedule which would only yield you two billion dollars, in as far as you only get the revenue when people spend the money; and when they spend it, they are spending considerably more than they are paying you in taxes. But when the effect of the taxes is to motivate them not to spend the money at all, you get the whole amount of money in savings, but not revenue. So in framing the schedule you ought to pay as much, or more, attention to its effect on restricting consumption as to its effect in yielding revenue.

MR. BERNSTEIN: Mr. Secretary, I think there is much in what Mr. Murphy said, though it should be pointed out that for people in the lower level of incomes, even if its effect is to tax them, that taxing, in a way, will be the chief implement for restraining their spending. It takes away what they have for the people in the moderate incomes. In the higher incomes, of course, it is the hope that it will stop spending, that its preventative aspect will be more effective than the

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punitive aspect; but when you take away the ten or fifteen percent extra that a man of moderate income has to pay, that in itself will be an effective way of stopping him from spending, so that it can have both. In the lower incomes its effect is to produce revenue and stop spending; in the higher incomes the hope is that it will prevent spending and not yield revenue at the most punitive rates.

H.M.JR: Do you think it would be wise? Am I being wise, or making a mistake, or what?

(The Secretary held a telephone conversation with Mr. White.)

H.M.JR: How far were we?

MR. BERNSTEIN: May I add two further points?

H.M.JR: You can add three.

MR. BERNSTEIN: There will be revenue, I think, under any circumstance, and I don't think that is an objection to it. I think it can be effective even when it yields revenue, but we ought not to overlook the possibility that an expenditure tax is very easily perverted. That is to say, you come in with a very desirable tax schedule, and they will say to you, "It will take forty million returns to write it in your way, and so we will give you what you want in exemptions, not on expenditure of a certain amount, but expenditure of a certain type. We will have no taxes on food, and we will wind up with a straight ten-percent tax and save you and the Internal Revenue the burden of examining forty million returns."

The other point I wanted to make is that there is a big problem of administration even for that. You do have to examine many returns, and for the rich it will have to be a return with detailed schedules showing what assets they own.

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H.M.JR: Any of these things, I think, Bernstein, that we are going to go into, will be more work by Internal Revenue, but they love to work over there. (Laughter) So I am not going to worry about it. I mean, I haven't heard a scheme but what is going to throw more of a burden on them. I am afraid that that is part of it.

For instance, would you exempt food on an expenditure tax?

MR. BERNSTEIN: No, sir, because you already have the exemption you want when you make it on the basis of the amount of expenditure.

MR. BLOUGH: Mr. Bernstein's point is the one I made Saturday, that the committee will try to give you a sales tax in place of the expenditure tax.

H.M.JR: We will have to watch it. Before I go around the room, I don't want to forget this. Suppose Mrs. Roosevelt, on the expenditure rationing, when I explained it to her - you could, for instance, living in a county, with free money, so to speak, that you had, if you wanted to, buy some paintings. You could do it. If you wanted to buy some sculpture, you could do it. If you wanted to subsidize a summer school, you could do it. If you wanted to subsidize a summer orchestra, a summer theater, any of these intellectual--

MR. GASTON: You can do all that under your expenditure tax. You can exempt all those things from that sort of expenditure. You can regard them as investments, and you can refrain from taxing them.

H.M.JR: Well, if you could, I mean to somebody like Mrs. Roosevelt, I mean to the whole intellectual group, it would have a great appeal. Take a county hospital, a private hospital in Dutchess County - would that be exempt if you made a contribution?

MR. BERNSTEIN: Gifts would be - they could be.

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MR. KUHN: How about charities, generally?

MR. BERNSTEIN: Except gifts to your own family.

H.M.JR: I mean gifts to the Community Chest or the Red Cross, would they be - if those things were exempt this whole vast Community Chest organization, Red Cross, all those people will say, "This is fine."

MR. SULLIVAN: They have to be exempt or your charitable exemptions from the income tax become an empty gesture.

H.M.JR: I am just raising it because that is the appeal that the other thing had, that these kinds of things which are going to go under - under the present tax will go out of existence because people won't have the money they could give under something like expenditure rationing.

MR. GASTON: That class of things could well be exempted.

H.M.JR: But if the present tax system continues, all the private hospitals in Dutchess County will close up within a year, or else - well, or else be taken over by the county or the State. People won't have the money to give. That is all there is to it. Stop and think a minute, in your home community.

MR. SULLIVAN: Yes, I know, it is going to be much more difficult to raise funds, but I had no idea that it had gotten to that point.

H.M.JR: Oh, definitely. Next year they won't have it, not if you give Blough a free hand. (Laughter) You just won't have the money.

MR. SULLIVAN: The things that they were worried about earlier in the year aren't in this bill.

H.M.JR: No, but I mean - to be personal, I mean somebody gives twenty-five dollars or a hundred dollars to these kinds of things, or ten dollars in your own community to a hospital - you are just not going to be

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able to do it. But under something like this, you could.

MR. GASTON: You could state it in one of two ways. In the bill, you could state those things which are regarded as consumption expenditures. You can police those, food, clothing, and services, and so on. Or you can state it the other way. You can state it the way that there are exemptions that are not regarded as consumption expenditures. You would have to do one or the other, in any event.

H.M.JR: You could do both. You could say the tax would be a consumption, and would not be on the other.

MR. GASTON: Yes.

H.M.JR: Any way, I am just raising it. That is one of the things that seemed to have a great appeal.

I interrupted you, didn't I, Bernstein?

MR. BERNSTEIN: No, sir. I had finished.

MR. HAAS: I just have a couple more points to make.

I much prefer this to a general sales tax, and I think you are reaching a stage now where something in addition will have to be done on the inflationary problem and this is sort - it isn't a full-fledged invasion, but it is certainly a big commando raid if you get anything in it, and it is a helpful step in that connection.

The other point is that this tax, to be effective you almost have to have it - certainly have to have it more current than the present income tax. I would say it ought to be quarterly, and that hasn't been brought up here.

MR. BLOUGH: I stayed out of the method of administration. Probably some of it should be collected at source along with your income tax.

MR. GASTON: I would be inclined to make it current by quarters and an individual return rather than a withholding.

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MR. BLOUGH: The only thing you could do on withholding is to hold the income and nobody would be hurt except the fellow who had spent less than his income and he would be saving anyway, and the withholding - extra withholding, would go into Government securities, so he wouldn't be hurt. But if we can do it the other way, if it is current enough so that the fellow really will have the money there, I would prefer not to mix it up with collection at the source.

MR. GASTON: I don't think - to answer Mr. Bernstein's question, I don't think it matters whether it is a joint return or not if you make the exemptions exactly on a 50-50 basis.

MR. BLOUGH: And the rate structure would have to be on a 50-50 basis, too.

MR. GASTON: Yes.

MR. BERNSTEIN: You would have to have the concept we have used in expenditure rationing of broadening the groups.

MR. GASTON: The concept would have to be an individual concept as to spending.

MR. BLOUGH: You either must broaden the groups or you must narrow them, one of the two.

MR. HAAS: I have nothing else.

H.M.JR: Ferdie?

MR. KUHN: Its acceptance on the Hill will depend to some extent on the point at which tax begins. That is, whether the thing starts low-down enough.

H.M.JR: What is this tax you have been talking about all along - some two percent tax or so?

MR. KUHN: I haven't been talking about anything except that we mentioned - we were talking about

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withholding tax, and I mentioned the thing that Senator George was talking about - a gross payroll tax, graduated, simply something like social security. Senator George came out for that some time ago. But I think if this is put in it will have a good reception if it has some effect lower down the line. I am talking about the effect on the Hill. If it doesn't we will be getting the same yapping of criticism up there and in the press as we have on the tax problem, generally.

H.M.JR: That is all?

MR. KUHN: That is all.

MR. SULLIVAN: I haven't any comments to make on the technique. I haven't been into it deeply.

I would like to ask one question that I am sure either Roy or Randolph could answer, and that is on the question of technique. Do you think that our advocating such a tax on expenditures would give any impetus to the present drive on a sales tax?

MR. BLOUGH: As I have already said, I think that the committee would certainly try to change it into a sales tax and they could say this, "Well, finally the Treasury recognizes some of the objections to higher income taxes, the necessity for giving relief for amounts saved, and so on, and the necessity for putting the burden at the point where the expenditure is made, but the Treasury neglects to take care of about two-thirds of the spending and, as usual, it is missing the problem, and the only way to get at that problem is through the sales tax."

Well, my feeling is this, that any request on the part of the Treasury for additional revenue beyond the eight, seven, will be a stimulation to the movement for a sales tax, and this is no exception.

MR. SULLIVAN: I just wanted to be clear about it. We are for this, if we are for it, because we think it is a good thing, and not as a substitute for a sales

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tax or something with which to beat a sales tax.

H.M.JR: Well, call it by any name. I mean, the point is that I feel we have got to do something, and the eight billion dollars we are shooting for isn't enough. I would like to get another five.

MR. HAAS: It has the advantages of the sales tax but not the disadvantages.

MR. BLOUGH: But it doesn't have what they consider an important advantage over the sales tax, namely, the ability to get at the rather large mass of income which is rather near the bottom.

MR. GASTON: It puts them on the spot on that because when they make that argument they will have to concede that their argument is for taxing people who haven't enough to live on.

H.M.JR: Well, I think - let's let it rest until I see George tomorrow. I am going to put it up to him at lunch tomorrow. Let's see how he feels.

Herbert?

MR. GASTON: Nothing.

H.M.JR: Now, in order to save time, Roy, I would like to move forward, you see, to show something to the President tomorrow morning if I can get an appointment. In order to save time, I would like either you or Paul - or you and Paul - to get the opinion of other people around town, like somebody - what is the man's name from Henderson's shop?

MR. BLOUGH: Gilbert.

H.M.JR: Has Nelson got anybody?

MR. BLOUGH: Nathan. And Budget, there is Colm. Over in Federal Reserve, I think Mr. Eccles speaks for himself, largely. Krost knows about - everybody around town knows something about spending tax.

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H.M.JR: How about Hansen?

MR. BLOUGH: Hansen, if he is in town.

H.M.JR: Anybody in Commerce?

MR. BLOUGH: There were a couple of rationing boys over there.

MR. BERNSTEIN: Perhaps Milton Gilbert.

MR. KUHN: Wouldn't Henderson's crowd welcome this, especially, because it doesn't hurt the price ceilings? I mean the argument has not been used enough in combating a sales tax.

H.M.JR: What I was trying to get over - I would try to get these people together tonight, you see.

MR. BLOUGH: You would like to get these people into a group, or have them seen separately?

H.M.JR: No, no, to save time--

MR. BLOUGH: We can probably get them together sometime today or this evening. Do you want to be present or do you just want to--

H.M.JR: I will tell you in a minute. I have been trying to make an appointment tonight.

MR. BLOUGH: You don't wish to go outside the Government on this? I don't suppose you want to go outside the Government on this at this time.

H.M.JR: Such as who?

MR. BLOUGH: At the moment I can't think of anybody, but there are some people, for instance, at Brookings,

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who have been working on this, and that sort of person.

H.M.JR: What do you think?

MR. BLOUGH: I have some doubts at this stage. I think you can get most points of view represented inside.

MR. MURPHY: How about Carl?

H.M.JR: Who?

MR. BLOUGH: Shoup.

H.M.JR: I asked Stewart to come tomorrow. Let's make it eight o'clock tonight, here - eight o'clock, here. You are all invited that are in the room now for eight o'clock.

Then there is a job for you. Now, of course, Henderson may want to come himself.

MR. BLOUGH: I was wondering if the principals of these people like Henderson and Eccles - Eccles is out of town --

H.M.JR: Well, you don't want Jesse Jones - or you can do it through his office. Jones may come. Call up his office and say this meeting - I would be delighted to have him, but if he can't come will he send somebody like these people.

MR. BLOUGH: It would be all right to specify the people because they are people who are working on this.

H.M.JR: I would specify, and the same for Nelson. These people may be sufficiently interested to want to come. And Budget the same way, Wayne Coy may want to come. We will have a big audience.

Any suggestions, Herbert?

MR. GASTON: Will there be any criticism to the

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effect that you are attempting to short-circuit the creation of some authority, which the newspapers have talked about, that the President is going to create to deal with this field?

H.M.JR: No, no. The President looks to me to do the things on the tax.

MR. GASTON: This is a tax proposal - that is the answer to it. We are considering it an alternative to the sales tax.

H.M.JR: That is right. That is what I would say, even though John doesn't like it.

MR. SULLIVAN: No, it isn't a question of my not liking it. It is a question of my knowing where we stand.

H.M.JR: Well, this is something - let's say it is something to head off this - I wouldn't say that. This is a thing that I am thinking of suggesting to the President in addition to the tax.

MR. BLOUGH: Just say it is being considered in connection with expenditure rationing - not that, but this is an idea you are thinking of presenting.

H.M.JR: Now, the President - George, this is for you - the Vice President and the President raised it. The President said he would like to have some of those nice Treasury charts he used to get which would show him what is happening to the so-called twenty or thirty billion dollar gap money. I mean, he wants to know, for instance, on a monthly basis or a quarterly basis, how we watch it. I mean, do we follow what is happening to it. Where is it hitting - the impact on the economy of the country.

MR. GASTON: Consumer expenditure versus consumer production.

MR. HAAS: What the Government deficit was - the impact of that?

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H.M.JR: I mean this gap, can you show it in chart form, where it is hitting the economy, how much is going into savings, what is not going into savings, how much of the stuff is being paid off, debt, building, how much mortgages? He doesn't seem to know.

MR. HAAS: We will see what we can do on that.

H.M.JR: See what you can do.

MR. HAAS: Have we got a little time? It is quite a job.

H.M.JR: Yes. Now the President - I don't know whether he wants to do it - he wants a letter to be written to Congress on this Social Security program. I would like to have that by tomorrow morning.

MR. BLOUGH: What do you want to say?

H.M.JR: It is a program - I suppose he wants to write the letter to George.

MR. BLOUGH: Go back to the old program of last winter?

H.M.JR: Whatever the last one is. He hopes that they will enact - he will never sign it, but I want to go through with it. Here is a program, and say that the Secretary of the Treasury, on such-and-such an occasion recommended it, and if he wants to add his recommendation to it, hoping it is enacted, he can.

MR. BLOUGH: How about clearing that with the Social Security people?

H.M.JR: Fine. Why not ask what's-his-name, over there, to write it?

MR. BLOUGH: Altmeyer is in South America, I think, but somebody else over there could.

H.M.JR: I am available during the day, if you get anything.

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MR. BLOUGH: I undoubtedly will. I was going to ask one question, now. Is there anybody to represent Vice President Wallace that you think should be in on this?

H.M.JR: On which?

MR. BLOUGH: This thing you were talking about on the taxes - or Agriculture - perhaps I am getting there confused.

H.M.JR: No.

MR. GASTON: Then we get too close to the thing. I would leave them out.

H.M.JR: But let me know during the day how you get along.

August 24, 1942.
10:36 a.m.

HMJr: Hello.

Harry
White: Good morning, sir.

HMJr: Harry?

W: Yes, sir. I didn't want to bother you.

HMJr: Well, I had asked your secretary to get word to you that I wanted to talk to you.

W: I see.

HMJr: Oh, is this just a coincidence?

W: This is just a routine call.

HMJr: Oh, well, you're on the loud-speaker.

W: I see.

HMJr: We've got a lot of economists and publicists here and so forth. They all work for the Treasury.

W: I see.

HMJr: Harry, the reason I wanted to talk to you was this - ah - this call's on the Treasury, isn't it?

W: Yes, it is.

HMJr: Good. I'll take my time.

W: (Laughs) All right.

HMJr: Over the week-end, after a talk with Paul and Blough, I'd like to find ways of raising another five million dollars if possible in this tax bill.

W: Yes, sir.

HMJr: And I am very much interested in this tax on expenditures....

W: Yes, yes, it has a lot of merit.

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HMJr:to move in on that first rather than to do the money rationing.

W: It has - well, it has merit to - to raise revenue.

HMJr: Yes.

W: It has some merit in the other direction, but for a revenue raiser, of course, it's much superior, as the boys have already told you....

HMJr: Well, I....

W:to the sales tax.

HMJr: Bernstein is here representing you.

W: Yes, sir.

HMJr: Well....

W: Why I called, Mr. Secretary, is - is to the - I want to find out if anything is doing, I'd come right down.

HMJr: Well, I - I tell you, Harry, I don't know. There's plenty doing.

W: Well, I'll- I'll be down soon.

HMJr: But now - now wait a minute.

W: I'll be down tomorrow morning.

HMJr: Wait a minute.

W: Yeah.

HMJr: You may not get another chance to get a holiday.

W: Well, that's all right. I've had an excellent rest. I feel fine.

HMJr: How long you been up there?

W: I've been up here almost a week.

HMJr: I see.

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W: I feel fine. I'll be - I'll be down tomorrow morning.

HMJr: Well, it - it....

W: No, it's - I just wanted to make sure that there was something doing, because if there was nothing doing at all I thought I might stay up here a little while longer, but if there was the least bit doing I'll come down because I've had a good rest and the times are too important.

HMJr: Well, the point is I feel I've got to do something. I think this sales tax thing is going to be....

W: I don't want to imply that I'll have anything valuable to contribute there, but if there's anything at all doing I'd want to be there.

HMJr: Well, I'd be delighted to have you here.

W: I'll be - well, I can't make it tonight but....

HMJr: No, no.

W:if I can make it tomorrow morning - be there in the morning.

HMJr: Well, we'll try not to give the Treasury away between now and tomorrow morning.

W: I'll do that. I'll see if I can hold on to a piece of it.

HMJr: All right.

W: Thank you very much.

HMJr: All right.

W: Are you feeling well?

HMJr: Yeah, did you want any message to....

W: Well, I'm - I'm going to be home in the morning. I'd appreciate it if the operator merely informs my home.

HMJr: Well, do you want - do you want to send any....

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W: No, I can't reach my wife now.

HMJr: Well, do you want to give any message to Mrs. Klotz?

W: If - if that will be the message, merely that I'll be home either late tonight or on the night train.

HMJr: I'll tell her.

W: Thank you very much.

HMJr: Thank you.

W: Yes, sir.

August 24, 1942
3:49 p.m.

HMJr:a little late - I mean, in my getting it -
it's not your fault - about Samuel A. Snyder?

Clifton
Mack: Yes, sir.

HMJr: Have you taken him on?

M: No, I haven't. He was away on vacation, I believe,
until this week.

HMJr: Yeah.

M: He's a very good man.

HMJr: Were you waiting for me or were - would you have
gone ahead?

M: Well, I - I thought I wanted you to okay it first
if you would.

HMJr: Well, it's okay.

M: Very good. Now along those same lines, I have in
mind making one more change over here....

HMJr: Yes.

M:if you're satisfied. I don't feel that Bob
LeFevre is quite heavy enough for the job of
Assistant Director.

HMJr: Yeah.

M: Al Walsh is carrying about ninety percent of the
load on Lend-Lease....

HMJr: Yes.

M:and I had in mind putting Al Walsh in the job
as Deputy Director....

HMJr: Yes.

M:and put LeFevre on other work if you have no
objections.

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HMJr: Well, I have to rely on you.

M: Well, that's - that's my judgment.

HMJr: Good.

M: That's my judgment. Walsh is doing a bang-up job and he's up-to-date and up-to-the-minute.

HMJr: What's his background?

M: Well, he's - he's a college man, and he's had experience in buying with public utility concerns privately. He's been in about every type of Procurement work with us, in field office, and down here supervising the field offices and buying, and he - he's very sound, and he gets things done.

HMJr: I see, and you think that that's the thing?

M: I do indeed.

HMJr: Uh huh.

M: I do. I think it's really necessary.

HMJr: Now how is Brant Holme working out?

M: He comes - he seems to be coming along very well. We've got him working now on containers. Containers today is quite an important thing, and he's working on that.

HMJr: Does he seem to have drive?

M: Yes, I think, of course, for the first couple of weeks....

HMJr: Yes.

M:he is getting used to things. But he - he seems to be working out very well, and I think that he's going to develop into a bang-up man.

HMJr: He has a nice personality.

M: Oh, indeed he has, and he - he seems to be very sound.

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HMJr: Good. Okay.

M: Yes, sir.

HMJr: Thank you.

August 24, 1942
12:00 Noon

MEMORANDUM FOR THE SECRETARY

From: Mr. Blough

Subject: Meeting at 8:00 tonight in your office, on
spendings tax.

Federal Reserve Board

Chairman Eccles is out of the city. Governor Ransom will come and bring Mr. Martin Krost and also Mr. Woodlief Thomas if Mr. Hansen is not in the city.

OPA.

Mr. Henderson cannot come but will send Mr. Gilbert and possibly Mr. Galbraith.

WPB.

Donald Nelson cannot come but will speak to Robert Nathan.

Commerce.

Have not heard from Secretary Jones. Understand he has a dinner engagement. I suggested Milton Gilbert and Arthur Upgren as possible substitutes.

Budget Bureau

Wayne Coy cannot come but is sending J. Weldon Jones and Gerhard Colm.

- Dr. Walter Stewart - Will try to get here by 8:00 p.m. if transportation facilities permit.
- Dr. Carl Shoup - Am trying to reach him but fear he is at camp in New Hampshire.
- Dr. Jacob Viner - I did not call him since you had put in a call.

RB

August 24, 1942
8:00 p.m.

TAXES

Present: Mr. Gaston
Mr. Sullivan
Mr. Ransom
Mr. Myers
Mr. E. M. Bernstein
Mr. Stewart
Mr. Haas
Mr. Murphy
Mr. Paul
Mr. Blough
Mr. Shere
Mr. O'Donnell
Mr. Krost
Mr. Thomas
Mr. Kuhn
Mr. Milton Gilbert
Mr. Richard Gilbert
Mr. Nathan
Mr. Galbraith

H.M.JR: I asked you people to come here to advise with me in a confidential nature, because over the week end we in the Treasury sort of got this idea that there might still be a chance to get possibly up to five billion dollars on top of the eight which we are asking for in the tax bill.

Now, I have not had a chance to talk to the President because he has been away, but I am seeing him in the morning, and I am having lunch at one o'clock with Senator George.

Normally when we ask other Government people in to advise with us we have pretty well made up our minds and have the figures, but I haven't seen these yet myself. So if you don't mind my doing my homework with

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you, and keeping in mind that this is confidential and we don't want it out, I am going to ask Blough to go ahead, if that is all right with you, Paul.

MR. PAUL: Fine.

H.M.JR: And tell me what they have been doing today.

(Mr. Galbraith and Mr. Gilbert entered the conference.)

H.M.JR: Go ahead, Roy.

MR. BLOUGH: This tax that we have been thinking about as a method of raising substantially more revenue and withdrawing more purchasing power, making expenditures more costly than saving, is a spendings tax. The tax base, to make it as simple as possible - I am not going into a lot of details; I am going to keep this down to simply rudiments, at least at the start. The tax base would be the total amount of spending for consumers' goods and services of an individual, less a personal exemption and credit for dependents. In other words, the idea would be to find out how much the individual spends and then the amount of that spending over a personal exemption and credit for dependents would be the base of the tax.

The personal exemption and credit for dependents would not in any circumstances be more than the income tax exemption.

(Mr. Kuhn entered the conference.)

MR. BLOUGH: Under at least one variant of the general scheme it might be a good deal less than that.

The tax rates to be applied would be progressive rates, starting at some relatively moderate figure, perhaps ten percent, and going up to various possible higher levels. Several schedules have been under

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consideration. It should be noted that very high tax rates would probably yield less than low rates in some of the spending brackets since they would have the effect of actually discouraging or penalizing expenditure, and not simply of taking out purchasing power.

The bottom tax rate - there are a number of ways in which the collection might be carried on, but one way would be for the bottom or basic tax rate to be collected at the source, similar to the way in which the House bill calls for the collection of the income tax at the source on wages, salaries, dividends, and registered bond interest. For that portion of the tax which was not collected at the source, a simple quarterly return, reporting the expenditure for the prior quarter, perhaps carrying only one figure, the amount of such expenditures and the payment of the tax for the quarter, and then at the end of the year a return would be filed with, and probably part of, the income tax return, which would make adjustments for the payments already made.

In the quarterly returns presumably the taxpayer would have a good deal of option and would indicate his expenditure, but in the annual return it would be necessary to indicate his income and the changes in his assets and liabilities, so that the expenditure could be derived in that manner from other known figures.

I am wondering, Mr. Secretary, because of the confusion, whether it might not be well to summarize again that basic idea, so far.

(Mr. Nathan entered the conference.)

H.M.JR: Could I say again for those who have come in that I would like to caution everybody that I haven't yet talked to the President. I haven't yet talked to Senator George, so please, what is here is considered confidential, everybody, please, because nothing may happen of it; it may just die unborn, or maybe something will, so if you don't mind--

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MR. BLOUGH: I will just summarize in broad outline. This is a tax on spending, with exemptions, and progressive rates, to be collected in part at the source and for the balance through quarterly returns with an adjusting return at the end of the year. That is essentially the tax.

I don't know whether, Mr. Secretary, it would be better to stop there and discuss it or to go to a variant which we would also like to put into the discussion before the evening is over. I don't want to confuse the minds of those who are present; but if you wish, I will go into the variant.

H.M.JR: Do you think their minds will take the variant without disturbing it? (Laughter)

MR. PAUL: I think it should be put into broad outline in the discussion, also, the distinction between this and the sales tax.

MR. BLOUGH: I will go through the memorandum then. It may be that this spendings tax - it may be felt that the spendings tax ought to strike at spendings below the present income tax exemptions, or it may be felt that the rates which would have to be imposed to get the money that is desired and have the effect on consumer demand that is desired, would place too heavy a burden as a tax on low incomes; or it may be - and this is an important point - that the administrative and compliance burdens of the many millions of spendings tax returns might be considered excessive.

To meet those three objections, it may be desirable that up to perhaps two thousand dollars, or thereabouts, perhaps a little higher than that, the tax be collected on the basis of income instead of on the basis of spending, and then treat it as a post-war credit or refund, whereas with the spendings tax proper that would not be done. Thus you would have at the bottom, covering perhaps eighty percent of your people, under present income tax exemptions, and a good deal more than that under

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lower exemptions, which might be desirable, the tax would be imposed as an income tax rather than a spendings tax to reduce the volume of administration. Then if it were deemed desirable to strike lower, or that the amount to be taken was very high, felt to be very high at the bottom, that might be set up as a post-war credit or refund.

This is not a sales tax, as it is obviously seen, and yet it resembles it in two respects. It is not like it because personal exemptions are allowed, and they are not allowed in the case of a sales tax. It is not like it because the rates will be progressive here rather than flat. The tax would apply to all consumer spending, and not merely to tangible articles. In the case of most sales taxes it has been found necessary to limit them to tangible articles. The tax would not affect price ceilings, since it would fall on the individual, and not on the price process. Because of its equity and the fact that it would not affect the price ceilings, it is superior to the sales tax, but on the other hand, the proponents of the sales tax will criticize it. They will say it is more clumsy and difficult to administer than the sales tax, and they will say it fails to withdraw purchasing power from the great masses of the people at the very bottom, which is one of the things the sales tax would do.

The spendings tax in some respects is like the income tax, but it differs from it, also. The spendings tax can carry the personal taxation to higher levels than the income tax alone can carry it, because when you get the income tax up about so far, a certain amount of increase at a time, the problem of payment of debt, the purchase of insurance, and other types of commitments, the normal savings programs of the individual are too deeply interfered with. The income tax does not take those into consideration; the spendings tax would. The spendings tax would impose a definite penalty on spending, which the income tax does

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not do, since it only indirectly reduces spending. At the bottom, of course, most of the income is spent anyway, a very large portion of it. The spendings tax would be more difficult to administer than increases in the income tax, because it would be necessary to compute changes in capital assets in order to arrive at an accurate figure for spending. You take your income, plus any decreases in your capital assets, minus any increases in your capital assets, and you would arrive at what your spendings would be, having made allowance for contributions and types of spending which were not considered to be necessary to be brought under the tax.

A spendings tax might be considered an unfortunate tax after the war, since people in the higher income brackets would probably like nothing better than to have the income tax changed over and made into a spendings tax so that it would fall less heavily on them.

That is a brief summary, Mr. Secretary, and perhaps all that needs to be said as an opening introduction.

H.M.JR: Do you think we should go around the room?

MR. PAUL: I think the important thing is to get the reaction of the people not in the Treasury.

H.M.JR: Let's go around. We will start with Gilbert.

MR. RICHARD GILBERT: May I offer a question first? Is it intended that this tax be superimposed on the present Treasury program?

MR. PAUL: On as high a Treasury program as we can get through, and the indications for a higher one are encouraging.

MR. RICHARD GILBERT: What would you be shooting at for a year?

MR. BLOUGH: As the Secretary indicated, the yields, of course, depend on the rates and are pretty difficult

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to estimate in advance. We were thinking in terms of perhaps five billion dollars at this time.

H.M.JR: On top of the eight. I don't know what it looks like in the way of rates; but if we are going to ask for more, we might as well ask for enough.

MR. RICHARD GILBERT: I would like to reserve my comments for a while, if I may, Mr. Secretary.

H.M.JR: Well--

MR. GALBRAITH: I don't know, Mr. Secretary, that I have had time to sort out even my questions in my mind yet. I would like to pass, too, if I might. This is not a case of the OPA trying to be cagey.

H.M.JR: Did anybody ever accuse you of that?
(Laughter)

MR. PAUL: Do you two people from the OPA agree on one point, that this would not interfere with prices?

MR. GALBRAITH: Absolutely, yes.

H.M.JR: Well, Mr. Gilbert?

MR. MILTON GILBERT: I would like to ask a couple of questions, if I might, first. What does the Treasury view as the magnitude of the excess spending that we are likely to have without the tax?

MR. BLOUGH: I would like to refer that question to Mr. Bernstein.

MR. BERNSTEIN: I think Mr. Gilbert is the expert on incomes at the Commerce Department, and I think we might very well have asked him that question.

MR. MILTON GILBERT: I am not the expert on the future.

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MR. BERNSTEIN: I see.

MR. MILTON GILBERT: I am trying to get at whether you consider this a substitute for rationing in the long run or not.

MR. PAUL: I don't think we do. I think that we never for a moment supposed that taxation could do everything. We imagine this as a step, and a healthy step, by way of revenue and something that isn't necessarily the whole job at all, but a very distinct step in the right direction as regards inflation. We don't regard it as the only thing that may have to be done.

H.M.JR: And we don't think that it precludes rationing, if I understand what you mean by rationing.

MR. GALBRAITH: What would you think of it, Randolph, against, not rationing in terms of individual commodities, but let's say a rather broad rationing scheme?

MR. PAUL: You mean expenditure rationing?

MR. GALBRAITH. Point rationing system.

MR. PAUL: We don't think it is inconsistent with that. We think it is an approach to the problem which is not inconsistent and which may later be followed by one or another type of rationing, but we have got - so far as anything in the nature of a tax is concerned, we have to move now or never. We think this will be a distinct help in the anti-inflation program. Is that right, Roy?

MR. BLOUGH: Yes. "Never" is a long time, but--

H.M.JR: After all, we are all working for the same man. OPA - I may be misinformed - very recently said, and they still say, they cannot handle over-all rationing of commodities.

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MR. GALBRAITH: No, I don't think that is correct, Mr. Secretary. We have never taken a position for expenditure rationing as such, but there is an intermediate step between the sort of rationing that is involved in, for example, rubber tires or gasoline or sugar. The Kalecki plan, which involves taking control of the expenditure of broad groups of substitutable commodities, such as, for example, all foods, or all clothing - in reference to that as an administrable device it is used in several of the other belligerent countries. Point rationing of those groups is something which we don't believe we could do. I would be disposed to say it is something we are rather inclined to think we will be forced to do.

MR. RANSOM: Mr. Secretary, could I ask Mr. Galbraith a question? I did not understand your reference to the Kalecki plan. I know what that is, but I did not hear what you said about that.

MR. GALBRAITH: As between taking control of all consumer expenditure--

MR. RANSOM: At the expenditure end?

MR. GALBRAITH: At the expenditure end and the sort of thing that is implied in rationing gasoline, for example, very narrow commodity groups. There is, we think, a very practical possibility; in fact, the British, of course, have done it. So also have the Germans and a number of other belligerents. It is taking control of groups of commodities where the individual items have a high elasticity of substitution, and exercising control over the amount of expenditure on those. I don't suppose it is wrong to say that we have rather contemplated it for apparel. That is going to be necessary some time not long after the first of the year. There has been discussion in the newspapers of the big ration book at the Printing Office. We really are working on that proposal, for which forms are now under way.

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MR. PAUL: Mr. Secretary, may I ask OPA a question, to narrow the field of discussion?

H.M.JR: Yes.

MR. PAUL: First, let me put it this way, as between this scheme, the spendings tax, and either a wholesale or a manufacturers' sales tax, which would you prefer?

MR. GALBRAITH: I will let Dick comment on that, but for my part I would say that this is infinitely easier from the point of view of the particular job of price administration and holding the ceilings. Do you agree with that, Dick?

MR. RICHARD GILBERT: Entirely. I am wholeheartedly for it.

MR. PAUL: As between this and a retail sales tax, you would not have much preference; that would be up to the administrative people.

MR. RICHARD GILBERT: This, of course, has the feature of progression as well as the feature of not hitting the low-income groups.

MR. PAUL: Then from that standpoint you would prefer it?

MR. RICHARD GILBERT: Yes. I would like to ask a further question, Randolph. This contemplates setting up a new basis for taxation. You will have the expenditures tax, and returns for an expenditures tax, as distinguished from the income tax. Now, will you have to move on in the course of time to some form of compulsory savings, or is this contemplated for compulsory savings?

MR. PAUL: There is that element, say, in the bottom brackets of this, but I think this is neutral as regards compulsory savings.

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MR. GASTON: Certainly induced savings, Randolph. It is certainly induced savings. It is a tax on spending.

MR. BLOUGH: Certainly it is induced saving. We sometimes use compulsory saving as identical with lending to the Government, and in that sense, this isn't; but as induced saving in the broad sense, it certainly is.

MR. PAUL: In other words, when people have to pay a tax on spending they will not want to spend, and their money will be there and will be more apt to go into Government bond purchases.

MR. RICHARD GILBERT: Yes, but it does raise the question in my mind, from the point of view of OPA and the control of prices, that there is no question but that this tax is infinitely preferable to any form of sales tax, ordinary sales tax. On the other hand, it does seem to me that there is a question of financing the debt; the funds have got to be obtained. While it is true that from the point of view of the pressure on prices a tax on expenditures would reduce that pressure and induce savings, it does not follow - it seems to me that the experience of this country and others would show that it does not follow that that money would naturally be channeled to the Treasury. The Treasury must, in any event, it seems to me, find some means to bring in the revenue funds that it requires and bring them in at reasonable rates, bring them in without drawing upon the banks. In substance, in other words, these funds which cannot be spent by the individual must be brought into the Treasury.

It is my own hunch that it will require a definite compulsory savings scheme to do that. If that is in any event necessary, therefore, it would seem to me that we run a serious risk of complicating the entire fiscal structure if we add to the income tax a compulsory savings scheme which ties indirectly, or at least could tie indirectly, to the income-tax program if we add to those two a program of this sort.

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H.M.JR: We don't feel that way. I mean, if, for instance, they use the plan and the advantage of the plan, applying the income-tax method to people of two or three thousand dollars or under, you eliminate eighty percent of the taxpayers in that way, and handle that by what we call a post-war credit, which you can call induced savings if you want to. Just for argument, let's say we get that. Then we go along for the rest of the year and then we find that the money doesn't flow to the Treasury, which on our over-all monthly borrowing we find that it does.

After all, we only get about a sixth of the money from the War Bonds, and our record up to the most recent time was that on all of our savings, all of our bonds since the first of January up to very recently, sixty percent of it has come from outside of the banks, which isn't bad.

On this last so-called tap issue, of which we sold a million and a quarter, the banks were not able to buy it at all. It went extremely well. We didn't think we could sell a billion, and we sold to over nine thousand five hundred people, which is a lot of people, in terms of that - I mean, a lot because so much of it went to some very big institutions.

But those of us who have looked at this thing - I am going to be just as honest as I know how - if after the first of January we need another form of induced savings, I don't think that this would keep us from doing it any more than this would keep the Administration, if it wanted to, from going to money rationing, for instance. As far as I can tell, we have looked at it from every standpoint - and also we are not trying to be smart here and trying to put this across to keep us from having compulsory savings, because it has a form of compulsory savings, post-war credit, in it.

MR. PAUL: And it raises revenue, too.

H.M.JR: It raises a lot of revenue, which we do need. If I thought that this would keep us from

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having some kind of forced savings later on, I would not want it; or if it kept us from going to money rationing, or kept you people from going to your point rationing, or whatever scheme it was. So I would like everybody to examine it from that standpoint, but the people here in the Treasury think it would be just a step and that these other things could be added to it later on if they wanted to.

When I see Senator George tomorrow, he may say, "Well, Morgenthau, you can't come in at the eleventh hour like this with another scheme," but if I say to him, "Well, this is an alternative scheme to your sales tax," it might interest him, because I don't think he is completely sold on a sales tax. The same thing would be true with the President. He is very anxious to have the bill on his desk by October 1st. But if I went to him, let's say, with a money rationing scheme, I know that I could not get to first base between now and the first of October, because I couldn't explain it to the public, let alone Congress.

MR. PAUL: May I add a word there? There was a great deal of talk today in the Committee, the first day of the Executive session about, "Well, what are we going to do when we get to a certain point and we want more revenue? Now, how are we going to get it?" And strategically the Treasury wants to be in a position to hand them something to offset the sales tax as long as it isn't inconsistent with all these other schemes.

MR. BLOUGH: May I add a word?

H.M.JR: Just a minute. Do you mind - I would like to go around the room once, but go ahead.

MR. BLOUGH: I just want to add in connection with Mr. Gilbert's question - it seems to me that the spendings tax technique is, as a matter of fact, almost essential to the kind of compulsory savings that is really worth anything, because in the higher income groups, brackets, a compulsory savings program which is

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not tied in with the changes and assets and liabilities of your taxpayer, is bound to be a transferral program, transferring assets from one place to another. It seems to me that under the variant suggested here you get a post-war credit now for the majority of your people, and you get a technique which is going to be necessary if you are going to apply compulsory savings to the rest of it.

MR. THOMAS: To use Mr. Paul's words, it seems to me to be a very healthy step in the right direction.

Now, I agree with Mr. Gilbert that we ought to move toward - we probably will need to move toward some compulsory savings scheme; as to whether this is the best procedure or not, I would have to defer to the technicians, which I don't pretend to be.

H.M.JR: Dr. Myers?

MR. MYERS: No comment.

H.M.JR: Well, Bill, as we go along, how do you think the agricultural farmers would feel about a thing like this?

MR. MYERS: Certainly their burden would not be heavier than any other group with comparable income. I am somewhat staggered by the administrative problems, but I assume that you gentlemen have gone into those and are willing to assume them.

H.M.JR: Do you think we could handle the farmers all right under this thing?

MR. MYERS: Yes. You could handle farmers as well as you could other citizens of comparable income size.

MR. GALBRAITH: What about the valuation of assets, wouldn't that give considerable difficulty?

MR. MYERS: I perhaps assumed that, as in the case of the income tax, the privilege is provided to the

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farmer, and not to be included in his income. Perhaps that is an incorrect assumption. Any other solution of attempting to evaluate them would be extremely difficult.

MR. GALBRAITH: I was thinking of the--

MR. BLOUGH: Livestock and things like that - the additions to the--

MR. GALBRAITH: Additions and subtractions to inventory.

MR. MYERS: On a quarterly basis?

MR. GALBRAITH: On an annual basis. There would be a demand for your surveys up there, such as you have never seen before.

MR. MYERS: That is a dirty question. (Laughter) It would mean more than surveys. It would mean more adequate records than are now kept.

MR. PAUL: That would not be true, would it, of the farmers keeping inventories under our present tax laws?

MR. MYERS: No, but I don't want to spend too much time on this. My impression is that quite a large percentage of farmers who are making returns, who make income tax returns, make them on cash receipts and expenses rather than on an accrual basis.

MR. PAUL: That is right, but, of course, we have that problem anyway.

MR. BLOUGH: I am not sure that that would be at all inconsistent with the operation of a spendings tax. You could keep them on a cash basis and still make a spendings tax work pretty well, I believe.

MR. RICHARD GILBERT: In connection with farming I think it is generally admitted that nobody has found a

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way yet to make the farmer pay income taxes. There is no reason to be hopeful. (Laughter)

H.M.JR: Not between now and the first of October, anyway. (Laughter)

MR. PAUL: We are no worse off, are we, under this?

MR. MYERS: Perhaps the answer might be - I can't resist this - that all of this other property is very evidently subject to tax and is taxed very heavily.

MR. GASTON: Won't you be dealing here with inventories of liquid capital rather than other tangible assets?

MR. BLOUGH: I see no reason why things, such as the livestock of the farmer, until he sells them, should have any necessary relationship here in the spendings tax.

H.M.JR: Mr. Krost?

MR. KROST: I would like to ask two or three questions; first, whether I understood correctly that under the variant the exemptions contemplated are lower than those under the income tax in the House bill.

MR. BLOUGH: Well, there is the variety of further variants under consideration there. You have possibilities all the way from something like the Canadian plan, where you would have an exclusion of perhaps five hundred dollars or a thousand dollars of income, and tax on the full income of everybody having more than that up to something very much like our income tax exemptions, and with even the bare possibility of a gross tax, although those people, I think, would probably dislike that. It would be certainly less objectionable with the post-war credit than without it. But even so, the burden on the very poor would probably be too great to justify it without some exemption. But the scheme itself, I

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think, does not need to stand or fall on just what that level is; but it is contemplated that it would be possible that would be quite a good deal lower.

MR. KROST: The second question is whether in the judgment of the Treasury it is impossible or inexpedient to press for more revenue under the straight individual income tax.

MR. PAUL: We expected to press for more revenue under the straight individual tax, anyway, and there was a good deal of disposition - the move of the Committee today was that we should get more revenue. In fact, they turned down two or three possible relief measures, and it was quite definitely stated that an increase in the individual rates should be put in the bill, but there can be no such increase as will solve the problem we have to face here; and, realistically, we have to conclude that if we should get a substantial amount in addition to the six billion three, which is in the present House bill, we will be doing a very good job. We are looking now to other sources of revenue and other ways in meeting inflation.

MR. KROST: My last question is, you go to the trouble of setting up a new tax to more or less meet this special situation; are there any economic reasons for not going out after rather more than five billion dollars?

MR. PAUL: Well, this is adjustable up and down. Five billion was only stated as a general magnitude figure by the Secretary. I don't think that there is any magic in that particular figure.

MR. KROST: We had some tossing back and forth a while back of questions and answers about the size of the gap. I am not going to make any answers about that, but I would like to suggest that five billion dollars is a figure that looks pretty small in terms of most estimates.

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MR. PAUL: I would like to answer you in the words of the Secretary a moment ago. Here is something that it may be possible to obtain fairly promptly, and there isn't anything else in the picture that you can obtain promptly. If you want something that is not inconsistent with anything else, and you want it by October, this can be obtained as no other thing can be obtained.

MR. KROST: You want its enactment by October, and you want to put it into effect.

MR. PAUL: I don't want to give any promise that it will be enacted in October.

MR. GASTON: Its effect on the gap, I don't suppose, would be limited to the tax receipts from it, because you would expect that there would be a large element of induced savings that would also count to close the gap.

MR. KROST: It would depend a good deal on the precise level of rates. I don't have anything else.

MR. NATHAN: I am sorry for coming in late, Mr. Secretary.

H.M.JR: You didn't miss anything. (Laughter)

MR. NATHAN: I think generally it has a great deal to offer, especially from the point of view of something to counteract the sales tax pressure which, unless something positive is offered, appears to have real possibilities. I think it is very important in this matter of the gap that this double aspect that you not only will absorb through your tax as such, but you can be very strict on your levels without tremendous rates. I mean, that is, you can have at certain expenditures-your rates won't be, say, really prohibitive in terms of any extra spending, but they will discourage extra spending, which is rather important.

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There is one question - a couple of questions I would like to raise. One is the matter of procurement of assets, existing resources. Is there any provision at all for any kind of existing assets, expenditure of existing assets other than current production, as, for instance, houses and farms and durable goods?

MR. BLOUGH: No. The purchase of real estate; the purchase of securities; probably the purchase of existing houses, although I think there is some possible difference of opinion there; the contributions to charity, probably, and a variety of things of that kind, could be left out without interference, because they are things that no one is at all worried about.

MR. GASTON: Payment of debts?

MR. BLOUGH: Certainly the payment of debts, and the payment of insurance premiums.

MR. NATHAN: Yes, things of that nature, but I think there are certain assets, and real estate is one, in which you might very well have a flight of capital and which might precipitate a very substantial price increase in those areas, which might have a disturbing element.

MR. BLOUGH: Certainly something like this would have to be accompanied by treatment in the real estate and security markets, especially. Now, what form that might take - perhaps several things might be done there.

MR. NATHAN: But it is rather dangerous in that area because as you cut back and open up these loose savings, so to speak, that Gilbert is worried may not flow into the Treasury - I mean, you restrict the area in which that might be disposed of and leave a very substantial amount. There is a great deal of difficulty.

MR. BLOUGH: That will happen with anything that does not bring money directly into the Treasury.

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MR. NATHAN: Except you might bring other things in under your tax provision. You might bring, for instance, all houses, or you might even bring in certain commercial establishments up to a certain size. One of my questions is, Roy, is this a quarterly collection?

MR. BLOUGH: It is contemplated to be a quarterly collection.

MR. NATHAN: And exemptions quarterly, with the annual exemptions?

MR. BLOUGH: It would have to be done that way. The reason for having it at least quarterly is that otherwise there is not very much inducement not to spend, and the taxes are way off in the future, and when you get to that time you may be bankrupt and can't pay the tax.

MR. NATHAN: It seems a quarterly period is about as long a period as you would want.

MR. BLOUGH: A shorter period than that seems practically impossible.

H.M.JR: You see, Mr. Nathan, one of the things we are up against is they constantly have been asking us for suggestions on how to raise more revenue, keeping the sales tax very much before our nose all the time, and we haven't had anything. We have simply said, "It is up to you to write the bill." This may be a little late, but I don't know, they may like it.

MR. NATHAN: I think it has a great deal of merit to it, and it would seem that there would be possibilities of great flexibility. You (Galbraith) are concerned with your point rationing, and as your money rationing comes in, there should be tremendous flexibility in this amount. If the expenditures on the war effort move as we contemplate they will, we are certainly going to need a tremendous increased amount over what has been estimated.

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H.M.JR: Our figures show that for September, I am going to have to borrow three billion; November, four; December, four, or more; and that is new money, which is a tidy sum.

As the Russian over here said the other day - he said, "We lost seven hundred and fifty thousand men over a certain period." He said, "That is a lot of horse meat in any language."

Walter Stewart?

MR. STEWART: At this stage I think all one can do is comment on it in principle as a plan and to consider it as one of several alternatives. I am not quite clear on two or three points.

I would say that the expenditure tax will be a definite improvement on the present tax program. I think it is superior to a sales tax. I think then your question is, logically, what is its relation to the general rationing control. I rather agree with you that that is not a choice one has to take now.

I don't say that this is necessarily inconsistent with the other; but in order to meet that point fairly, I would think it not incidental as to the level at which you started your exemptions. You want to deal with the sales tax fairly, and I think you ought to, in principle, have the exemptions low, but I think the same thing is true about the compulsory savings. If this is to be induced rather than compulsory, then the lower you have that exemption, the more induced savings you get. And I think you have just as well - I don't know the tactics - if one made a drive on this front, it might be just as easy to get it with somewhat lower exemptions as it would be to accept the present income-tax levels.

At the present stage I would prefer it to a general rationing, because I believe it is more desirable administratively. I think it is more understood by the general public. I think you have got the machinery for handling it, so on those points I think it is distinctly superior, as against the general rationing.

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It doesn't yield you as much money as you need, and will not be, I should think, the final answer to the war financing. You will have to go further in some direction than the present plan.

H.M.JR: That is right.

Ronald?

MR. RANSOM: I like it, Mr. Secretary, in principle, very much. I would like to tell you briefly why. First, I have a very fundamental dislike for the sales tax, and this seems to me to be the only suggested alternative that I think is politically attractive enough to offset the pressure for that. I don't mean the pressure from the people who have been advocating a sales tax, because I don't think anything would head that group off, but I think so far as Congress is concerned, they would be attracted to this as an alternative plan. It seems to me administratively difficult, but I think everything we are going to do is going to be increasingly difficult from an administrative point of view.

In the light of the fact that you say this is not at all a pre-judging by the Treasury of the question of a compulsory savings plan, which I have always been in favor of, as you know, but that this is a step in the right direction seems to me to be the case. I should think, in the light of your statement, this is not at all to be regarded as a substitute for it or blocking the thinking of any group of people as to whether we need that sort of plan or not. I rather think we will.

I think that it also has the merit of appealing to popular opinion in that such success as we have had, for instance, with regulating consumer credit, has come largely, in our opinion, from the fact that people have responded to it. It has the element of thrift, that you don't spend at a time like this. Therefore, I think it would meet with a very favorable popular response if it is clearly stated, as it would

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be, and if it is understood. So I should think you would have a great many things in favor of it, particularly in the light of your time factor, which is extremely pressing.

Here is a last-minute suggestion, and it has got to be something that will appeal to the imagination of Congress and be accepted by the public generally.

Now, I think there are, as Walter Stewart says, any number of questions of detail about which there will be much room for debate, and necessarily there will be debate; but putting that aside, because I didn't suppose you wanted any discussion of the minutia of the suggestion at the present time, I can say that it appeals to me as being wholly in the right direction.

H.M.JR: Now, are you ready?

MR. RICHARD GILBERT: Yes.

H.M.JR: Have you charged your batteries? (Laughter)

MR. PAUL: They don't usually need charging.

H.M.JR: Should we worry? (Laughter)

MR. GALBRAITH: This is the first time I have seen you (Gilbert) try to get on the side of the majority so readily. (Laughter)

H.M.JR: Excuse me, may I say now that the Treasury people have been very good? You can all get in on it now. This is a free-for-all.

MR. RICHARD GILBERT: The other night at a discussion on the Ruml plan and the withholding features of the Treasury program I was very much impressed - not favorably, but still impressed - by the attitude of Senator Taft, who felt very strongly that the administrative difficulties and costs involved in the withholding features of the Treasury program were prohibitive. He was suggesting the sales tax - compulsory savings combination by means of a stamp, savings stamp, received upon purchase of any article.

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Well, that tied in - what he said suggested to me a notion which has been kicking around quite a bit, which would secure the same results as those which this plan shoots at - I am not certain of this. I want to raise the question for discussion - considerable less administrative difficulty, and with the advantage that it would very clearly get the farmer--

H.M.JR: Get the who? (Laughter)

MR. RICHARD GILBERT: The farmer. (Laughter)

H.M.JR: I will have to leave the rostrum to defend the poor farmer. (Laughter)

MR. RICHARD GILBERT: In issuing stamps to all purchasers, the first three hundred or four hundred or five hundred dollars of stamps, whatever the sum might be, would be issued freely without cost. The second sum, whatever it were, would be issued subject to a five-percent tax, or a three-percent tax. The next sum would have a higher rate of tax, and so on. An individual could therefore spend five hundred, or a married couple a thousand per annum, without tax of any sort. The next five hundred of expenditure, let us say, would be subject to a three-percent tax, and the next to five percent, six percent, and so on.

That has, I think, the merit that - it achieves about the same thing your plan seeks. It would clearly avoid the difficulty of estimating assets and getting the forms for recording of assets at the beginning and end. It would very definitely tax the farmer, and tax the professional people, two groups difficult to tax by these other means.

MR. BLOUGH: If you would just solve one problem for us, we would feel much better about it, and that is the problem of transferring stamps, or if not actually transferring, hiring your poor relations to do your buying for you.

MR. RICHARD GILBERT: Well, the answer to that would be that if you are actually seeking something on the order of five billions, what you have got to shoot at is a tax rate on the average of about seven percent - a rate of progression running from five to fifteen.

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MR. PAUL: At least fifteen.

MR. RICHARD GILBERT: That rate of progression is not such as would result in any very large degree of stamp swapping.

MR. RANSOM: Isn't that somewhat a variation of the Kalecki plan?

MR. RICHARD GILBERT: Yes - no, it is closer to this plan, I think.

MR. GASTON: We have discussed practically that plan here. It seems to me one objection to it is the psychological objection, the same one that has been raised against this expenditure rationing plan. That is, if you say a man, a rich man in comfortable circumstances - take a housewife coming in with a thick book or an assortment of books to make purchases, which is something which the Government allows her or sells to her, and the poor man has only this poor little thin book. The Government says that he can only buy that much, while the other fellow can buy more; that is, it is a parade of power to command things, which, it seems to me, would meet with a lot of resentment. Whether that is important or not, I do not know.

MR. PAUL: Dick, we considered that plan you described pretty carefully. It allured us at first, until we began to think of the problem of counting the hundreds of millions of stamps; until we considered the matter of the retention of the stamps by careless people; until we thought of the whole problem of trading, illicit trading in stamps; and we finally decided that it was just too impracticable.

MR. BLOUGH: If it were the flat rate, that would be one thing; but at a progressive rate--

MR. RICHARD GILBERT: Of course, then you are losing its chief merit.

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MR. PAUL: Bad as the spendings tax is, administratively, it doesn't make us shiver the way your plan does.

MR. RICHARD GILBERT: Very frankly, Randolph, that is the only aspect of it that bothers me. I think in principle and intent it is first class. It does seem to me to present very formidable difficulties, administratively.

MR. STEWART: Administratively, yes. I would like to hear the Treasury's comments on that, because all these plans look different as you begin to get into the administrative details.

MR. PAUL: We have sent this plan to the Bureau for comment. I have not received an answer. I have been told, informally, that they do not consider the administrative burden too great.

MR. GALBRAITH: I should think, Dick, that in the backflow of gasoline stamps, sugar stamps, and possibly several other kinds, any additional flow of stamps, which means that we are already having a multiple system of currency, really would be, in itself, a rather heavy indictment. In short, I don't think we could stand the competition. (Laughter)

MR. SULLIVAN: I suspect Dick wants somebody to share the stamp plan with OPA. (Laughter)

MR. GALBRAITH: They are already using sugar stamps to buy gasoline with. (Laughter)

MR. RICHARD GILBERT: In that connection I may say I fully expect the banks to spend eighty percent of their time with stamps of various sorts before we are through with this.

MR. KUHN: May I ask a question that is intended to clarify? How would it work in the case of a man of relatively small income who does not have a bank account and whose spendings can't be checked through the medium of a bank? I mean, just how would he--

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MR. BLOUGH: Is he employed or not?

MR. KUHN: He would be employed, yes, say fifty dollars a week.

MR. BLOUGH: If he is employed, the tax would be withheld from his salary or his wages.

MR. KUHN: But how do you find out how much the tax is? How do you get him to report his spendings and his assets?

MR. BLOUGH: Under this variant of the plan we have mentioned, of course, it would be on income alone and not on spendings.

MR. KUHN: Right, but on the original--

MR. BLOUGH: But if that variant is not in there for people at that level, the chances are their spendings are pretty much what their incomes are. If a man does not report any offsets against it, his spendings would be his income. If he files a return that indicates savings, and so on, that would be a lousy deduction of mine.

MR. GASTON: He would have to report income and savings, and he has to use those savings to offset against the income in order to save himself from the tax.

MR. KUHN: The only savings that would be recognized would be payment of debt, buying of bonds, payment of insurance premiums, on all of which he would have receipts to show.

MR. BLOUGH: There is not the slightest doubt in the lower levels of income, for at least the first year, that anybody who wanted to put it over on the Government, and happened to have some money hidden in his sock, could do it.

MR. KUHN: That is the point I wanted to raise.

MR. BLOUGH: That is one reason for using an income

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variant for the majority of people, because when you get up to three or four thousand dollars, it is much easier to keep track of those savings.

MR. KUHN: Through the banks, and so on.

MR. THOMAS: The thing you would have most difficulty with would be sale of assets, wouldn't it, particularly in the case of the farmer?

MR. MYERS: There is another problem that comes in there, Mr. Secretary. Presumably, if your quarterly exemptions were established they would be cumulative, because in most types of farming the income comes, very largely, in the last five or six months of the year. So in order to avoid a hardship, if the greatest amount of expenditure was made there, the reduced expenditure of previous quarters would give a credit.

MR. BLOUGH: Yes, and at the end of the year, the adjustment would be made, in any event.

MR. MYERS: In other words, it would apply only to personal - that is, for living, consumption expenditures, and not to business expenditures.

MR. BLOUGH: Of course. Of course, that is another difficulty in the case of the farmer - what is his expenditure? Consumption or--

MR. MYERS: He doesn't need much - it isn't too difficult.

H.M.JR: Is there some reason why we are not being told how these rates work?

MR. BLOUGH: The situation, Mr. Secretary, is that we had several sets of rates and we have some preliminary figures, but there has only been a little time to work on them; and the assumptions as to the effects of these rates on people's spending habits are, as I understand it, in a rather preliminary and unsatisfactory stage.

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There are figures here, but if we could avoid disclosing them, so much the better, but that is up to you, Mr. Secretary.

H.M.JR: I explained to these gentlemen that I had called this meeting and hadn't done my home-work, and with all due apologies, if they didn't mind my doing my home-work in their presence, let's have it. It is all one big family - happy, I hope. (Laughter) So I mean, we only gave O'Donnell's office - he was on the Hill all day - I will say, in defense of him, we only gave this assignment to his office around eleven o'clock, and with him on the Hill all day - I am making your apologies - so whatever you have, if they are wrong it is because I didn't give you time enough.

MR. O'DONNELL: Mr. Secretary, we were already provided with a series of schedules by Mr. Blough, and Mr. Blough may wish to explain the construction of the schedules because perhaps the end result is in terms of what you are trying to accomplish. Some of them have very high rates in the higher brackets of spending. Some of them get up to three hundred percent, which means that a person in those brackets would have to pay a tax of three times the amount that he spent. Perhaps the philosophy back of the rates might be explained.

MR. PAUL: That is only one rate schedule.

MR. O'DONNELL: Yes, sir, there are three, but I thought he might want to describe the three.

H.M.JR: You want to make the headlines. (Laughter)

MR. O'DONNELL: Then tell what our technicians thought about the end result.

MR. BLOUGH: I will be very glad to.

Schedule A - I am sorry I don't have copies, but I will make it as simple as possible. Schedule A started with a ten percent rate on expenditures above the exemption and ran to a thirty percent rate above five

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thousand dollars. That was primarily intended as a revenue-raising schedule and none of the rates would presumably be so very penalizing to the person who really wanted to make an expenditure.

Schedule B is a sort of--

H.M.JR: Excuse me, now wait a minute, can you make any guess how much that will raise? Let's have a guess.

MR. BLOUGH: Do you want to make the guesses?

MR. O'DONNELL: Yes, sir. We have, on this Schedule A, without the split brackets, an estimate of about two billion eight, let's call it three billion, and with the split brackets it is slightly in excess.

MR. BLOUGH: By split brackets he means this: that in order to get the effects of joint income tax returns without requiring them to be joint, we made a provision that in case of families filing joint returns, the bracket would be, say, zero to five hundred, five hundred to a thousand, and so on. If separate returns were filed by the married spouses, and the individual, if he filed a return, his bracket was zero to two hundred and fifty dollars, and two hundred and fifty to five hundred dollars, which means that the rate of progression is twice as fast for a single person as for a married couple filing under joint returns, and twice as fast where the married couple files separate returns. That is to make no advantage to a married couple to file separate returns, and results, in effect, in a joint returns treatment for married couples, with some heavier taxation on individuals.

H.M.JR: Did you think that up between nine and five, today? (Laughter)

MR. BLOUGH: No, Mr. Secretary, that is an idea that has been kicking around the Treasury for five or six years.

H.M.JR: Good.

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MR. PAUL: I think that is something of a detail here. The real magnitude is about three billion.

H.M.JR: About three billion? Don't spring any more new technical terms on us.

MR. BLOUGH: All right.

MR. GASTON: On what exemption basis is that?

MR. BLOUGH: That is on exemptions equal to the five hundred for single persons, twelve hundred for married, four hundred for dependents.

MR. GASTON: Four hundred?

MR. BLOUGH: The same exemption schedule that came out of the House, and changed in the Senate today.

MR. PAUL: Reduced to three hundred.

MR. BLOUGH: As you lower these exemptions you get more revenue.

MR. GASTON: I was thinking the married couple exemption ought to be exactly twice to carry out your split-bracket scheme - ought to be exactly twice your single-person exemption.

MR. BLOUGH: Rate Schedule A, then, is around three billion dollars. Rate Schedule B ran from ten percent on the first five hundred dollars of expenditure to one hundred percent on expenditures above twenty-five thousand dollars.

Now, of course, a hundred percent income tax is different from a hundred percent expenditure tax, because in the case of the expenditure tax, if you had a hundred percent rate you would spend half of it and pay the other half to the Government.

That, of course, if getting up to the point where, with fifty percent rates above five thousand dollars

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you get into what may be deemed quite penalizing in its effect, and that schedule--

MR. PAUL: What does that schedule produce?

MR. BLOUGH: That produces from three billion seven to four billion dollars.

Now, on Schedule C we still start at ten percent. Of course, if you lowered the exemptions and raised the beginning rate, you would get a whole lot more out. These brackets were devised some time ago, Mr. Secretary, without particular reference to the conference tonight. They range from ten percent on the first five hundred of expenditure to three hundred percent on all expenditure above ten thousand dollars, and those are really penalizing rates for the purpose of keeping people from spending their money. I guess this is the place where you have some question as to what assumptions of the control of expenditure that would result in, but that was six to seven billion dollars as an estimate - a rough range.

H.M.JR: How much?

MR. BLOUGH: Six to seven billion dollars.

MR. RICHARD GILBERT: It starts at the same rate?

MR. BLOUGH: Yes.

MR. NATHAN: What schedule at around five thousand dollars?

MR. BLOUGH: Just above five thousand dollars, Schedule 2 reaches fifty percent, and Schedule 3, or C, a hundred and fifty percent.

Now, a flat ten percent rate was estimated to yield two billion a hundred and sixty thousand dollars.

MR. O'DONNELL: Million, we didn't get down to thousands. (Laughter)

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MR. KUHN: May I ask Roy a question? When you say that lowering the exemptions would produce a lot more, do you know what it would produce in the lower level?

MR. BLOUGH: No. Naturally, I am basing that on the fact that the income pyramid gets broad towards the bottom, and as you go down a few hundred dollars you bring in quite a lot more money. We have to get data on that.

MR. KUHN: It would really be a lot more in comparison to the amount you are proposing there.

MR. BLOUGH: That depends on how far down you are willing to go. This, you understand, probably only includes about a third of the national income. The people - I mean, the income above these exemptions, assuming it were all spent, would amount to only about a third of the national income at the present time. Perhaps a little more, but somewhere in that neighborhood.

MR. KUHN: I asked that because in the income tax, when you lower exemptions, you get very little revenue from the new tax payers, but under this scheme you would get quite a lot, wouldn't you?

MR. BLOUGH: These rates are high to begin with. In the second place, when you lower these exemptions you raise the tax on everybody, not only the people in the new brackets.

MR. RICHARD GILBERT: Your variant number 3 is less than variant number 2?

MR. BLOUGH: Not according to this schedule, no.

MR. O'DONNELL: That is the thing on which we would appreciate your advice as to what will happen to people with expenditures in excess of ten thousand dollars, if you levy a tax of three hundred percent? To what extent will they curtail the standard of living? Now the boys who worked on this data, the

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technicians, made assumptions which got them down to about seventy-five percent of their customary expenditures. Now, is that enough? Frankly, I don't know, and if anyone has real thoughts on it, I would appreciate having them.

MR. BLOUGH: I am not in that rate bracket, but I am sure I couldn't stand anything like that.

MR. O'DONNELL: Cut it more than - down to seventy-five percent, considering the fact that you are having, now, the savings at the greatest rate I think this country has ever had, and in addition to that, as you get higher in the brackets, the people have capital to draw on. Will they continue to satisfy their needs if the goods remain to be purchased?

MR. NATHAN: Of course, it depends on your mechanism. If your mechanism is through using current income as your basis of determination, less your positive savings or your insurance - things of that nature - you may get quite a drawing down on your assets and use that for expenditure. It depends on your method of determination. It seems, in those higher brackets, that you would have to have a positive approach toward expenditure as well as a residual method.

MR. PAUL: I don't think this whole thing should be judged in the light of these specific schedules. There are a million variants of it.

MR. NATHAN: But under any circumstances, your top rate is going to be very high, and if you determine the base on which that rate is applied as residual of income, less these exemptions, then you are very likely to get a lot of disposition of assets and use of those funds for expenditure purposes.

MR. SHERE: That is taken into account because the net change in your asset position is part of your tax base.

H.M.JR: I think we have taken care of what Mr. Nathan says, haven't we?

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MR. NATHAN: Changing your assets.

H.M.JR: From one year to the next. You would have, so to speak, a net inventory at the beginning of the year.

MR. NATHAN: The value of changes in your assets. The value of changes in your assets - not changes of assets.

MR. BLOUGH: The policing is a very difficult job, but the idea is there.

MR. O'DONNELL: It still doesn't solve your problem.

H.M.JR: Let's just take that plan number 1. Just give me that number 1 over again.

MR. BLOUGH: The first thousand dollars--

H.M.JR: Will give us about--

MR. BLOUGH: Three billion dollars. The first thousand dollars of expenditures - ten percent.

MR. RANSOM: After the exemption?

MR. BLOUGH: Over exemptions. Then going up to thirty percent on expenditures above five thousand dollars.

H.M.JR: Well, now, just taking that, would some of you gap experts want to make a guess - we are all doing a little guessing, here, what effect that would have on reducing the gap, if that is a fair question? I am looking at the Department of Commerce, am I not?

MR. NATHAN: Of course, the tax receipts, as such, would really be an insignificant portion. The induced savings--

H.M.JR: Granted that the tax - but I was thinking of the indirect effect on the people.

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MR. STEWART: The question there, Mr. Secretary, is how much of the gap is in your exemptions - how much of the total expenditure is estimated in the exemptions, if the exemptions are the same all the way through.

MR. NATHAN: If two-thirds of your national income really will be an expenditure below the taxable base, here, then you don't get - you don't cut into the gap a great deal.

MR. THOMAS: Is that right, two-thirds of the national income?

MR. BLOUGH: That depends on the figures. I am quoting Mr. O'Donnell's figures. He may want to change these, but as adjusted and discussed among some of our people, this was based on about a hundred and five billion dollar level. It will have to be raised some now, I suppose, because the level is higher than that. The amount of taxable income out of that hundred and five would probably run pretty close to ninety-five billion dollars, when you got some things lopped out. Of course, tax-exempt securities would not be exempted here, and so on, but contributions to charity would be; and certain other deductions, such as payment of taxes, and so on, would come out. The estimate is that on the basis of that level - I am not sure that it is at that point, but I rather guess it is about there - that the taxable income of persons paying income taxes would be about fifty-nine billion dollars, of which the amount subject to tax would be about thirty-one and a half billion dollars - something like that - which would make about thirty-one and a half billion dollars of income subject to tax out of about ninety-five of taxable income, or maybe a hundred and five total.

Now, that is fairly rough, but it is some idea, and of course the expenditures of that upper third would probably be less than one-third of the total expenditures.

I may be all wrong on those ratios, but that is my understanding of the approximate situation.

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MR. HAAS: If you are going to have a postwar rebate, why couldn't you make these exemptions a good deal lower?

MR. BLOUGH: I should certainly think they might be lower than this - probably might be very low indeed.

H.M.JR: What I want to get at is that Mr. Nathan said that this plan exempts two-thirds of the income, and if his estimate is correct - and I am sure it is - then I think we ought to do something.

MR. NATHAN: It needs much lower exemptions.

H.M.JR: It needs much lower exemptions, and we would immediately run into that criticism on the Hill, as opposed to the sales tax.

MR. BLOUGH: Senator Taft would immediately bring that up.

H.M.JR: What could you do about that?

MR. BLOUGH: There are a variety of things. I will give a very drastic one. A very drastic one would be this: Let us use that variant in which the first two thousand, or thereabouts, would be a tax on income with a postwar credit, so we won't worry too much; and let us take every person, for administrative purposes; and also, to eliminate the worst hardship cases, let's leave out anybody with an income under five hundred dollars. Then take, perhaps, five percent of the first thousand, if ten percent is too tough to start with, and take a percentage of all the income of everybody who has more than the five hundred dollars.

H.M.JR: And return it to them in the form of a postwar credit?

MR. BLOUGH: That is right. Now, that is pretty drastic, because that means everybody who has more than five hundred dollars of income pays whatever the percentage is on all of their income.

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MR. GASTON: You are speaking of single persons with no dependents?

MR. BLOUGH: I was being very drastic and talking about everybody, without distinction. Now, I think that is the worst - that is the toughest we could get for administrative practicality. We could not very well go below the five hundred dollars, so I am giving you the worst first, and you can go up from there.

(At this point a short recess was taken.)

H.M.JR: Where were we?

MR. BLOUGH: In this interim we had a little - "interim", is that what it is called? In this recess we had a little confab over in this corner. Even if you kept the present exemptions but used them as exclusions and not as exemptions, so that everybody who had more than those exemptions would pay on all of his income instead of the amount above the exemption, you would get from that thirty-one and a half billion, or thereabouts, up to your fifty-nine billion. So you would be going pretty well up to the two-thirds just by that one change, which, while it does detract somewhat from the equity, yet if it is going to be given back as a postwar credit, it is not too serious. If you would go from five hundred to a thousand, two thousand to five, five to eight thousand, and eight to twenty-five thousand, you could get substantially more if you used it as an exclusion. So it isn't necessary to go to this very drastic way I suggested as the most drastic.

MR. NATHAN: How does your most drastic method vary from this of exclusions rather than exceptions?

MR. BLOUGH: Only this: I suggest as the most drastic that we take, purely for administrative purposes, some amount below which it isn't worth while to try, four hundred or five hundred dollars, and everybody that gets more than that is taxed on the whole thing.

Now, that would get a very large proportion of your national income, and probably more than is absolutely

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necessary to handle the situation, and it does not take into account differences in the family situation, which are rather important.

If you make this exclusion somewhat more generous to take into account differences in family situations, you can still get at, perhaps, well over two-thirds - two-thirds or over - of your income and expenditures in this manner.

MR. RICHARD GILBERT: The effect of that would be to hold the rate of progression very significantly by bringing the rates on the low income brackets up like the very devil.

MR. BLOUGH: If you kept this same rate schedule it would.

MR. RICHARD GILBERT: Just the movement from exemptions to exceptions, which is, I think, all to the good, because that is one of the things that you really have got to do.

MR. O'DONNELL: You probably have to have a notch which would take out maybe five or ten billion dollars from that taxable base. Otherwise you will be taking from the man more than the additional dollars that made him taxable.

MR. GASTON: You would have to have a notch.

MR. RICHARD GILBERT: I think that is an exceptionally good proposal. We were thinking of compulsory savings in those terms. If we really want to start in with any proposal of this sort, you have to move from the exemption to the exception.

MR. KROST: You are not worried about the problem of people finding it is not worth while to go to work when it means such a whale of an addition to their tax bill?

MR. BLOUGH: You can fix that, at the loss of revenue, by extending the notch over a longer period and say that

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you will never take more than half of the man's income above the exemption. But that complicates it, and I honestly don't know what effect it would have. As soon as they get over that area they are all right.

MR. SHERE: It has the effect of reducing the maximum rate.

MR. NATHAN: It would seem to me that the idea of the exclusion or exemptions is an excellent one. I think we ought to constantly push for reducing the exemption or the exclusion rate as far as consistent.

MR. PAUL: This ties a little into that picture. Today there was a strong movement in the committee to reduce the exemption from twelve hundred to a thousand, and I resisted it because our recommendations had, so far, been twelve hundred. They left it at five hundred and twelve hundred, but I think with the slightest push from the Treasury they would reduce the twelve hundred to a thousand, which would have administrative convenience of rate ~~merit~~ in connection with the simplified forms.

MR. STEWART: Would you like to have the basis for the exemption in the income tax similar to the exemption for the sales tax?

MR. BLOUGH: The spendings tax - it wouldn't be, necessarily. Of course, administratively, it would be very convenient, but theoretically and realistically it would not need to be because the man can afford, certainly, to have saved for him money he cannot afford to have taken away from him.

I am not sure that everyone got the distinction between the exemption and the exclusion. I would like to give an illustration. Take a man with fifteen hundred dollars of income, a married man with two children. Under the House bill, his exception is twelve hundred dollars. If you make this an exemption of the type we have in the law now, he would pay tax on fifteen hundred dollars minus twelve hundred, or three hundred. If you would make it an exclusion, then you would look at the

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man and you would say, "Does he make more than twelve hundred dollars?" Very well, he will pay tax on fifteen hundred dollars, not three hundred dollars.

H.M.JR: There is a tremendous difference.

MR. BLOUGH: A tremendous difference, and for tax purposes I, personally, would be opposed to it. But if you are going to give it back as a postwar credit, there is not the same objection you would make to it for tax purposes.

MR. SULLIVAN: Your inflationary pressure comes from that first twelve hundred dollars per couple, and what proportion comes from what is over it?

MR. BLOUGH: For the couple who has more than that, I don't think it makes any difference whether it is one dollar above or a dollar below. Both dollars are spent in the same way and have the same pressure. If you mean how about--

MR. NATHAN: He is talking about coverage, subject to tax. According to what Roy said, of the fifty-nine billion earned, that is estimated to be received by those subject to the tax, twenty-eight billion of that is exempted, and thirty-one is tax. Now, if you make the whole thing subject to tax, then you would very nearly double your tax base.

MR. SULLIVAN: About half of your inflationary pressure comes from this group that would be excluded entirely.

MR. BLOUGH: There is a group that is excluded entirely, even under this proposal, if you had the present exemption levels, but you would have about a third of the income, or thereabouts.

Then there are those who are now subject to tax, and about half of their income is taxed and half of it is exempt, on the average, and that would - not all of it because of the notch which Mr. O'Donnell mentioned, but

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a very large proportion of it would be subject to the withholding or the tax.

MR. O'DONNELL: If you are going to give back in the form of compulsory savings, or however you identify it, after the war, some equivalent to what you take from them, to what extent do you restrain spending? Do you defeat the objective?

MR. BLOUGH: I don't think at that level of income you do.

H.M.JR: No, no.

MR. O'DONNELL: Just assume you spend it all.

H.M.JR: Then you have got something that all of us are very much interested in, a nest egg, to keep the thing going after the war is over.

MR. RICHARD GILBERT: What would you estimate to be the increased revenue under the Treasury's tax program if there were a shift from the exemption to the exception?

MR. BLOUGH: I just wouldn't dare propose the rates we have proposed under the Treasury tax program if we had exclusions or exceptions.

MR. RICHARD GILBERT: It wouldn't make a great deal of difference in the high income brackets. It would make a very significant difference in the middle income brackets which are, in my judgment, scandalously low for a period of war.

MR. BLOUGH: Take a man and his wife--

MR. RICHARD GILBERT: I have not been calculating on this, but my hunch is that it would increase the revenue by five or six billion dollars, which is a very, very big item.

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MR. BLOUGH: I should think so.

H.M.JR: Do you mean tax revenue?

MR. RICHARD GILBERT: Yes, maybe more.

MR. PAUL: The most we could do there would be to reduce the married exemptions.

MR. BLOUGH: Look what would happen if we did what you suggest. If we took this married exemption of twelve hundred dollars and made it an exception or an exclusion so that the man with fifteen hundred dollars was taxed on the whole fifteen hundred, and he was taxed at nineteen percent, at fifteen hundred dollars, you have about two hundred and eighty-five dollars, there, of tax, which is about twenty percent of his income. We proposed rates which would give him about sixty dollars of taxes, somewhere in that neighborhood. We could hardly go down before the committee and say that the Treasury rates ought to apply with the exceptions - with the exclusion or exception which we previously recommended with the exemption. You just hit those people at the bottom.

MR. PAUL: The Canadians have such a system.

MR. BLOUGH: But they had it only at five percent.

MR. RICHARD GILBERT: Let's put it the other way; roughly, what will be the yield of your proposed tax on that basis? You would get two-thirds of the expenditures as against--

MR. BLOUGH: You mean the spendings tax?

MR. PAUL: That has a totally different psychological pattern. You can do that, but you can't do it to the income tax.

MR. RICHARD GILBERT: On that I have very serious doubts. Actually, it is going to dawn on us very soon that this implies a very significant increase, progression, in this tax.

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MR. PAUL: Yes, but you have got to divide it. You have got certain sales tax people, certain increased tax people, and you have several schools of thought to go to on the spendings tax, but you can't go much further on the direct income tax. That is where we are getting all the resistance - "When we get to that point, let's take a sales tax."

MR. STEWART: May I ask how many schools you will get if you keep your Treasury exemptions? If there is an alternative to the sales tax, and if you keep the present exemption to the income tax, how many schools will you get together supporting an expenditure tax?

MR. PAUL: You will certainly get the sales tax boys.

MR. RICHARD GILBERT: I don't think so.

MR. STEWART: No.

MR. BLOUGH: Treasury exemptions and the expenditure tax?

MR. PAUL: Oh, no, I thought you meant leaving the exemptions in the income tax the way they are.

MR. STEWART: And applying those to the expenditure tax?

MR. PAUL: No, you won't get the sales tax boys.

MR. STEWART: I don't think it is sufficient to construe this in terms of a substitute for the sales tax, Mr. Secretary. I think that at this stage in Treasury financing it is not sufficient to have a plan which is simply consistent with further steps that will have to be taken. I think some of those steps ought to be taken now. When you depart from the income tax structure, the easiest way to depart from it is to depart from it in terms of an expenditure tax. If you make that departure, then I think you ought to consider the problem of exemptions, because before you are through

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with your financing you will either do it this way or some general rationing, or some compulsory saving. I would say that instead of merely being not inconsistent with, it ought to carry with it some of the elements of those other two plans.

MR. BLOUGH: With the variant it more or less does.

MR. STEWART: With the variant that you mentioned at the end, there - it is more than a variant. I would say that was change of principle.

MR. PAUL: Of course, you make progress in the direction you indicate if you reduce the twelve hundred exemption to the thousand.

MR. STEWART: Very substantial progress.

MR. PAUL: We could have almost done that today, I think.

MR. STEWART: I would not take it as a tax. I would have it as a preferred spending.

MR. KUHN: You mean the five percent Roy mentioned?

MR. BLOUGH: Would you follow the idea of using the exemption as an exclusion or exception, or as the true exemption?

MR. STEWART: It depends at what level you started.

MR. BLOUGH: Suppose you started at five hundred and a thousand dollars - something like that? If you don't use it as an exclusion you still have well over half of your income expenditures out.

MR. STEWART: I think that is the answer - exclusion and the forced savings basis.

MR. RICHARD GILBERT: To develop the point Mr. Stewart made, it seems to me to be really the guts of the problem. The people who favor the sales tax, I

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think, favor it on the very simple ground that it gets a lot of revenue and gets it from the low income groups and stops the unnecessary boosting of the rates on the middle and upper income groups beyond the level which the Treasury has already proposed. They feel, in general, it seems to me, that this dose that you have offered to the country is a drastic dose. They are unwilling, at this time, to consider going beyond that.

I think any form of tax, however it is dolled up, that, in substance, tries to get the middle and higher group income rates up drastically, is going to meet pretty savage resistance.

Inasmuch as we must have a lot of revenue, and inasmuch as there is this resistance to real increase in the tax burden all the way up at this time, we should move over in the direction of compulsory savings.

If you were to propose this exception as against exemption so far as the low income groups are concerned you take care of that through the postwar return. But you don't take care of it for the middle and upper income groups. Particularly, you don't take care of the middle income groups, and it is just my hunch that it would not be considered favorably for that reason.

MR. PAUL: Well, you can have a little flexibility, there. You can at least try it and retreat a little bit.

MR. RICHARD GILBERT: Actually, I think the estimate of revenue is much too high for the tax as proposed, for the reason that rates as high as that will cut into spending further very drastically. I don't think that seventy-five percent assumption goes anywhere near far enough. I don't know the answer. That is just my hunch in there.

On the other hand, you need more than that. You need five or six billion dollars. To get five or six billions you cannot get it by upping your rates. The money is not there, and the spending will drop, and

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for both reasons you just do not increase the revenues that way. I am just convinced that to get the revenues you have got to hit the middle and low income groups.

Now, if they won't take taxes, I just wonder why you don't apply the general principle of the exception rather than the exemption, but introduce a forced savings feature further along, if you don't want to go all the way at this time. Push it further along, then, and you have got something, it seems to me, that both yields the revenue and would be palatable.

MR. KROST: It seems to me that as between moving from an exemption basis to exception basis, and lowering the exemptions a bit, talking about the advantages of one over the other in terms of increased yields does not make much sense, because it is just a matter of simple arithmetic, once all the facts are known, to find an exemption which would do the same thing for you in terms of revenue as moving from an exemption to an exception basis.

When you get down in the income range where the exemptions are now, move down a little further, you come to a very dense place in the income distribution, a place where there are a lot of people and a lot of income. I don't know what the figures would be, exactly, but it would be interesting to know what the effect would be of lowering the married persons exemptions, say, from twelve hundred to a thousand, and from a thousand to nine hundred dollars, as compared with the shift from the exemption to the exception basis.

MR. PAUL: That is a fair comparison we might make.

H.M.JR: I am going to try to sum this up because these men have to give me a piece of paper to give to the President tomorrow at nine-forty-five, so they have to work yet tonight. I mean we could keep on for a long time because we have not gone far enough ourselves, but let me put it this way. Along the lines we are thinking here, can I say I have general agreement without committing anybody by name? Does anybody here feel

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that we are not approaching this in the proper way, considering the time factor and everything else? Is anybody bothered at all? Is OPA bothered?

MR. GALBRAITH: No.

H.M.JR: We may not go far enough, or do it, but as an approach, that is all I can do tonight.

How about the Federal Reserve, as to the approach?

MR. RANSOM: As to the principle, yes.

H.M.JR: I can't do anything more than that tonight. These men will have to work, so unless there is something else - and then if and when we get into this thing, if we get any approval after meeting the President and Mr. George, I will ask Mr. Paul to consult with you further.

I would like you, if we get approval from the President and Senator George, to go ahead, and then you could have this group together to meet with you (Paul).

I appreciate very much your giving me this evening. I feel encouraged. I think we are on the right track. So I think we will go ahead and recommend it in principle to the President tomorrow and see whether he feels it is all right, and we will do the same, if he is agreeable, with Senator George at lunch.

Has anybody any afterthoughts before we break up?

MR. RANSOM: You are moving in the right direction.

H.M.JR: All right. Thank you all.

August 24, 1942

SUGGESTED PLAN FOR A SPENDING TAX1. Objectives

This tax is being proposed with two purposes in mind: (1) To increase substantially above the \$8.7 billion additional revenue requested by the Treasury as the minimum for the pending Tax Bill, and (2) to reduce consumer demand by withdrawing purchasing power and making expenditure more costly than saving.

2. Basic outline of the tax(a) Tax base

The tax base would be the total amount of spending for consumers' goods and services less a personal exemption and credit for dependents.

(b) Personal exemption and credit for dependents

The personal exemption and credit for dependents would be not more than the income tax exemptions and, under a variant to be described below, might be substantially less.

(c) Tax rates

The tax rates would be progressive on spendings above the exemptions. Very high rates might yield less than low rates in some spendings brackets, while being more effective as an anti-inflationary device.

(d) Collection

The bottom tax rate would be collected at source on wages, salaries, dividends, and registered bond interest. For tax not collected in this manner, a simple quarterly return would be filed and tax paid

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on the expenditures of the prior quarter. At the end of the year a return would be filed for the whole year with adjustments in the tax payments. The expenditures for the year would be derived from figures of income and changes in assets and liabilities.

3. Variant of spendings tax

If (1) it is deemed necessary to strike at spendings below the present income tax exemptions, or (2) it is felt that the necessary rates of spendings tax place too heavy a burden on low incomes, or (3) the administrative and compliance burdens of numerous spendings tax returns are considered excessive, the tax on income up to perhaps \$2,000 could be collected on the basis of income rather than of spending and treated as a post-war credit or refund. This refundable tax would be collected in the same manner as the income tax.

Since persons in the lower income groups ordinarily spend a very large proportion of their incomes, the tax would operate in much the same manner as a spendings tax. Since the tax would be refunded, the introduction of lower exemptions and the errors arising from taxing income instead of spendings would not be as objectionable if there were no post-war refund. Provision might need to be made for refund during the war in case of serious hardship on very low incomes, although this would involve considerable administrative difficulty.

4. Comparison of spendings tax with the sales tax

(a) The spendings tax is not the same as the sales tax in the following respects:

- (1) Personal exemptions would be allowed,
- (2) Rates would be progressive,
- (3) The tax would apply to all consumer spending and not merely to tangible goods, which has proved to be a necessary limitation in the case of sales taxes, and
- (4) The tax would not affect price ceilings.

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(b) The spendings tax is superior to the sales tax in that it is more equitable and has no effect on price ceilings.

(c) Proponents of the sales tax will criticize the spendings tax as (1) more clumsy of administration than the sales tax, and (2) failing to withdraw purchasing power from the masses of people with incomes below the exemption levels.

5. Comparison of the spendings tax with the income tax

(a) The spendings tax can carry personal taxation to higher levels than the income tax alone because it does not impose a tax on saving, payment of debt, purchase of insurance, and other commitments which the income tax does not take into consideration.

(b) The spendings tax imposes a more definite penalty on spending than does the income tax, which only indirectly reduces spending.

(c) The spendings tax would be more difficult to administer than an increase in the income tax because changes in capital assets would need to be calculated.

(d) The spendings tax may prove an unfortunate tax after the war, since persons in the higher income brackets would prefer the retention of the spendings tax to the income tax in the post-war period.



TREASURY DEPARTMENT
WASHINGTON

August 24, 1942.

TO THE SECRETARY:

Vice Chairman Ransom is acting in Governor Eccles' absence. I told him you propose to announce at this afternoon's press conference that the 2 per cent Treasury Notes maturing September 15, 1942 (\$342,000,000) and the 7/8 per cent RFC notes due October 15, 1942 (\$320,000,000) would be paid off in cash at maturity and asked whether the Board desired to make any comment. Governor Ransom checked with the Board members, except two who are away, and said they were in agreement with the desirability of the proposed announcement.

I talked with Mr. Sproul and he said there was a unanimity of views in his bank, the Board and people here in the Treasury that the September and October notes should be paid off in cash and in his opinion an announcement by you to this effect at this time would be in order and is very desirable. He said such announcement would have the effect of removing these two issues from the market picture and that a notice at this time of the Treasury's intention to pay off these notes is a good move.

Mr. Sproul also agreed that there was no necessity at this time for making any statement of the Treasury's intention with respect to the note issue maturing December 15, 1942, in the amount of \$232,375,200.

OR DEFENSE



WRT

WRT



TREASURY DEPARTMENT
WASHINGTON

August 24, 1942.

TO THE SECRETARY:

Mr. Bell said you desired this statement showing ^{sub}scriptions to the last issue of the 2-1/2% Treasury Bonds of 1962-67.

Mr. Haas agrees with me that it is probably undesirable to give out these figures in detail, especially those showing the number of subscribers. Once they are released we will probably be under pressure to give out corresponding figures for subsequent issues. It is suggested that the amounts of the issue under the various categories be published in the next issue of the Treasury Bulletin, and while this will make the data available to the public, it will not cause any special attention to be focused to them as would be the case if they are given out at this time in a special release.

Wif
[Signature]

DEFENSE

BUY
UNITED
STATES
SAVINGS
BONDS
AND STAMPS

DATA CONCERNING SUBSCRIPTIONS TO ADDITIONAL ISSUE OF
2-1/2 PERCENT TREASURY BONDS OF 1962-67

FEDERAL RESERVE BANK	INSURANCE COMPANIES		SAVINGS BANKS		INDIVIDUALS		ALL OTHERS		TOTALS	
	No. of Subs.	Dollar Amount	No. of Subs.	Dollar Amount	No. of Subs.	Dollar Amount	No. of Subs.	Dollar Amount	Total No. Subs.	Total Amount
Boston - - - - -	39	43,567,000	202	32,020,000	310	2,023,100	221	6,670,300	772	84,280,400
New York - - - - -	179	603,870,500	143	64,115,000	1,566	10,212,700	719	73,833,100	2,607	752,031,300
Philadelphia - - - -	36	33,244,000	9	15,525,000	618	3,145,200	707	25,600,000	1,370	77,514,200
Cleveland - - - - -	27	12,270,000	1	250,000	609	3,892,000	278	16,516,100	915	32,928,100
Richmond - - - - -	41	5,809,000	11	4,380,000	246	2,485,600	255	8,441,900	553	21,116,500
Atlanta - - - - -	26	2,444,000	5	260,000	173	1,432,600	91	1,860,700	295	5,997,300
Chicago - - - - -	108	38,914,500	2	60,000	529	4,837,000	257	6,851,900	896	50,663,400
St. Louis - - - - -	15	1,480,000	-	-	335	1,267,200	137	3,055,100	487	5,802,300
Minneapolis - - - -	18	4,240,000	3	3,800,000	154	709,700	77	13,833,300	252	22,583,000
Kansas City - - - -	43	3,730,000	-	-	376	2,135,400	89	4,970,600	508	10,836,000
Dallas - - - - -	42	6,701,000	9	647,500	179	1,919,300	54	5,320,500	284	14,588,300
San Francisco - - -	28	5,530,000	10	3,320,000	219	1,478,800	129	12,147,400	386	22,476,200
Treasury - - - - -	2	205,000	-	-	18	70,000	12	135,015,300 ^{1/}	32	135,290,300
TOTAL - - - - -	604	762,005,000	395	124,377,500	5,332	35,608,600	3,026	314,116,200	9,357	1,236,107,300

^{1/} Includes \$125,869,300 for Governmental investment accounts and \$9,000,000 by the R.F.C. for transfer to Maryland Casualty Company.

August 19, 1942.

TREASURY BILLS

	<u>Aug. 26</u>	<u>Aug. 19</u>	<u>Aug. 12</u>	<u>Aug. 5</u>
Amount offered	\$350 M	\$350 M	\$350 M	\$350 M
Bids tendered	892	712	594	583
Low rate	.297%	.297%	.293%	.297%
High rate	.372	.376	.376	.376
Average rate	.369	.372	.372	.372
Amount in New York	\$139 M	\$155 M	\$188 M	\$226 M
Amount in Chicago	106	72	99	42
Amount in San Francisco.	22	25	21	14
Amount in balance of country	83	98	42	68

August 24, 1942

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 24,
1942

TO Secretary Morgenthau

FROM Mr. Haas

Subject: Recent Developments in the High-grade Security
Markets; Analysis of Subscriptions to Recent Bond
Issues

SUMMARY

- (1) All high-grade security markets continue relatively quiet and net price movements since the end of July have been small (Charts I - III).
- (2) Commercial banks have accounted for almost two-thirds of all subscriptions to the issues of 2 percent bonds offered in May and July, as compared with less than 40 percent, on the average, of the five preceding unrestricted taxable issues. Among the probable explanations are the fact that bank credit is the only source of funds which has kept pace with the increase in debt, the absorption of non-banking funds by the 2-1/2 percent restricted issue, and the fact that all of the preceding five issues were of longer maturity and hence less attractive to banks than the 2's.

The distribution of subscriptions for the August re-opening of the restricted issue promises, on the basis of preliminary figures, to differ but little from that of subscriptions for the May offering.

- (3) Effective Thursday, August 20, 1942, the Federal Reserve Board reduced the reserve requirements for member banks in central reserve cities from 26 percent to 24 percent, in order to relieve the unusually tight reserve situation in these two cities (Chart IV). It is estimated that the change will increase excess reserves in New York City and Chicago by almost \$400 millions to a total of about \$600 millions.
- (4) Following an increase which commenced in June 1940, loans of weekly reporting member banks increased to a post-depression high on March 16, 1942. Since that time they have declined (Chart V). This probably reflects a diminution of the need of bank credit for plant expansion, together with the inability of business concerns to replenish inventories, to keep up with maintenance of equipment, or to invest depreciation and depletion reserves.

Secretary Morgenthau - 2

I. Recent Changes in the High-grade Security Markets

The quiescence of the Government security market, accompanied by a very moderate net decline of prices, has continued during August (Chart I). There was a slight rally in the middle of last week, particularly among the long-term taxable bonds. Taxable bonds have fared better than the partially tax-exempts, while taxable notes have been weaker than tax-exempt notes. The poorer showing of notes as compared with bonds reflects the weakness in the short end of the market which has been observable for some time. Price changes since July 31, 1942, are shown by maturity classes and taxable status in the following table:

	: Average Price Change		
	: July 31 - August 22, 1942		
	: Taxable	: Tax-	: Total
	: exempt	:	:
(In thirty-seconds)			
<u>Notes</u>			
1 - 3 years	- 6	- 2	- 3
3 - 5 years	- 5	0	- 5
<u>Bonds</u>			
5 - 15 years to call	0	- 2	- 1
15 years and over to call	+ 3	- 5	0

Other high-grade security markets have been similarly quiet. The average yield of high-grade corporates has varied but little during August (Chart II). Municipal bonds have also been fairly stable (Chart III). During the week ended August 8, 1942, there were no new bond offerings to the public in the New York market. This is the first time that such a situation has obtained since June 1940. Offerings in the weeks since August 8 have been very small.

Secretary Morgenthau - 3

II. Subscriptions to Recent Treasury Bond Issues

A comparison of the distribution of subscriptions from various classes of investors for the 2's of December 15, 1949-51, offered last month, and the 2's of September 15, 1949-51, offered last May, with the average investor-distribution of the five preceding unrestricted taxable Treasury bonds which have been offered for cash, reveals that commercial banks subscribed for a much larger proportion of recent issues than of the average of the five previous issues. The pertinent figures are shown in the table below:

Class of Investor	2's due : Dec. 15, 1949-51		2's due : Sept. 15, 1949-51		Five preceding : taxable bonds
	Millions	Percent	Percent	Percent	
	: of	: of	: of	: of	
	: dollars	: total	: total	: total	
Commercial banks					
In New York City	599	15	15	10	
Outside New York City	1,842	48	50	28	
Total	2,441	63	65	38	
Other investors					
Mutual savings banks	256	7	6	9	
Insurance companies	269	7	6	17	
Other financial and investment corpora- tions	68	2	2	3	
Non-financial corpora- tions	185	5	5	8	
Individuals	214	5	6	10	
Trust accounts	29	1	1	3	
Dealers and brokers	296	8	7	4	
All others	91	2	2	8	
Total	3,849	100	100	100	

Secretary Morgenthau - 4

The detailed distribution of subscriptions among the various classes of investors was very similar in the case of the 2's offered in May and in July of this year, the notable feature being that, in both offerings, commercial banks subscribed to the majority of the bonds (i.e., 65 percent of the May issue and 63 percent of the July issue), with the New York City banks subscribing to 15 percent in both instances. Average subscriptions by commercial banks for the five preceding taxable bonds were only 38 percent of the total subscriptions, with New York City banks placing 10 percent of the total subscription.

The principal reasons for the increased participation of commercial banks in the two cash offerings of 2 percent bonds, as compared with their participations in earlier issues, are probably that the bulk of the non-banking funds was drawn off into the restricted tap issue and that bank credit is the only source of funds which has kept pace with the rapidly expanding debt. It should also be noted that all of the preceding five issues were of longer maturity than the 2's, which would, of course, tend to make them somewhat less attractive to banks.

The table below shows a comparison of May and August subscriptions to the 2-1/2's of 1962-67 by type of investors. Subscriptions were 40 percent greater in August than in May. Insurance companies, the largest subscribers, took a slightly smaller percentage of the August offering, but a larger dollar amount by \$159 millions. Dollar subscriptions from savings banks were about twice those of May. Individuals' subscriptions were relatively small on both occasions.

	August 1942		May 1942	
	Amount (millions)	Percent	Amount (millions)	Percent
Individuals	36	3	26	3
Savings banks	124	10	64	7
Insurance companies	762	62	603	68
All others	<u>314</u>	<u>25</u>	<u>189</u>	<u>22</u>
Total	1,236	100	882	100

Secretary Morgenthau - 5

III. Change in Reserve Requirements

Effective Thursday, August 20, 1942, reserve requirements on demand deposits for member banks in New York City and Chicago were reduced from 26 percent to 24 percent, in accordance with an Act of July 7, 1942, amending the Federal Reserve Act so as to permit the Federal Reserve Board to change reserve requirements for banks in the two central reserve cities separately from those in reserve cities.

Excess reserves of all member banks have been gradually declining since January, 1941 (Chart IV). In recent months, however, and especially in the last few weeks, excess reserves of banks located in New York City and Chicago have diminished disproportionately to those of other banks. This has been caused primarily by the Treasury's raising more funds by taxation and borrowing in these centers, and especially in New York City, than it spent there.

Excess reserves for banks in New York City have not exceeded \$300 millions since last July 1; and at the close of business on Wednesday, August 19, they were only \$178 millions, the smallest since September 8, 1937. Excess reserves of Chicago banks on August 19 were only \$16 millions, making the total for central reserve city banks \$194 millions on that date. This amount represents only 9 percent of the total excess reserves on August 19, whereas in March of this year, the monthly average of excess reserves of central reserve city banks combined amounted to 39 percent of the total excess reserves.

It is estimated that the reduction in reserve requirements in New York City increased excess reserves there by about \$313 millions, to \$491 millions at the opening of business last Thursday, August 20. This estimated increase is indicated on Chart IV by a thin dotted line. Excess reserves of Chicago banks were increased by an estimated \$75 millions, to a total of \$91 millions.

IV. The Course of Bank Loans

After several years of scant demand for loans from commercial banks, the Defense program got under way in the

Secretary Morgenthau - 6

middle of 1940, and, as its pace became accelerated, so did the demand for bank loans to finance plant alterations and additions, special tools and machinery, and to provide additional working capital for business enterprises. From June 26, 1940 (the low point of that year) to March 18, 1942 (the high since the spring of 1932), total loans of all weekly reporting member banks rose steadily from \$8,435 millions to \$11,446 millions, or about 36 percent. Between March 18 and August 12, however, loans have gradually declined by about \$804 millions, or about 7 percent (Chart V).

There are several indications that the high loan level reached on March 18, 1942, may mark the wartime peak for commercial bank loans and the decline since that time may represent the initial stages of a gradual downtrend. Due to the need for speed and because of the high risks involved in war-production ventures, the Government has found it necessary to finance many corporate requirements which heretofore were financed by bank loans. Also, recently established consumer credit control regulations and accelerated debt repayment schedules will tend to reduce the volume of loans. Finally, now that our war program has largely passed the "building stage" and is well into the "production stage", corporate earnings, funds saved because of deferred maintenance, reduced inventories, inability to reinvest depreciation and depletion reserves, and inability to make plant expansions should result in relatively liquid financial positions for corporate enterprises. Corporations, therefore, should be able to continue repaying bank loans and to remain relatively free of bank debt.

A tendency in the opposite direction, however, is indicated in press reports of negotiations for large bank credits under Regulation V of the Federal Reserve Board, which permits the guarantee by the Federal Reserve Banks as agents for the War and Navy Departments and the Maritime Commission of loans for war production. The two largest of such loans reported to date as being negotiated are one of \$500 millions to the General Motors Corporation and one of \$40 millions to the Allis-Chalmers Manufacturing Company. It is also rumored, according to press reports, that Chrysler Corporation, which obtained a credit of \$100 millions before the issuance of the Executive Order authorizing the Regulation V loans, may take advantage of this financing device.

Attachments

CHANGES IN THE PRICES OF U.S. SECURITIES

Points Plotted Represent the Difference from December 6, 1941 Price of Each Maturity Class

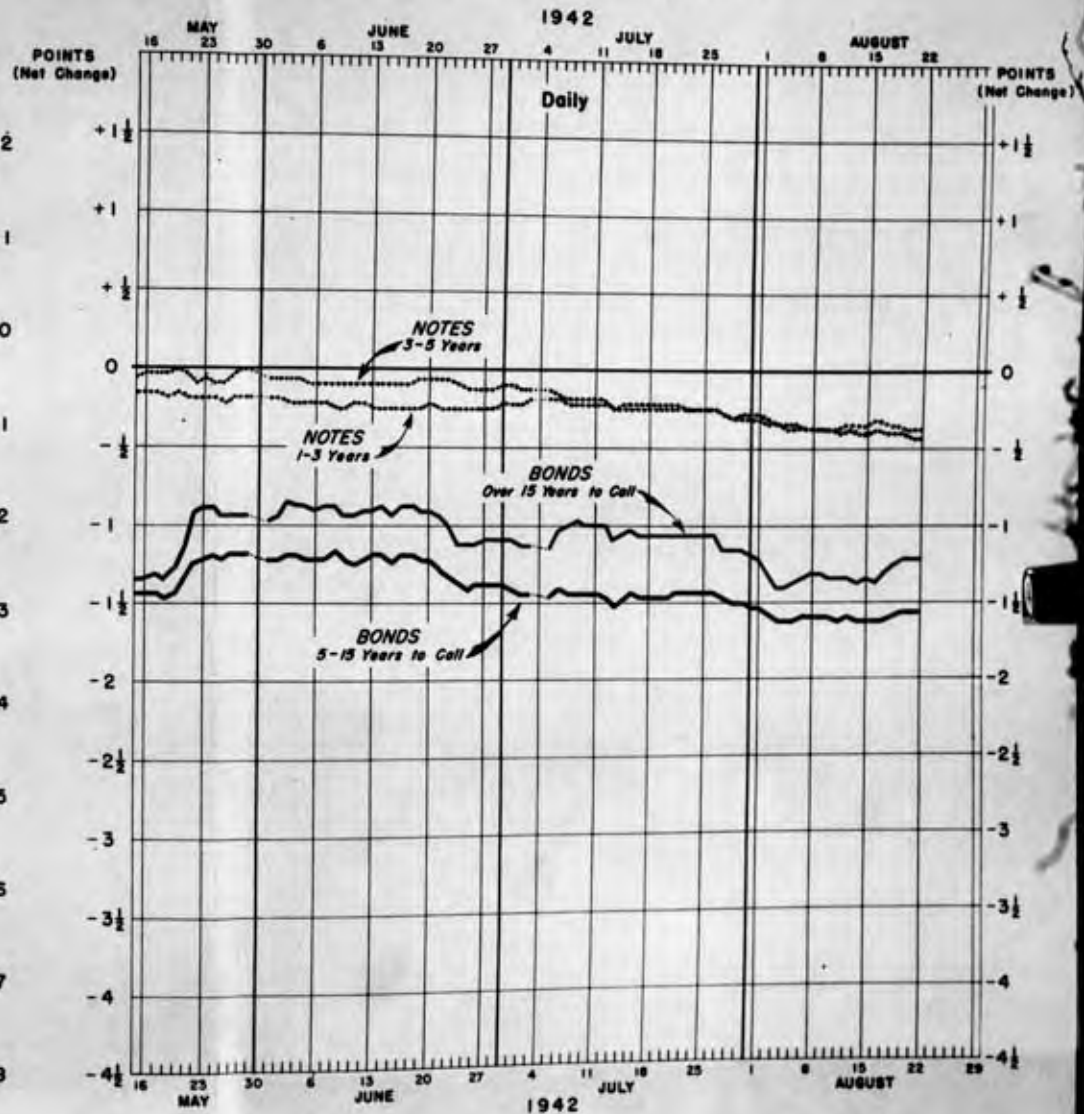
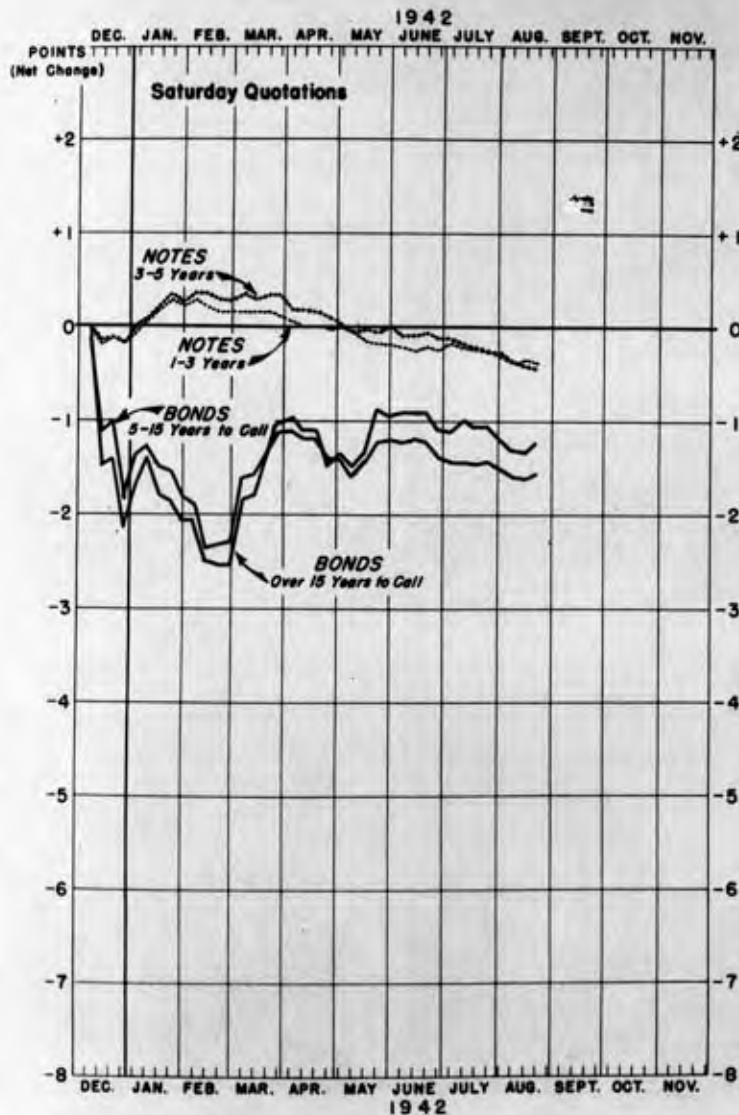
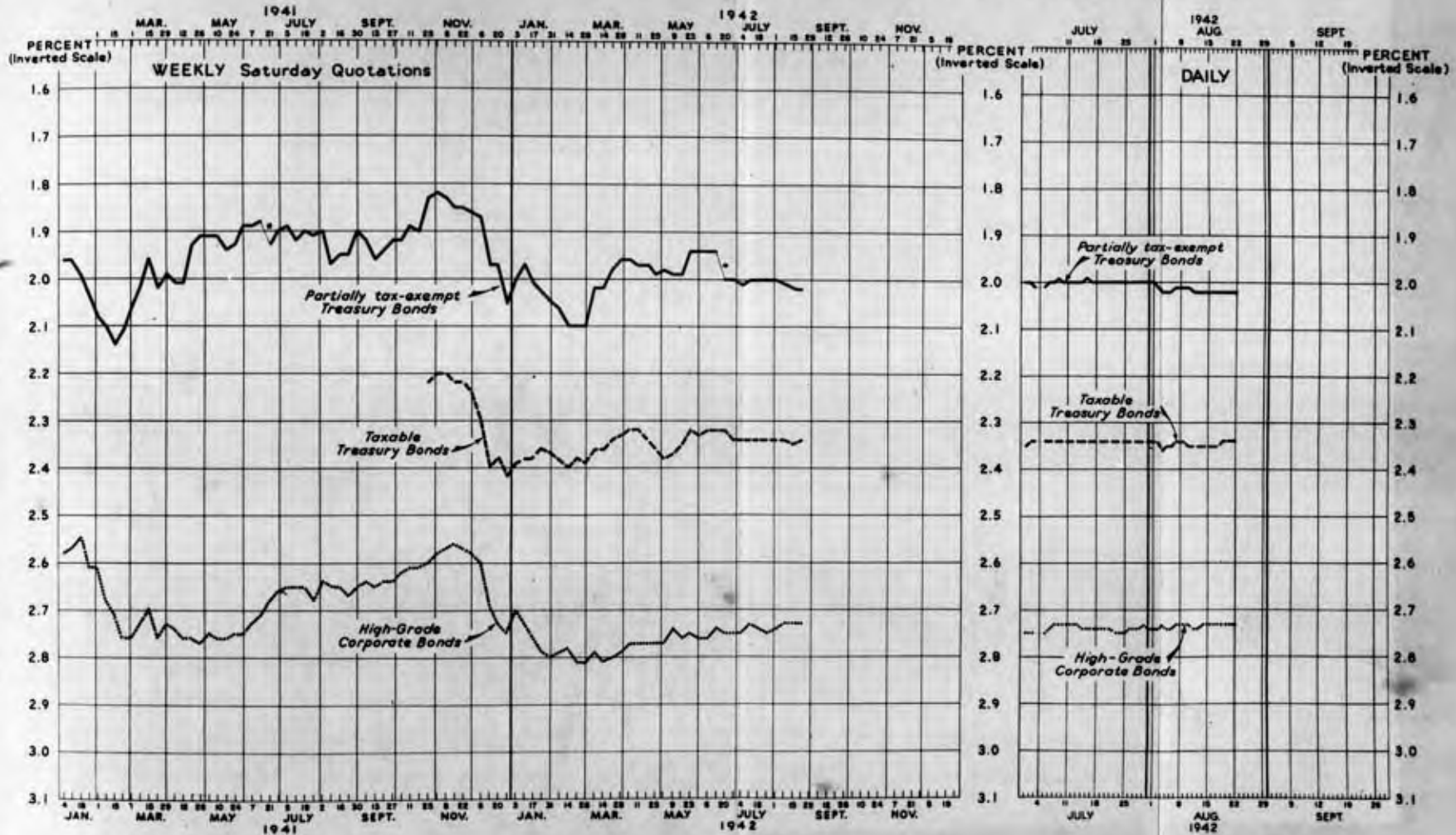


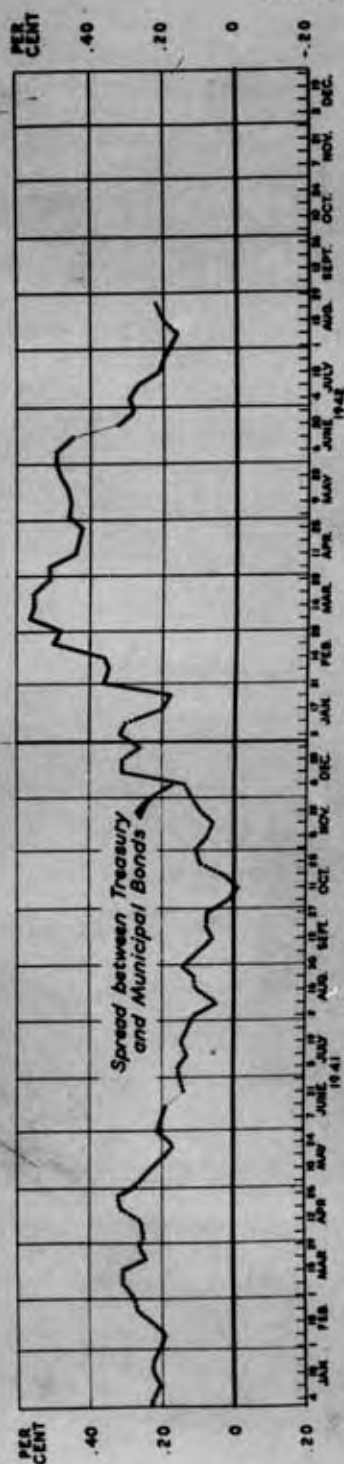
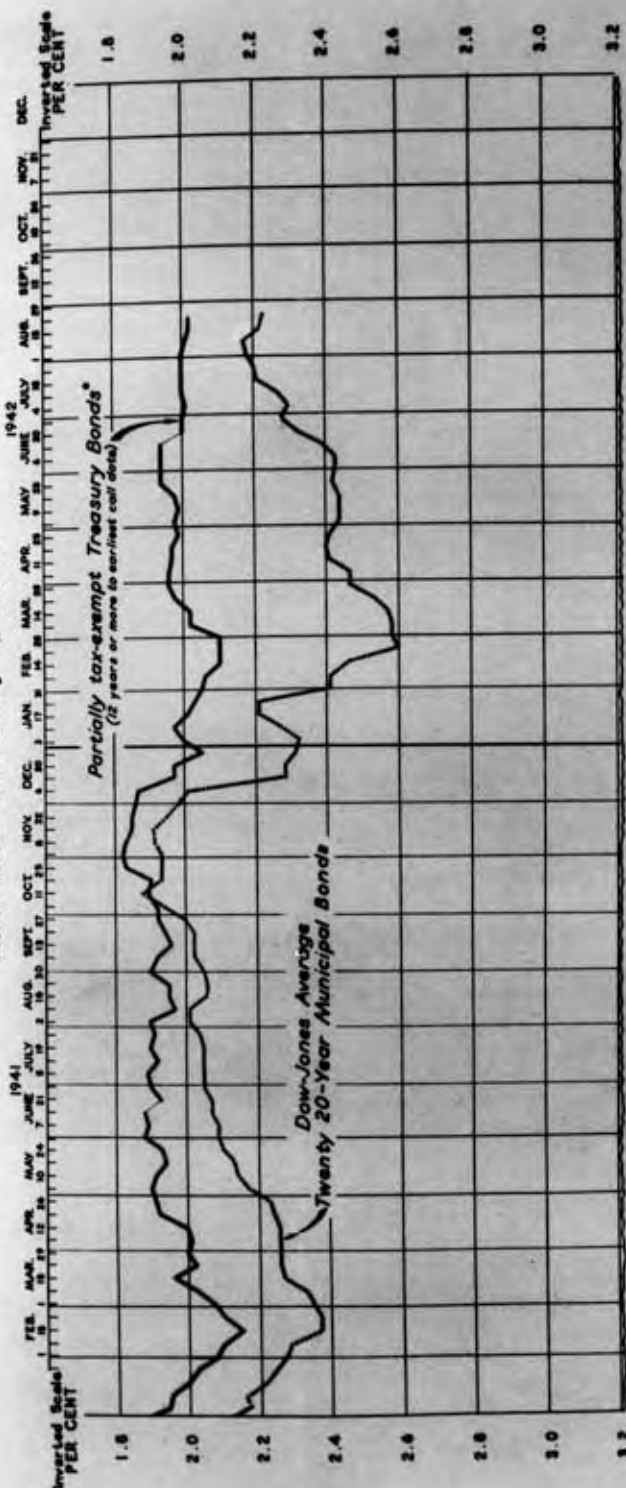
Chart II
AVERAGE YIELDS OF LONG-TERM TREASURY AND CORPORATE BONDS



* Change in composition of Long-Term Treasury average

AVERAGE YIELDS OF LONG-TERM TREASURY AND MUNICIPAL BONDS

Yields Based on Saturday Quotations

^aBased on line indicators change in composition of Long Term Treasury averages

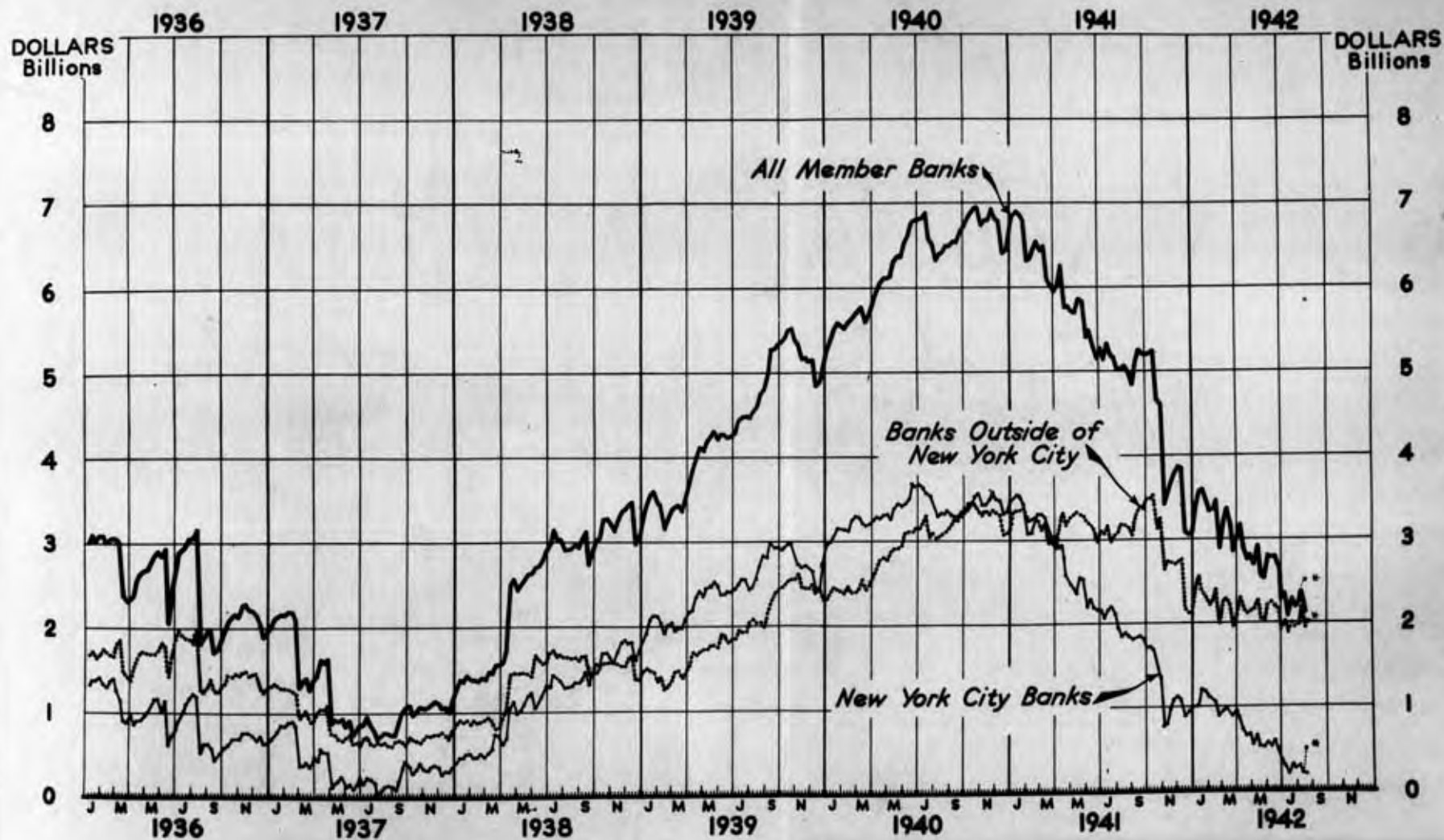
Office of the Secretary of the Treasury
Bureau of Economic and Financial Affairs

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F-134-C-1

EXCESS RESERVES OF MEMBER BANKS

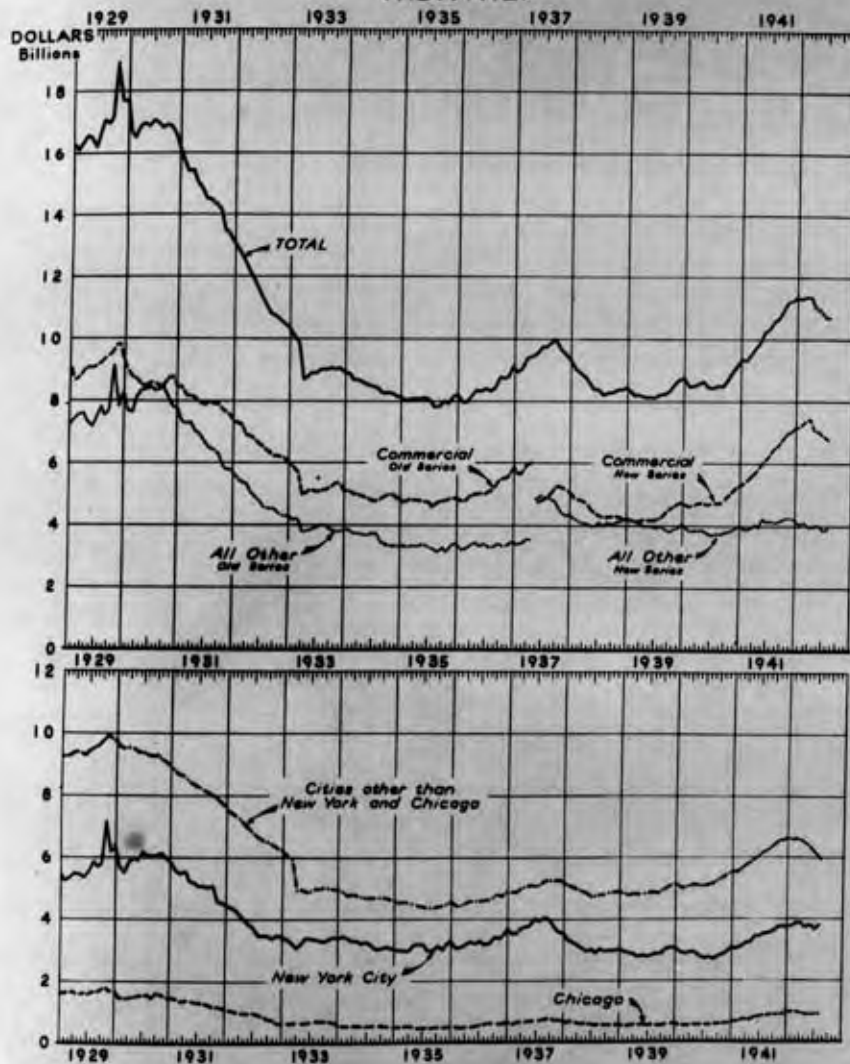
Wednesday Figures



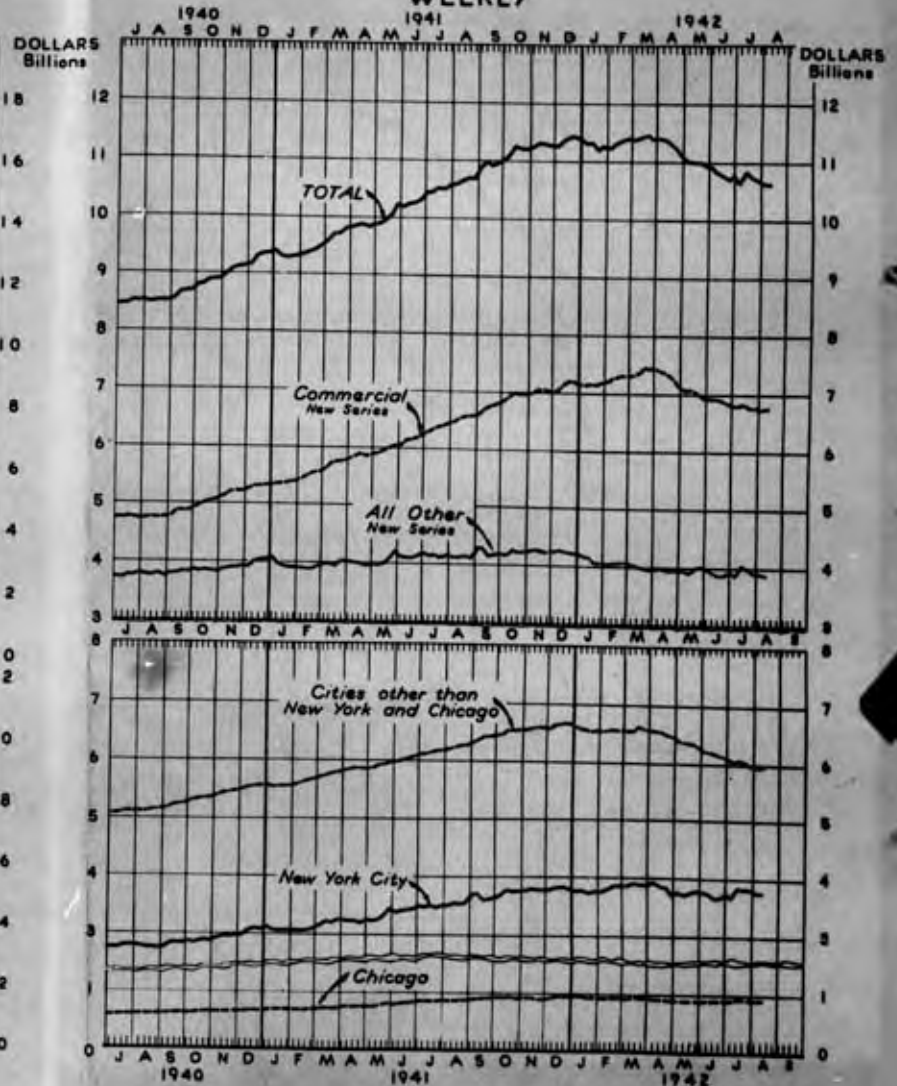
*Excess Reserves at reduced reserve requirements

LOANS - WEEKLY REPORTING MEMBER BANKS

MONTHLY



WEEKLY



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 24, 1942.

TO Secretary Morgenthau

FROM George Buffington G.B.

I am planning to have a meeting this week with members of the National Committee of the Securities Industry for War Financing, for the purpose of working out a plan to improve the cooperation between the securities industry and the Victory Fund Committee.

W67G83WASH CX164 CGO 8-242

HONORABLE HENRY MORGENTHAU, JR.

SECRETARY OF THE TREASURY

REFERRING YOUR WIRE REGARDING OUTSTANDING MAN TO HELP TREASURY AND PARTICULARLY THE VICTORY FUND COMMITTEES WITH PUBLICITY. HAVE PREVIOUSLY MADE A CAREFUL SURVEY OF THE DISTRICT HAVING IN MIND A MAN OF THIS CHARACTER TO BE ASSIGNED TO OUR LOCAL COMMITTEE AND I AM OF OPINION THAT HARRY OWEN OF R.R. DONNELLEY & SONS COMPANY WOULD BE THE IDEAL MAN FOR THIS POSITION. HE HAS HAD SEVERAL YEARS EXPERIENCE WITH HALSEY, STUART & COMPANY AND WAS A FREE LANCE FOR A YEAR IN THE ADVERTISING BUSINESS WHERE HE ENJOYED UNUSUAL SUCCESS. HAS BEEN WITH R. R. DONNELLEY & SONS COMPANY SINCE 1936. HE IS WELL EXPERIENCED IN INVESTMENT BANKING, ADVERTISING AND PRINTING BUSINESS AND IT IS MY UNDERSTANDING THAT HE STANDS WELL WITH ALL THE FINANCIAL ADVERTISERS AND WOULD ALSO OBTAIN THE COOPERATION OF THE ADVERTISING MANAGERS OF ALL THE CHICAGO BANKS. I FEEL THAT WITH HIS SPECIAL TALENTS AND TRAINING HE WOULD BE WELL QUALIFIED TO STIMULATE VOLUNTEER WORKERS AND CARRY ON AN EXTENSIVE CAMPAIGN WITH ALL DEALERS AND COMMERCIAL BANKS. HE IS CONSIDERED A VERY VALUABLE MAN BY R. R. DONNELLEY & SONS COMPANY WHICH IS ONE OF THE LARGEST, IF NOT THE LARGEST, PRINTING COMPANY IN THE UNITED STATES. IF YOU DESIRE WILL WRITE YOU MORE
DETAIL REGARDING MR. OWEN BY LETTER

C. S. YOUNG.



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Aug. 24, 1942

TO THE SECRETARY
FROM TED R. GAMBLE

The attached listing covers quantities and distribution of three posters:

N. C. WYETH - "Buy War Bonds" (Uncle Sam Poster)
WARREN - "Let's All Fight" (The Fighting Soldier -
the one you liked)
CURRY - "Our Good Earth" (The Farm Poster)

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*Given to Aea 3 Jan Monday
Aug. 24 1942
by A. W. Myers*

A WARTIME PROGRAM FOR UNITED STATES FARMERS
W. I. Myers Consultant
War Savings Staff

Farmers, like all other citizens, are anxious to do their full share in the nation's war effort, including assistance in financing the war through the purchase of War Bonds. However, the farmer's problem is more difficult because, unlike the factory worker, he has to finance his own job as well as his home. The average investment per worker in United States farms is approximately the same as in industry. However, the investment in plant and equipment used by the industrial worker is provided by investors, while the investment in farm, livestock and equipment is usually financed by the farm operator.

1. Maximum Production of Essential Foods and Fibers.

The first and most important job of farmers is the maximum production of essential foods and fibers for our armed forces, our allies, and ourselves. Food production is of equal importance with the production of planes, guns, and ships. The requirements of our allies are increasing steadily. There is a critical need for all that we can possibly produce as long as the war lasts and at least a year or two thereafter. With increasing shortages of labor, machinery and farm supplies, the maximum efforts of farmers and their families will be required to meet these expanding requirements.

In order to fulfill his obligation for maximum production of food, it is necessary for every farmer to develop and maintain an efficient farm business. As a result of the war, there has been a substantial increase in the requirements of working capital for efficient farm operation. This is partly due to higher prices and partly to the fact that adequate inventories of feed, fertilizer, spray materials and machine parts must be maintained in order to avoid delay at critical periods. It is good business to use the credit necessary for intensive operation but debts should be kept at the lowest point that will permit an efficient business. Conditions are favorable for enlarging a small farm business to efficient size if labor is available and it can be financed safely. However, it is unwise to use credit to enlarge farms beyond the size necessary for reasonable efficiency.

2. Get Debts in Shape.

The second job of farmers is to get their debts in shape by reducing excessive debts to a safe basis. There is no conflict between the reduction of debts and the War Bond program. Income paid on debts does not compete with the war effort and hence does not contribute to inflation. Then, too, such payments are available for use by creditors or credit

agencies for the purchase of War Bonds or other Government securities.

Every farmer, no matter how heavy his debts, will want to buy some War Bonds for the satisfaction of feeling that he is giving some direct financial aid to his country in this great emergency. However, in order to insure their continuing operations as food producers, heavily indebted farmers should use the major part of their increased incomes to reduce their debts to a conservative level so they can withstand bad years which may come later. After paying up delinquencies and extensions, if any, the next step is the reduction of excessive mortgage debts to a safe basis. Land Bank Commissioner loans and other emergency second mortgages should be paid off as rapidly as possible. Production loans should also be reduced to a conservative level.

It is equally important for farmers to get the debts of their co-operatives in shape. Efficient co-operatives are of vital importance in enabling farmers to meet the demands of the victory food program with wartime shortages and restrictions. Co-operatives perform necessary services in marketing farm products and purchasing essential farm supplies that can be done most effectively by group action. The financial requirements of co-operatives have also increased substantially because of higher prices and the necessity of maintaining adequate inventories to meet transportation emergencies. In this period of higher farm incomes it is highly important to strengthen the financial position of essential farm co-operatives to withstand bad years. This can be done by reducing debts, by increasing their net worth through increased investment by members, and by building financial reserves through investment in War Bonds or other Government securities.

3. Invest in War Bonds to Help the Nation and to Build Financial Reserves.

The third job of farmers is to invest in War Bonds to help the Nation and to build financial reserves. Farmers who are out of debt can begin at once by investing all of their available income above necessary business and living expenses in War Bonds. The experience of the last war period indicates that such farmers will find greater security and satisfaction in the long run in building financial reserves to protect their farms and their standard of living than in enlarging their holdings beyond the size necessary for efficient operation. The possible profit from the speculative purchase of farm land in periods of favorable prices and incomes is seldom worth the worry and the risk of losing all if a severe depression should follow. In addition speculation in farm land is harmful to agriculture and to the Nation.

For farmers with moderate debts or who have reduced their financial obligations to a safe basis, patriotism and self-interest are served by investing in War Bonds to the limit of their available net incomes, postponing unnecessary expenses until after the war has been won.

The savings invested in War Bonds provide our Government with an important part of the funds required to meet the costs of this world-wide total war. Enormous expenditures are called for to provide men, planes, ships, guns, munitions and food for our armed forces and our allies. Taxes cannot be increased enough to meet these costs in full. It is imperative that farmers as well as other citizens should eliminate unnecessary expenditures and transfer these savings to their Government through investment in War Bonds.

4. War Bonds are the best form of financial reserve ever offered to United States farmers.

War Bonds are the promises to pay of the strongest government in the world. They are not transferable but the investment will be repaid to the owner if needed at any time after sixty days from issue. If left for one year or more, interest will be received in addition and if left to maturity, in ten years, the investor gets back \$4.00 for every \$3.00 put in.

During this war period the production of automobiles, farm tractors, combines and other machinery will be greatly reduced because of the need of steel and other critical materials for war purposes. A part of the money received by farmers for their products is pay for the wearing out of all types of farm equipment. It is not income but is a return of working capital which is being worn out. The money that would ordinarily be used to replace automobiles and farm equipment should be invested in War Bonds as a depreciation reserve which will be available for replacement after the war.

Many farm families will now have money available for the purchase of electric refrigerators or water systems, or other home equipment, or for the improvement of farm homes, but these facilities for comfortable living are not available. By investing the cost of the desired improvements in War Bonds it will be possible to insure their purchase when factories have changed back from the production of war goods to those of peace.

After debts have been reduced to a safe basis, it is safer and better for most farmers to build an adequate financial reserve through investment in War Bonds than to apply all available income on debts. If all income is applied on debts, it will probably be necessary to borrow again in order to replace tractors or automobiles or other farm machinery when they become available. At some times in the past it has been difficult to borrow especially when money was needed most and these conditions may recur. A financial reserve in War Bonds is available at any time for any purpose—for the purchase of machinery, for the improvement of homes, for education of children, for unexpected hospital bills, or for the payment of taxes and debts. The slight loss in interest between the rate paid on debts and that received on War Bonds is a small price to pay for the insurance which such a financial reserve will provide.

Patriotism and self-interest combine to make an investment in War

Bonds the best possible form of financial reserve for farm people. Unnecessary expenditure in wartime is unpatriotic and wasteful. By postponing the spending of the increased farm incomes of the war period until after the war has been won, farmers will help their country and themselves. At that time the gradual expenditure of these financial reserves will help to stabilize business conditions and employment in the period of readjustment from war to peace. It will also provide productive employment for the returning men of our armed forces after victory has been won. By using the peak incomes of prosperous years to fill the valleys of depression years, farmers can protect their farms and their standard of living in unfavorable periods that may follow.

The financial welfare of farm people in the next two decades depends to a great extent on the wise utilization of the higher farm incomes of the present war period. For the first time since the last World War, the incomes of farmers generally will provide a margin for reserves above necessary expenses. The overexpansion and speculation in agriculture between 1914 and 1920 resulted in suffering and loss in later years to thousands of farmers who expanded their business on credit at the inflated values of that period. The only effective way of avoiding the disastrous results of inflation and deflation is through using the increased incomes of this period to get debts in shape and to build financial reserves in War Bonds.

✓
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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 24, 1942

TO Secretary Morgenthau
FROM Mr. Callahan

Thanks so much for your note.

The Blue Network is querying all of its stations in order to get a list of those stations which carried your speech and I will report to you as soon as I hear from them.

A recording of your speech is in the Projection Room and you can hear it at your convenience.

Vincent F. Callahan

AUG 24 1942

My dear Colonel Bouvé:

Mr. Richard R. Uhl and Mr. Thomas M. Adair have together written and composed a song entitled "Everybody Every Payday" which they have generously assigned to the Secretary of the Treasury. By that assignment they authorize the Secretary of the Treasury to secure all copyrights in the song. Accordingly, I request that copyright registration of the song be made in the name of Henry Morgenthau, Jr., Secretary of the Treasury. The necessary papers are enclosed herewith.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Colonel Clement L. Bouvé,
Register of Copyrights,
Copyright Office,
The Library of Congress,
Washington, D. C.

Enclosures

BSM:rgs
8/14/42

Sent out by Mr. Kuhn's office
8/24/42.

Copy to NMC.
Copy to Thompson.

UNITED STATES SAVINGS BONDS - TOTAL

Comparison of August sales to date with sales during the
same number of business days in July and June 1942

(At issue price in thousands of dollars)

		Cumulative sales by business days				
Date	August	August	July	June	August as	
	daily				percent of July	
	sales					
August 1942						
1	\$ 26,267	\$ 26,267	\$ 28,418	\$ 29,539	92.4%	
3	38,765	65,032	52,687	45,442	123.4	
4	27,023	92,055	79,964	67,046	115.1	
5	25,835	117,890	126,495	98,208	93.2	
6	40,450	158,341	157,605	132,341	100.5	
7	38,184	196,524	201,056	154,085	97.7	
8	24,218	220,742	240,974	192,659	91.6	
10	41,021	261,763	288,729	206,523	90.7	
11	15,274	277,037	324,856	236,552	85.3	
12	24,724	301,761	372,020	259,772	81.1	
13	22,757	324,518	402,122	281,724	80.7	
14	28,504	353,022	435,929	303,163	81.0	
15	12,830	365,852	467,599	334,398	78.2	
17	41,806	407,659	505,257	345,497	80.7	
18	14,551	422,209	527,186	368,782	80.1	
19	27,756	449,965	580,443	387,369	77.5	
20	23,791	473,756	602,129	414,804	78.7	
21	22,187	495,943	636,640	429,158	77.9	
22	13,246	509,189	670,075	468,812	76.0	

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

August 24, 1942.

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

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

UNITED STATES SAVINGS BONDS - SERIES E

Comparison of August sales to date with sales during the
same number of business days in July and June 1942

(At issue price in thousands of dollars)

Date	August daily sales	Cumulative sales by business days			August as percent of July
		August	July	June	
August 1942					
1	\$ 14,044	\$ 14,044	\$ 15,821	\$ 19,834	88.8%
3	22,178	36,222	30,701	27,841	118.0
4	14,575	50,797	47,523	40,811	106.9
5	12,988	63,785	77,320	58,199	82.5
6	23,004	86,789	95,044	82,988	91.3
7	24,959	111,748	116,643	98,197	95.8
8	16,429	128,176	139,390	125,245	92.0
10	26,805	154,981	164,161	134,157	94.4
11	9,885	164,866	183,238	154,242	90.0
12	15,921	180,787	209,787	169,920	86.2
13	16,356	197,143	225,532	186,470	87.4
14	18,760	215,903	243,938	201,700	88.5
15	9,578	225,481	261,766	225,684	86.1
17	28,683	254,163	284,111	233,218	89.5
18	9,737	263,900	296,344	249,033	89.1
19	17,650	281,550	327,712	261,321	85.9
20	15,525	297,075	339,951	280,742	87.4
21	16,026	313,101	358,135	291,729	87.4
22	9,881	322,982	376,396	321,114	85.8

August 24, 1942.

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

Source: All figures are deposits with the Treasurer of the United States on
account of proceeds of sales of United States savings bonds.
Note: Figures have been rounded to nearest thousand and will not necessarily
add to totals.

UNITED STATES SAVINGS BONDS - SERIES F AND G COMBINED

Comparison of August sales to date with sales during the
same number of business days in July and June 1942

(At issue price in thousands of dollars)

Date	August	Cumulative sales by business days				August as percent of July
	daily sales	August	July	June		
August 1942						
1	\$ 12,222	\$ 12,222	\$ 12,597	\$ 9,705	97.0%	
3	16,587	28,810	21,986	17,601	131.0	
4	12,448	41,258	32,441	26,235	127.2	
5	12,847	54,105	49,175	40,009	110.0	
6	17,447	71,552	62,561	49,353	114.4	
7	13,225	84,777	84,413	55,888	100.4	
8	7,789	92,566	101,585	67,414	91.1	
10	14,216	106,782	124,568	72,366	85.7	
11	5,389	112,171	141,618	82,310	79.2	
12	8,803	120,974	162,232	89,852	74.6	
13	6,401	127,375	176,590	95,254	72.1	
14	9,744	137,119	191,991	101,464	71.4	
15	3,253	140,372	205,833	108,715	68.2	
17	13,124	153,496	221,147	112,279	69.4	
18	4,814	158,309	230,842	119,749	68.6	
19	10,106	168,415	252,731	126,048	66.6	
20	8,266	176,681	262,178	134,062	67.4	
21	6,161	182,842	278,505	137,429	65.7	
22	3,365	186,207	293,679	147,698	63.4	

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

August 24, 1942.

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

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

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Sales of United States savings bonds
August 1 through August 22, 1942
Compared with sales quota for same period
(At issue price in millions of dollars)

CONFIDENTIAL

Date	Series E				Series F and G				Total			
	Actual sales	Quota,	Sales	to date as % of quota	Actual sales	Quota,	Sales	to date as % of quota	Actual sales	Quota,	Sales	to date as % of quota
	: August 1 Daily : to : : date : date :	: August 1 to : to : : date : date :	: August 1 to : to : : date : date :		: August 1 Daily : to : : date : date :	: August 1 to : to : : date : date :	: August 1 to : to : : date : date :		: August 1 Daily : to : : date : date :	: August 1 to : to : : date : date :	: August 1 to : to : : date : date :	
1	\$ 14.0	\$ 14.0	\$ 16.0	87.5%	\$ 12.2	\$ 12.2	\$ 7.7	158.4%	\$ 26.3	\$ 26.3	\$ 23.7	111.0%
3	22.2	36.2	47.3	76.5	16.6	28.8	21.5	134.0	38.8	65.0	68.8	94.5
4	14.6	50.8	61.0	83.3	12.4	41.3	29.6	139.5	27.0	92.1	90.6	101.7
5	13.0	63.8	84.0	76.0	12.8	54.1	45.4	119.2	25.8	117.9	129.4	91.1
6	23.0	86.8	107.3	80.9	17.4	71.6	58.7	122.0	40.5	158.3	166.0	95.4
7	25.0	111.7	134.4	83.1	13.2	84.8	68.8	123.3	38.2	196.5	203.2	96.7
8	16.4	128.2	154.1	83.2	7.8	92.6	76.3	121.4	24.2	220.7	230.4	95.8
10	26.8	155.0	190.6	81.3	14.2	106.8	87.9	121.5	41.0	261.8	278.5	94.0
11	9.9	164.9	205.1	80.4	5.4	112.2	94.1	119.2	25.3	277.0	299.2	92.6
12	15.9	180.8	227.1	79.6	8.8	121.0	105.1	115.1	24.7	301.8	332.2	90.8
13	16.4	197.1	247.9	79.5	6.4	127.4	114.0	111.8	22.8	324.5	361.9	89.7
14	18.8	215.9	271.0	79.7	9.7	137.1	120.9	113.4	28.5	353.0	391.9	90.1
15	9.6	225.5	287.7	78.4	3.3	140.4	126.4	111.1	12.8	365.9	414.1	88.4
17	28.7	254.2	319.2	79.6	13.1	153.5	135.8	113.0	41.8	407.7	455.0	89.6
18	9.7	263.9	332.2	79.4	4.8	158.3	141.3	112.0	14.6	422.2	473.5	89.2
19	17.6	281.6	353.0	79.8	10.1	168.4	151.9	110.9	27.8	450.0	504.9	89.1
20	15.5	297.1	373.6	79.5	8.3	176.7	161.0	109.8	23.8	473.8	534.6	88.6
21	16.0	313.1	397.4	78.8	6.2	182.8	168.3	108.6	22.2	495.9	565.7	87.7
22	9.9	323.0	415.1	77.8	3.4	186.2	174.3	106.8	13.2	509.2	589.4	86.4
24			449.0				184.8				633.8	
25			462.9				191.0				653.9	
26			484.5				203.0				687.5	
27			505.0				213.2				718.2	
28			527.8				221.4				749.2	
29			544.2				228.1				772.3	
31			575.0				240.0				815.0	

August 24, 1942.

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

Source: Actual sales figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds. Figures have been rounded and will not necessarily add to totals.

Note: Quota takes into account both the daily trend during the week and the monthly trend during the month.

OPERATION OF PAYROLL SAVINGS PLANS
IN SELECTED INDUSTRIES

June - July 1942

Operation of Payroll Savings Plan in Selected Industries

June - July 1942

Industries are ranked in order of highest monthly salary per employee

Industry	Number of employees	Average monthly salary	Average deduction per employee participating	Percentage of aggregate payroll deducted
Construction (Heavy) and Supplies.....	62,373	\$ 223.87	\$ 19.70	6.2
Automobiles including Parts and Accessories.....	734,028	221.83	14.65	5.6
Shipbuilding.....	457,750	220.59	16.23	4.7
Machinery, Tools and Plant Equipment.....	345,819	217.85	15.58	5.2
Railway Equipment.....	133,442	210.74	12.24	4.8
Office Equipment.....	51,431	204.19	10.40	3.5
Petroleum Producing, Refining, Transporting and Distributing.....	289,471	200.42	13.06	4.1
Aviation Manufacturing.....	579,702	199.46	12.52	3.9
Electrical Equipment and Supplies.....	388,825	199.38	12.20	4.9
Metal Products - Miscellaneous.....	314,841	197.20	12.21	4.2
Steel and Iron.....	879,572	185.53	10.18	4.1
Railroads.....	1,356,543	183.70	8.30	3.2
Insurance.....	143,441	183.54	8.05	3.4
Chemicals.....	350,851	182.99	12.98	5.8
Publishing.....	61,469	182.28	10.61	3.3
Public Utilities.....	351,970	181.48	7.71	2.8
Non-Ferrous Metals Mining and Processing.....	170,849	180.53	14.06	4.5
Agricultural Implements.....	101,644	179.80	10.75	5.5
Household Appliances and Utensils.....	45,180	173.12	9.38	3.4
Radio, Television and Phonographs.....	58,664	173.04	12.67	5.5
Hardware.....	23,521	171.05	9.42	4.3
Rubber and Rubber Products.....	177,083	168.10	7.21	2.6
Beverages.....	31,240	168.04	8.98	3.9
Clocks and Watches.....	20,858	152.50	9.23	4.8
Sugar Producing and Refining.....	24,099	149.29	7.45	3.4

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

Construction(Heavy)
and supplies

Construction (Heavy) and Supplies

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
McNeill Construction Co., Nev.....	July	10,000	65.0	6.7	\$ 300.00	\$ 30.77
Riggs, Distler and Co., Md.....	1/	8,500 2/	1/	1/	1/	1/
Fraser-Brace Engineering Co., Pa.....	July	6,850	94.3	6.3	194.16	12.91
Maxon Construction Co., Inc., Ind.....	July	6,200	100.0	8.5	200.34	17.01
Brown-Bellows-Columbia, Texas.....	June	5,800	96.6	9.2	206.90	19.82
Virginia Engineering Co., Va.....	July	5,709	65.2	6.1	196.14	18.24
* U. S. Pipe and Foundry Co., N. J.....	June	4,668	70.4	3.8	169.89	9.13
* Midwest Construction and Asphalt Co., Ill.	July	4,177	13.0	1.5	178.42	20.93
* George A. Fuller Co., N. Y.....	1/	3,063 2/	1/	1/	1/	1/
M. W. Kellogg Co., N. J.....	June	2,585	76.4	7.8	197.42	20.08
* Walter Kidde Constructors, Inc., N. J....	July	2,362 2/	1/	1/	440.92 2/	1/
Chapman Valve Manufacturing Co., Mass....	May	2,274	79.2	3.8	211.12	10.05
Leonard Construction Co., R. I.....	July	1,895	55.5	5.8	279.48	29.43
Thompson Starrett Co., Inc., D. C.....	1/	1,819 2/	1/	1/	1/	1/
Arundel Corp., Md.....	June	1,761	38.3	3.7	196.47	18.88
Cummins Construction Co., Md.....	June	1,740	100.0	10.2	232.31	23.67
Lock Joint Pipe Co., N. J.....	1/	1,703 2/	1/	1/	1/	1/
* Merritt-Chapman and Scott Corp., N. Y....	June	1,688	27.2	3.1	199.20	22.90
Foundation Co., Mass.....	July	1,670	51.6	5.2	341.06	34.17
* McGloskey and Co., Pa.....	May	1,599	45.6	5.3	205.97	23.79
Standard Dredging Corp., N. Y.....	1/	1,500 2/	1/	1/	1/	1/
* Great Lakes Dredge and Dock Co., Ill.....	June	1,288	34.5	2.6	253.88	19.23
* Babcock and Wilcox Co., N. Y.....	June	1,285	55.6	2.8	248.23	12.43
Platt Construction Co., Inc., R. I.....	July	1,184	85.8	9.0	322.57	33.65
Total.....		<u>62,373</u>	70.2	6.2	\$ 223.87	\$ 19.70

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

August 24, 1942

* Denotes Issuing Agent.

1/ Not available.

2/ Not included in total.

Automobiles including
Parts & Accessories

Automobiles including Parts and Accessories

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
* General Motors Corp., Mich.....	June	263,272	99.2	6.2	\$ 233.06	\$ 14.50
* Ford Motor Co., Mich.....	June	129,479	78.6	4.7	196.06	11.74
* Chrysler Corp., Mich.....	June	60,109	74.7	7.2	239.82	23.21
Packard Motor Car Co., Mich.....	June	21,601	75.7	5.3	271.24	18.89
Hudson Motor Car Co., Mich.....	May	16,485	29.6	2.5	270.04	23.01
* Edward G. Budd Manufacturing Co., Pa.....	June	16,273	67.5	6.4	197.26	18.74
* Timken Roller Bearing Co., Ohio.....	June	16,272	48.7	2.9	183.10	11.09
* Studebaker Corp., Ind.....	June	14,886	98.7	6.7	227.45	15.52
Yellow Truck and Coach Co., Mich.....	June	13,447	97.8	5.9	179.84	10.76
* Electric Auto-Lite Co., Ohio.....	June	12,220	81.6	3.3	200.25	8.18
Continental Motors Corp., Mich.....	June	10,129	86.4	6.8	313.43	24.60
* American Chain and Cable Co., Pa.....	June	9,901	91.0	7.5	180.40	14.80
* Murray Corp. of America, Mich.....	June	9,553	85.6	6.0	248.78	17.53
* Stewart-Warner Corp., Ill.....	June	9,306	98.5	6.8	161.87	11.23
Eaton Manufacturing Co., Ohio.....	June	8,714	92.5	6.6	198.23	14.09
Mack Trucks Inc., N. Y.....	1/	7,926 2/	1/	1/	1/	1/
Kelsey-Hayes Wheel Co., Mich.....	June	7,439	91.1	5.6	247.63	15.27
Spicer Manufacturing Co., Ohio.....	June	6,700	88.3	4.9	282.09	15.69
Timken-Detroit Axle Co., Mich.....	June	6,700	44.8	2.3	245.52	12.70
* Pafnir Bearing Co., Conn.....	July	6,665	85.7	5.8	161.38	11.00
Houdaille-Hershey Corp., Mich.....	1/	6,029 2/	1/	1/	1/	1/
White Motor Co., Ohio.....	June	5,553	84.0	3.3	225.10	8.92
American-Bosch Corp., Mass.....	July	5,354	100.0	8.3	233.49	19.34
Clark Equipment Co., Mich.....	June	5,171	64.4	3.4	246.17	12.89
* Nash-Kelvinator Corp., Mich.....	July	4,300	58.3	4.2	227.59	16.59

(Continued)

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

August 24, 1942.

* Denotes Issuing Agent.

1/ Not available.

2/ Not included in total.

Automobiles including Parts and Accessories

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

(Continued - 2)

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
* Electric Storage Battery Co., Pa.....	May	4,274	68.2	3.5	\$ 171.69	\$ 8.93
Borg-Warner Corp., Mich.....	June	4,152	79.4	4.6	247.88	14.44
Budd Wheel Co., Mich.....	June	4,045	85.6	5.4	222.52	13.99
* Gar Wood Industries Inc., Mich.....	June	3,742	64.2	5.1	200.25	15.83
* Hercules Motor Co., Ohio.....	June	3,279	81.1	5.6	247.31	17.06
* Motor Wheel Corp., Mich.....	June	3,132	39.0	2.0	246.67	12.62
Lycemng Manufacturing Co., Pa.....	May	2,780	73.0	4.0	286.35	15.86
Briggs and Stratton Corp., Wisc.....	June	2,611	76.3	3.1	160.42	6.62
* Heil Co., Wisc.....	May	2,600	73.1	1.9	205.32	5.21
* Campbell, Wyant and Cannon, Mich.....	Feb.	2,592	99.9	6.4	138.89	8.88
Harley, Davidson Motor Co., Wisc.....	June	2,300	82.6	3.9	201.74	9.47
Noblitt-Sparks Industries, Ind.....	June	2,271	86.3	4.7	117.54	6.34
* Autocar Co., Pa.....	June	2,219	72.7	5.2	191.94	13.69
Briggs Manufacturing Co., Mich.....	June	2,210	64.2	4.9	330.33	25.07
Buda Co., Ill.....	June	2,210	99.0	5.3	195.63	10.53
Carter Carburetor Co., Mo.....	June	2,200	85.0	3.4	227.27	9.09
Four Wheel Drive Auto Co., Wisc.....	June	1,960	74.7	4.7	124.49	7.78
Graham-Paige Motors Corp., Mich.....	June	1,957	93.6	7.5	263.02	21.01
* Perfect Circle Co., Ind.....	July	1,922	45.5	2.3	158.48	8.11
Trico Products Corp., N. Y.....	June	1,856	91.5	5.5	157.06	9.39
Diamond T Motor Car Co., Ill.....	June	1,833	97.3	10.1	207.95	21.58
Motor Products Corp., Mich.....	June	1,815	97.4	7.7	227.98	17.95
Waukesha Motor Co., Wisc.....	July	1,790	87.3	4.4	224.35	11.29
Bower Roller Bearing Co., Mich.....	June	1,700	86.5	5.7	191.18	12.49
Federal Mogul Corp., Mich.....	June	1,700	67.6	3.6	217.85	11.71
(Continued)						

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

August 24, 1942.

* Denotes Issuing Agent.

1/ Not available.

Automobiles including Parts and Accessories

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

(Continued - 3)

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
Norma-Hoffman Bearing Corp., Conn.....	June	1,460	83.2	3.9	\$ 139.95	\$ 6.48
McCord Radiator and Manufacturing Co., Mich.....	June	1,418	91.9	5.2	190.03	10.68
* King-Seeley Corp., Mich.....	July	1,370	92.2	5.6	165.29	10.07
* Indian Motorcycle Co., Mass.....	July	1,300	92.3	7.2	216.48	16.97
Trailer Co. of America, Ohio.....	July	1,290	90.3	4.9	135.66	7.30
American La France and Foamite Corp., N.Y.	June	1,257	68.3	5.0	163.80	12.07
* L. A. Young Spring and Wire Corp., Mich..	June	1,175	51.9	4.3	192.86	15.89
Fruehauf Trailer Co., Kan.....	June	1,056	88.1	4.1	155.99	7.23
Ainsworth Manufacturing Corp., Mich.....	June	1,023	92.6	9.1	217.99	21.33
Total.....		<u>734,028</u>	85.1	5.6	\$ 221.83	\$ 14.65

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

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* Denotes Issuing Agent.

Shipbuilding

Shipbuilding

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury during June and July 1942

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
* California Shipbuilding Corp., Calif.....	June	40,350	67.9	4.7	\$ 221.40	\$ 15.44
* Oregon Shipbuilding Corp., Ore.....	July	29,554	73.6	6.9	250.94	23.54
* Newport News Shipbuilding and Dry Dock Co., Va.....	June	28,478	80.6	5.6	234.05	16.18
* Federal Shipbuilding and Dry Dock Co., N. J.....	June	26,117	94.6	5.6	256.97	15.26
New York Shipbuilding Corp., N. J.....	June	25,973	60.9	2.7	248.73	11.03
* Sun Shipbuilding and Dry Dock Co., Pa.....	June	24,297	72.8	3.7	251.63	12.66
* Seattle-Tacoma Shipbuilding Corp., Wash..	June	20,189	27.2	2.2	200.96	16.14
* Houston Shipbuilding Corp., Texas.....	June	18,427	33.1	4.3	217.58	28.40
Kaiser Co., Inc., Wash.....	July	17,500	80.0	7.8	206.47	20.11
* Seattle Tacoma Shipyards, Wash.....	June	14,110	14.4	1.4	211.09	20.64
* Consolidated Steel Corp., Texas.....	July	14,066	86.1	9.0	205.07	21.35
North Carolina Shipbuilding Co., N. C....	June	13,157	74.0	7.7	166.01	17.27
* Delta Shipbuilding Co., Inc., La.....	June	13,000	84.6	6.3	184.62	13.64
* Todd-Bath Iron Shipbuilding Co., Maine...	June	11,000	90.0	9.0	163.64	16.36
Alabama Drydocks, Ala.....	June	10,721	28.0	2.6	191.16	17.74
Gulf Shipbuilding Co., Ala.....	July	10,499	75.3	10.3	204.29	28.07
Electric Boat Co., Conn.....	July	10,110	42.5	1.7	238.67	9.30
Cramp Shipbuilding Co., Pa.....	June	9,725	63.8	4.3	209.58	14.26
* Western Pipe and Steel Co., Calif.....	June	9,072	60.2	4.1	225.68	15.27
Bath Iron Works Corp., Maine.....	July	8,300	91.6	5.0	240.96	13.16
Los Angeles Shipbuilding and Dry Dock Co., Calif.....	July	7,714	54.4	3.7	246.31	16.67
South Portland Shipyard, Maine.....	June	7,000	75.0	8.0	171.43	18.29
Tampa Shipbuilding Co., Fla.....	June	6,781	87.1	8.0	164.52	15.05
* Willamette Iron and Steel Corp., Ore.....	June	6,380	67.1	4.3	219.94	14.02

(continued)

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

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* Denotes Issuing Agent.

1/ Not available

2/ Not included in total.

Shipbuilding

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

(continued-2)

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
American Shipbuilding Co., Ohio.....	June	6,143	30.2	2.6	\$ 189.80	\$ 16.43
Maryland Dry Dock Co., Md.....	June	6,053	59.3	3.7	203.62	12.53
* Higgins Industries, La.....	July	5,818	53.5	6.0	210.55	23.74
Marin Shipbuilding Co., Calif.....	<u>1/</u>	5,300 <u>2/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>
Robins Dry Dock and Repair Co., N. Y.....	<u>1/</u>	5,000 <u>2/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>
* Lake Washington Shipyards, Wash.....	June	4,900	42.9	3.7	222.86	19.24
Associated Shipbuilders, Wash.....	July	4,466	34.2	3.2	209.92	20.82
* Manitowoc Shipbuilding Co., Wisc.....	April	4,294	40.9	2.6	231.02	14.94
Ingalls Shipbuilding Corp., Miss.....	June	4,050	45.0	6.0	173.98	23.19
Defoe Boat and Motor Works, Mich.....	July	3,160	93.0	6.3	186.12	12.58
* Pusey and Jones Corp., Del.....	June	3,021	49.8	2.8	213.51	12.03
* Todd Seattle Drydock, Wash.....	July	2,799	23.7	1.5	285.46	18.13
Daniels Construction Corp., Ala.....	July	2,721	89.1	6.7	154.48	11.55
* Todd-Johnson Drydocks, La.....	June	2,552	42.0	6.0	184.11	26.30
General Engineering and Drydock Co., Calif	April	2,500	39.2	2.8	305.38	21.41
* Sullivan Drydock and Repair Corp., N. Y..	June	2,500	34.0	3.0	257.20	22.69
United Engineering Co., Calif.....	July	2,300	24.9	2.8	340.26	38.32
George Lawley and Sons Corp., Mass.....	June	2,200	46.6	3.5	245.02	18.39
* Southeastern Shipbuilding Co., Ga.....	<u>1/</u>	2,200 <u>2/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>
Leatham Smith Coal and Shipbuilding, Wis.	<u>1/</u>	2,200 <u>2/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>
Great Lakes Engineering Works, Mich.....	July	1,958	81.8	5.4	235.50	15.55
Atlantic Basin Iron Works, N. Y.....	June	1,888	54.4	4.3	311.01	24.81
* Pacific Bridge Co., Calif.....	July	1,771	90.0	6.3	223.85	15.72
* Winslow Marine Railway and Shipbuilding Co., Wash.....	June	1,478	22.3	1.5	236.12	16.06

(continued)

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

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* Denotes Issuing Agent.

1/ Not available.2/ Not included in total.

Shipbuilding

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury during June and July 1942

(continued-3)

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
Concrete Ship Constructors, Calif.....	July	1,700	64.7	5.3	\$ 176.47	\$ 14.55
* Commercial Iron Works, Ore.....	June	1,685	23.7	3.1	201.08	26.10
* Gibbs Gas Engine Co., Fla.....	July	1,550	21.7	1.6	166.14	12.41
* Wheeler Shipbuilding Corp., N. Y.....	July	1,280	88.0	6.9	245.60	19.15
Norfolk Shipbuilding and Dry Dock, Va....	July	1,243	47.9	5.2	186.47	20.28
Savannah Machine and Foundry Co., Ga....	May	1,200	37.5	6.0	166.67	26.67
* Brewer Dry Dock Co., N. Y.....	1/	1,168 2/	1/	1/	1/	1/
Consolidated Shipbuilding Co., N. Y.....	1/	1,064 2/	1/	1/	1/	1/
Mac Evoy Shipbuilding Corp., Ga.....	1/	1,000 2/	1/	1/	1/	1/
Charleston Shipbuilding and Dry Dock Co. S. C.....	1/	1,000 2/	1/	1/	1/	1/
Total.....		<u>457,750</u>	63.6	4.7	\$ 220.59	\$ 16.23

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

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Denotes Issuing Agent.

Not available.

Not included in total.

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Machinery, Tools and Plant Equipment

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
Brown and Sharpe Manufacturing Co., R. I.	June	11,000	37.3	3.0	\$ 244.82	\$ 19.99
* United Shoe Machinery Corp., Mass.	1/	10,000 2/	1/	1/	213.60	12.84
* Ingersoll Rand Co., N. Y.	July	9,388	80.3	4.8	224.73	13.37
Blaw Knox Co., Pa.	June	8,237	72.9	4.3	224.56	9.20
National Supply Co., Pa.	June	7,880	69.9	2.9	223.27	22.36
* Norton Co., Mass.	June	7,874	94.6	9.5	260.38	21.23
Ex-Cell-O Corp., Mich.	June	7,639	90.7	7.4	201.45	11.83
* Link Belt Co., Ill.	June	7,561	66.7	3.9	210.53	10.39
* National Malleable and Steel Castings Co., Ohio.	July	7,122	67.8	3.3	338.38	48.38
Northern Pump Co., Minn.	June	6,800	100.0	14.3		
A. O. Smith Corp., Wis.	1/	6,653 2/	1/	1/	250.36	21.10
Niles-Bement-Pond Co., Conn.	June	6,304	69.8	5.9	226.31	18.38
Cincinnati Milling Machine Co., Ohio.	1/	6,189 2/	1/	1/		
Worthington Pump and Machinery Corp., N. J.	1/	6,000 2/	1/	1/		
* Bullard Co., Conn.	June	5,798	39.2	3.2	258.93	12.17
* S. K. F. Industries, Inc., Pa.	June	5,600	47.7	2.2	207.48	13.44
National Acme Co., Ohio.	June	5,021	51.9	3.4	198.70	12.85
Fairbanks, Morse and Co., Wisc.	June	4,908	94.4	6.1	263.12	12.73
Warner and Swasey Co., Ohio.	June	4,268	73.1	3.8		1/
Standard Screw Co., Ill.	1/	4,000 2/	1/	1/		
Mesta Machine Co., Pa.	1/	4,000 2/	1/	1/	237.69	14.41
* Bucyrus Erie Co., Wis.	June	3,900	87.2	5.3	252.09	18.04
* General Machinery Corp., Ohio.	July	3,688	74.3	5.3	189.92	12.37
* Saco-Lowell Shops, Mo.	May	3,601	91.1	5.9	169.33	8.84
Henry Disston and Sons, Inc., Pa.	June	3,556	94.8	5.0		

(continued)

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

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* Denotes Issuing Agent.

1/ Not available.

2/ Not included in total.

Machinery, Tools and Plant Equipment

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942
(continued-2)

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
Cooper-Bessemer Corp., Ohio.....	July	3,527	94.9	7.5	\$ 207.97	\$ 16.54
* New Britain Machine Co., Conn.....	May	3,516	62.9	4.5	220.56	9.84
Chicago Pneumatic Tool Co., Pa.....	1/	3,500	1/	1/	1/	1/
Whitin Machine Works, Mass.....	1/	3,500	1/	1/	1/	1/
* York Ice Machinery Corp., Pa.....	May	3,499	65.7	2.6	222.20	8.65
E. W. Bliss, N. Y.....	June	3,493	53.8	3.7	260.88	17.75
* Harnischfeger Corp., Wis.....	June	3,385	77.5	8.2	220.32	23.41
Heald Machine Co., Mass.....	July	3,378	91.1	5.7	292.53	18.43
* Greenfield Tap and Die Corp., Mass.....	July	3,358	67.9	4.5	201.30	13.45
* Torrington Co., Conn.....	July	3,252	67.7	3.8	150.22	8.43
Chicago Screw Co., Ill.....	June	3,250	75.4	3.6	195.38	9.39
Cleveland Pneumatic Tool Co., Ohio.....	April	3,215	33.4	3.0	268.69	24.13
Ohio Crankshaft Inc., Ohio.....	June	3,214	98.6	4.4	237.45	10.54
* Nordberg Manufacturing Co., Wis.....	May	3,100	20.2	0.9	161.29	7.24
United Engineering and Foundry Corp., Pa.....	June	3,085	92.0	8.5	235.31	21.79
Gisholt Machine Co., Wis.....	July	3,050	83.0	5.6	324.92	21.93
Michle Printing Press and Manufacturing Co., Ill.....	July	3,012	94.5	9.2	227.76	22.13
* Titeflex Metal Hose Co., N. J.....	June	2,920	74.0	2.3	230.12	7.19
* Cleveland Twist Drill Co., Ohio.....	June	2,900	72.4	4.6	203.45	12.86
* American Machine and Foundry Co., N. Y..	June	2,864	88.1	4.7	214.72	11.43
Jones and Lamson Mach. Co., Vt.....	July	2,793	89.5	4.9	198.37	10.93
Lamson and Sessions, Ohio.....	July	2,743	53.9	3.6	155.78	10.46
* Foster Wheeler Corp., N. J.....	April	2,734	48.1	3.9	208.49	8.08
Jeffrey Manufacturing Co., Ohio.....	July	2,700	77.4	4.4	225.33	12.91
* Textile Machine Works, Pa.....	July	2,660	89.5	6.9	194.77	14.98

(continued)

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

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* Denotes Issuing Agent.

/ Not available.

/ Not included in total.

Machinery, Tools and Plant Equipment

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942
(Continued - 3)

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
Simonds Saw and Steel Co., Mass.....	June	2,650	68.3	4.9	\$ 192.68	\$ 13.77
Mergenthaler Linotype Co., N. Y.....	June	2,555	64.7	3.5	215.17	11.57
De Laval Steam Turbine Co., N. J.....	July	2,549	76.7	3.4	219.21	9.59
National Screw and Manufacturing Co., Ohio	July	2,543	99.0	10.7	225.58	24.44
Fellows Gear Shaper Co., Vt.....	June	2,463	43.8	2.8	321.31	20.82
Black and Decker Manufacturing Co., Md....	July	2,457	82.0	4.8	183.51	10.84
Monarch Machine Tool Co., Ohio.....	June	2,444	36.2	2.9	170.60	13.63
Marion Steam Shovel Co., Ohio.....	June	2,347	91.7	5.2	201.57	11.42
Poote Brothers Gear and Machine Corp., Ill.	June	2,305	88.9	7.9	286.62	23.86
Nicholson File Co., R. I.....	June	2,293	94.4	5.9	187.53	11.69
R. G. Le Tourneau Co., Ill.....	June	2,263	85.1	4.6	233.93	12.66
National Twist Drill Tool Co., Mich.....	June	2,260	60.8	6.0	254.08	24.93
Crompton and Knowles Loom Works, Mass....	June	2,235	94.5	5.5	180.76	10.56
Chain Belt Co., Wisc.....	June	2,171	72.7	3.3	178.09	8.16
Manning, Maxwell and Moore, Conn.....	July	2,169	69.2	3.9	204.26	11.63
Sullivan Machinery Co., Ind.....	June	2,147	76.8	3.8	173.33	8.67
Cone Automatic Machine Co., Inc., Vt.....	June	2,143	89.1	6.1	166.59	11.38
Morse Twist Drill and Machine Co., Mass....	July	2,125	71.2	3.5	216.55	10.56
Hartford Machine Screw Co., Conn.....	July	2,118	81.3	6.2	198.77	15.27
McQuay Norris Manufacturing Co., Ind.....	July	2,107	77.4	4.4	170.71	9.71
Lunkenheimer Co., Ohio.....	July	2,103	85.5	5.3	197.14	12.20
American Republics Corp., Del.....	1/	2,067 2/	1/	1/	1/	1/
L. S. Starrett Co., Mass.....	July	2,019	55.1	3.3	186.66	11.30
De Laval Separator Co., N. Y.....	June	1,980	41.9	2.1	208.46	10.60
Carrier Corp., N. Y.....	May	1,977	24.9	2.5	205.11	20.51
(Continued)						

(Continued)

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

August 24, 1942.

Denotes Issuing Agent.

/ Not available.

/ Not included in total.

Machinery, Tools and Plant Equipment

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

(Continued - 4)

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
Reed Roller Bit Co., Tex.....	June	1,965	65.1	6.6	\$ 201.02	\$ 20.48
Gilbert and Barker Manufacturing Co., Mass.	June	1,940	89.1	2.8	254.93	7.92
Leland-Gifford Co., Mass.....	June	1,824	61.7	5.0	206.60	16.89
Marlin-Rockwell Corp., N. Y.....	July	1,761	76.6	5.0	217.70	14.11
Scott and Williams Inc., N. H.....	June	1,761	54.9	2.6	177.90	8.32
Butler Manufacturing Co., Ill.....	June	1,741	89.8	5.4	176.13	10.64
Veeder-Root, Inc., Conn.....	1/	1,704 2/	1/	1/	1/	1/
Pittsburgh Screw and Bolt, Pa.....	June	1,701	85.4	3.3	189.03	7.33
American Hoist and Derrick Co., Minn.....	July	1,700	92.6	12.3	191.18	25.40
Danly Machine Specialties Co., Ill.....	July	1,687	97.8	6.8	208.28	14.40
B. F. Sturtevant Co., Mass.....	1/	1,684 2/	1/	1/	1/	1/
Goodman Manufacturing Co., Ill.....	June	1,671	92.2	9.3	219.19	22.07
R. Hoe and Co., N. Y.....	1/	1,658 2/	1/	1/	1/	1/
Taylor Instrument Co., N. Y.....	June	1,653	94.3	3.6	161.37	6.15
Sealed Power Corp., Mich.....	July	1,650	95.5	5.6	213.59	12.44
United Drill and Tool Corp., Ill.....	June	1,648	100.0	7.2	252.51	18.14
Ferro Machine and Foundry Co., Ohio.....	June	1,646	56.3	2.0	173.88	6.11
Stockham Pipe and Fitting Co., Ala.....	June	1,619	94.4	9.6	137.88	15.96
Henry Vogt Machine Co., Ky.....	June	1,600	25.7	3.6	132.11	18.54
Halliburton Oil Well Cementing Co., Okla..	June	1,600	18.1	1.5	189.38	16.09
Food Machinery Corp., Calif.....	July	1,525	69.9	5.8	178.93	14.90
Busch Sulzer Brothers Diesel Engine Co., Mo.....	June	1,522	89.1	6.4	237.29	17.03
Combustion Engineering Co., N. Y.....	June	1,511	56.7	3.2	256.24	14.54
Allied Products Corp., Mich.....	1/	1,500 2/	1/	1/	1/	1/
Dayton Malleable Iron Co., Ohio.....	June	1,479	51.0	5.9	147.95	17.03

(Continued)

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

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Denotes Issuing Agent.

Not available.

Not included in total.

Machinery, Tools and Plant Equipment

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

(Continued - 4)

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
Reed Roller Bit Co., Tex.....	June	1,965	65.1	6.6	\$ 201.02	\$ 20.48
Gilbert and Barker Manufacturing Co., Mass.	June	1,940	89.1	2.8	254.93	7.92
Leland-Gifford Co., Mass.....	June	1,824	61.7	5.0	206.60	16.89
Marlin-Rockwell Corp., N. Y.....	July	1,761	76.6	5.0	217.70	14.11
Scott and Williams Inc., N. H.....	June	1,761	54.9	2.6	177.90	8.32
Butler Manufacturing Co., Ill.....	June	1,741	89.8	5.4	176.13	10.64
Veeder-Root, Inc., Conn.....	1/	1,704 2/	1/	1/	1/	1/
Pittsburgh Screw and Bolt, Pa.....	June	1,701	85.4	3.3	189.03	7.33
American Hoist and Derrick Co., Minn.....	July	1,700	92.6	12.3	191.18	25.40
Danly Machine Specialties Co., Ill.....	July	1,687	97.8	6.8	208.28	14.40
B. F. Sturtevant Co., Mass.....	1/	1,684 2/	1/	1/	1/	1/
Goodman Manufacturing Co., Ill.....	June	1,671	92.2	9.3	219.19	22.07
R. Hoe and Co., N. Y.....	1/	1,658 2/	1/	1/	1/	1/
Taylor Instrument Co., N. Y.....	June	1,653	94.3	3.6	161.37	6.15
Sealed Power Corp., Mich.....	July	1,650	95.5	5.6	213.59	12.44
United Drill and Tool Corp., Ill.....	June	1,648	100.0	7.2	252.51	18.14
Ferro Machine and Foundry Co., Ohio.....	June	1,646	56.3	2.0	173.88	6.11
Stockham Pipe and Fitting Co., Ala.....	June	1,619	94.4	9.6	137.88	15.96
Henry Vogt Machine Co., Ky.....	June	1,600	25.7	3.6	132.11	18.54
Halliburton Oil Well Cementing Co., Okla..	June	1,600	18.1	1.5	189.38	16.09
Food Machinery Corp., Calif.....	July	1,525	69.9	5.8	178.93	14.90
Busch Sulzer Brothers Diesel Engine Co., Mo.....	June	1,522	89.1	6.4	237.29	17.03
Combustion Engineering Co., N. Y.....	June	1,511	56.7	3.2	256.24	14.54
Allied Products Corp., Mich.....	1/	1,500 2/	1/	1/	1/	1/
Dayton Malleable Iron Co., Ohio.....	June	1,479	51.0	5.9	147.95	17.03

(Continued)

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Denotes Issuing Agent.

Not available.

Not included in total.

Machinery, Tools and Plant Equipment

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

(Continued - 5)

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
Lufkin Rule Co., Mich.....	May	1,479	90.1	4.9	\$ 240.03	\$ 12.99
U. S. Gauge Co., N. Y.....	July	1,475	76.6	6.1	162.71	12.96
Jenkins Brothers, Conn.....	June	1,457	52.2	3.6	165.34	11.56
American Laundry Machinery Corp., Ohio....	June	1,421	93.5	4.4	210.42	9.83
Midwest Piping and Supply Co., Mo.....	1/	1,409 2/	1/	1/	1/	1/
Outboard Marine and Manufacturing Co., Ill.	1/	1,400 2/	1/	1/	1/	1/
Schwitzer-Cummins Co., Ind.....	May	1,400	100.0	4.7	196.43	9.29
Steel Products Engineering Co., Ohio.....	July	1,394	65.1	6.0	246.73	22.73
Perkins Machine and Gear Co., Mass.....	June	1,380	55.9	3.3	200.69	11.93
Duplex Printing Press Co., Mich.....	July	1,363	89.7	7.4	192.14	15.91
Purolator Products, Inc., N. J.....	June	1,363	51.5	3.9	120.93	9.18
Dodge Manufacturing Corp., Ind.....	June	1,353	99.1	6.2	192.05	11.99
Sheffield Corp., Ohio.....	July	1,343	77.6	9.2	290.39	34.55
Axelson Manufacturing Co., Calif.....	July	1,337	81.8	6.0	207.29	15.10
R. E. Le Blond Machine Tool Co., Ohio.....	April	1,329	32.1	3.1	244.00	23.23
American Machine and Metals Manufacturing Corp., Ill.....	June	1,329	68.0	6.6	188.67	18.39
Bryant Chucking Grinder Co., Vt.....	July	1,317	55.6	6.0	215.64	23.29
Goss Printing Press Co., Ill.....	June	1,263	76.6	5.1	314.73	21.10
Pittsburgh Equitable Meter Co., Pa.....	June	1,261	84.8	6.0	175.09	12.42
Auto Specialties Manufacturing Co., Mich..	June	1,259	49.3	2.6	112.92	6.01
Bendix-Westinghouse Air Brake Co., Ohio...	June	1,257	42.5	2.0	206.00	9.60
Continental Gin Co., Ala.....	June	1,251	28.7	3.1	172.66	18.76
American Blower Corp., Mich.....	June	1,245	78.9	6.6	248.43	20.86
Dayton Pump Manufacturing Co., Ohio.....	June	1,204	11.0	0.4	151.06	5.95
Columbus Bolt Works, Ohio.....	July	1,200	75.2	5.8	164.72	12.62

(Continued)

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

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Denotes Issuing Agent.

Not available.

Not included in total.

Petroleum Producing,
Refining, Transport-
ing and Distributing

Machinery, Tools and Plant Equipment

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

(continued-6)

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
* Landis Machine Co., Pa.....	July	1,200	75.0	6.1	\$ 175.00	\$ 14.22
Elliott Co., Pa.....	1/	1,200 2/	1/	1/	1/	1/
Cleveland Automatic Machine Co., Ohio....	June	1,178	48.0	4.5	180.24	16.88
* Woodward Governor Co., Ill.....	June	1,176	98.7	8.6	189.37	16.57
Federal Screw Works, Mich.....	June	1,158	72.0	4.8	192.57	12.96
Tecumseh Products Co., Mich.....	July	1,152	89.3	9.7	211.06	22.84
* C. L. Gougler Machine Co., Ohio.....	June	1,150	52.2	2.2	187.83	8.05
Elastic Stop Nut Corp., N. J.....	June	1,149	92.3	8.1	267.80	23.52
Foxboro Co., Mass.....	June	1,140	94.6	4.2	203.88	9.01
Harris-Seybold-Potter Co., Ohio.....	June	1,130	76.6	4.2	233.99	12.77
Standard Tool Co., Ohio.....	June	1,129	53.6	3.3	181.45	11.32
Black-Clawson Co., Ohio.....	July	1,105	94.4	6.8	204.98	14.74
Whiting Corp., Ill.....	May	1,102	81.0	4.0	252.54	12.45
Union Special Machinery Co., Ill.....	May	1,100	69.5	3.7	201.63	10.66
* Allen Manufacturing Co., Conn.....	June	1,100	31.8	2.0	181.82	11.43
Acme Pattern Tool Co., Ohio.....	July	1,088	86.7	8.2	341.19	32.10
Summerill Tubing Co., Pa.....	July	1,087	85.6	7.7	193.39	17.36
Boston Gear Works, Mass.....	June	1,081	69.4	3.1	178.35	8.07
Universal Winding Co., R. I.....	July	1,080	50.5	2.0	172.22	6.79
Camden Forge Co., N. J.....	May	1,080	38.0	4.9	240.74	31.26
Gould Pumps Inc., N. Y.....	June	1,069	89.3	4.8	159.30	8.48
* Giddings and Lewis Machine Tool Co., Wis.	June	1,062	79.3	5.2	215.39	14.19
* Emsco Derrick and Equipment Co., Calif...	June	1,059	100.0	5.7	201.95	11.47
Consolidated Machine Tools, N. Y.....	June	1,037	90.1	7.3	263.26	21.25
* Florence Pipe, Foundry and Machine Co., N. J.....	July	1,030	98.5	6.2	280.54	17.55

(continued)

August 24, 1942

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

* Denotes Issuing Agent.

1/ Not available.

2/ Not included in total.

Machinery, Tools and Plant Equipment

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

(continued-7)

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
South Bend Lathe Works, Ind.....	July	1,026	94.5	4.7	\$ 238.81	\$ 11.93
Wayne Pump Co., Ind.....	June	1,022	60.5	3.2	206.65	11.10
* Lakey Foundry and Machine Co., Mich.....	June	1,017	92.7	5.0	171.09	9.15
Sundstrand Machine Tool Co., Ill.....	1/	1,012 2/	1/	1/	1/	1/
H. and B. American Machine Co., R. I.....	July	1,008	49.9	1.2	151.39	3.76
C. F. Braun and Co., Calif.....	June	1,000	90.0	8.0	319.20	28.32
Lamson Corp., N. Y.....	July	1,000	70.0	7.3	150.00	15.71
Byron Jackson Co., Calif.....	1/	1,000 2/	1/	1/	1/	1/
* Riley Stoker Corp., Mass.....	1/	1,000 2/	1/	1/	1/	1/
Waterbury Farrel Foundry and Machine Co., Conn.....	May	1,000	36.3	1.6	205.51	9.23
Total.....		<u>345,815</u>	72.3	5.2	\$ 217.85	\$ 15.58

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Railway
Equipment

Railway Equipment

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
Baldwin Locomotive Works, Pa.....	July	23,808	82.2	5.2	\$ 219.37	\$ 13.89
American Car and Foundry Co., N. Y.....	July	17,627	95.1	3.8	231.50	9.33
Pullman Standard Car Mfg. Co., Ill.....	May	15,542	81.1	3.7	258.59	11.93
American Locomotive Co., N. Y.....	June	14,500	86.2	7.0	200.00	16.16
American Steel Foundries, Ill.....	June	9,444	88.5	5.3	170.03	10.10
American Brake Shoe and Foundry Co., N.Y.	June	7,871	86.7	3.9	188.56	8.59
Pressed Steel Car Co., Penn.....	June	6,736	89.5	4.4	191.27	9.47
General Steel Castings Co., Penn.....	June	6,690	99.6	8.8	198.05	17.45
Westinghouse Air Brake Co., Penn.....	June	6,006	51.3	3.2	197.12	12.12
General American Transportation Corp., Ill.....	June	5,900	78.0	5.2	181.69	12.13
New York Air Brake Co., N. Y.....	July	4,943	80.6	4.5	217.25	12.06
General Railway Signal Co., N. Y.....	June	4,084	46.7	2.8	175.63	10.42
Lima Locomotive Works, Ohio.....	June	3,641	91.2	5.0	191.07	10.54
Symington-Gould Corp., N. Y.....	June	2,709	85.8	5.3	197.07	12.25
Pacific Car and Foundry Co., Wash.....	June	1,490	48.0	3.1	212.01	13.73
Union Tank Car Co., Ill.....	June	1,251	89.6	4.4	302.92	14.96
Pittsburgh Forging Co., Penn.....	May	1,200	35.8	3.6	187.50	18.60
Buckeye Steel Casting Co., Ohio.....	1/	1,034 2/	1/	1/	1/	1/
Total.....		<u>133,442</u>	83.0	4.8	\$ 210.74	\$ 12.24

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

August 24, 1942

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Office
Equipment

Office Equipment

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury during June and July 1942

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
* International Business Machines, N. Y.....	April	9,531	52.1	3.1	\$ 218.13	\$ 13.00
* National Cash Register Co., Ohio.....	June	9,474	91.9	3.7	233.50	9.52
* Underwood-Elliott-Fisher, N. Y.....	1/	8,647 2/	1/	1/	1/	1/
* Burroughs Adding Machine Co., Mich.....	June	8,416	85.4	4.7	244.82	13.62
* Remington Rand Inc., N. Y.....	June	7,797	39.6	1.7	137.86	5.81
Royal Typewriter Co., Conn.....	1/	7,500 2/	1/	1/	1/	1/
* Addressograph-Multigraph, Ohio.....	April	2,760	38.0	3.7	239.13	23.15
* Monroe Calculating Machine Co., N. J.....	June	2,150	84.7	4.2	183.29	9.17
* Keuffel and Esser Co., N. J.....	June	2,050	75.3	2.5	212.58	7.12
* A. B. Dick and Co., Ill.....	June	1,980	63.1	3.3	173.60	9.12
* Lyon Metal Products Inc., Ill.....	June	1,675	97.1	3.8	173.13	6.70
* L. C. Smith and Corona Typewriter Co., N.Y.	June	1,600	93.3	3.9	191.16	8.03
* Pitney-Bowes Postage Meter Co., Conn.....	June	1,439	88.6	3.3	176.22	6.47
* Hamilton Manufacturing Co., Wisc.....	June	1,388	45.4	4.1	133.85	12.15
* Art Metal Construction Co., N. Y.....	June	1,171	87.3	2.6	176.62	5.30
Total.....		<u>51,431</u>	69.3	3.5	\$ 204.19	\$ 10.40

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

August 24, 1942.

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Petroleum Producing,
Refining, Transport-
ing and Distributing

Petroleum Producing, Refining, Transporting and Distributing
Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
Gulf Oil Corp., Pa.....	June	26,500	73.8	5.3	\$ 200.00	\$ 14.29
Texas Co., N. Y.....	June	23,500	65.5	5.4	208.51	17.03
Shell Oil Co., N. Y.....	June	23,406	75.4	4.2	184.25	10.34
* Socony-Vacuum Oil Co., Inc., N. Y.....	June	20,116	58.9	2.8	218.60	10.51
* Consolidated Oil Corp., N. Y.....	1/	20,000 2/	1/	1/	218.19 1/	1/
* Standard Oil Co. of Indiana, Ind.....	June	19,249	95.2	7.7	218.19	17.54
* Standard Oil Co. of California, Calif....	June	18,005	48.2	4.6	198.84	19.09
* Standard Oil Co. of New Jersey, N. J.....	June	14,472	66.9	2.4	250.79	9.10
Humble Oil and Refining Co., Tex.....	June	12,749	36.7	2.5	213.54	14.51
Phillips Petroleum Co., Okla.....	June	10,726	51.4	3.6	187.53	12.99
Atlantic Refining Co., Pa.....	July	10,600	42.0	1.9	200.00	8.84
* Tide Water Associated Oil Co., N. Y.....	June	10,474	49.4	2.7	193.17	10.74
* Sun Oil Co., Pa.....	June	10,399	43.9	2.5	209.34	11.83
* Magnolia Petroleum Co., Tex.....	June	8,431	50.4	3.8	182.84	13.90
* Union Oil Co. of Calif., Calif.....	June	7,500	32.9	1.8	205.60	11.15
* Standard Oil Co. of Louisiana, La.....	1/	7,181 2/	1/	1/	205.60 1/	1/
Standard Oil Co. of Ohio, Ohio.....	June	7,166	77.9	3.5	195.86	8.85
* Pure Oil Co., Ill.....	June	6,909	76.3	4.7	186.60	11.40
* Cities Service Oil Co., Okla.....	June	6,475	67.3	5.3	186.39	14.60
Continental Oil Co., Okla.....	June	5,647	87.6	6.1	207.47	14.46
* Ohio Oil Co., Ohio.....	June	5,371	81.3	5.3	171.94	11.32
Fan-American Petroleum and Transportation Co., N. Y.....	June	5,165	64.9	4.3	172.72	11.41
Creole Petroleum Corp., Del.....	1/	4,403 2/	1/	1/	209.20 1/	1/
Crown Central Petroleum Corp., Md.....	1/	4,132	1/	1/	162.04 1/	1/
* General Petroleum Corp., Calif.....	June	3,660	43.6	2.7	209.20	12.79
Mid-Continent Petroleum Corp., Okla.....	May	3,249	40.5	2.1	162.04	8.53
Skelly Oil Co., Okla.....	June	3,208	61.1	4.4	160.42	11.43

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Petroleum Producing, Refining, Transporting and Distributing
Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
Gulf Oil Corp., Pa.....	June	26,500	73.8	5.3	\$ 200.00	\$ 14.29
Texas Co., N. Y.....	June	23,500	65.5	5.4	208.51	17.03
Shell Oil Co., N. Y.....	June	23,406	75.4	4.2	184.25	10.34
* Socony-Vacuum Oil Co., Inc., N. Y.....	June	20,116	58.9	2.8	218.60	10.51
* Consolidated Oil Corp., N. Y.....	1/	20,000 2/	1/	1/	1/	1/
* Standard Oil Co. of Indiana, Ind.....	June	19,249	95.2	7.7	218.19	17.54
* Standard Oil Co. of California, Calif....	June	18,005	48.2	4.6	198.84	19.09
* Standard Oil Co. of New Jersey, N. J.....	June	14,472	66.9	2.4	250.79	9.10
Humble Oil and Refining Co., Tex.....	June	12,749	36.7	2.5	213.54	14.51
Phillips Petroleum Co., Okla.....	June	10,726	51.4	3.6	187.53	12.99
Atlantic Refining Co., Pa.....	July	10,600	42.0	1.9	200.00	8.84
* Tide Water Associated Oil Co., N. Y.....	June	10,474	49.4	2.7	193.17	10.74
* Sun Oil Co., Pa.....	June	10,399	43.9	2.5	209.34	11.83
* Magnolia Petroleum Co., Tex.....	June	8,431	50.4	3.8	182.84	13.90
* Union Oil Co. of Calif., Calif.....	June	7,500	32.9	1.8	205.60	11.15
* Standard Oil Co. of Louisiana, La.....	1/	7,181 2/	1/	1/	1/	1/
Standard Oil Co. of Ohio, Ohio.....	June	7,166	77.9	3.5	195.86	8.85
* Pure Oil Co., Ill.....	June	6,909	76.3	4.7	186.60	11.40
* Cities Service Oil Co., Okla.....	June	6,475	67.3	5.3	186.39	14.60
Continental Oil Co., Okla.....	June	5,647	87.6	6.1	207.47	14.46
* Ohio Oil Co., Ohio.....	June	5,371	81.3	5.3	171.94	11.32
Pan-American Petroleum and Transportation Co., N. Y.....	June	5,165	64.9	4.3	172.72	11.41
Creole Petroleum Corp., Del.....	1/	4,403 2/	1/	1/	1/	1/
Crown Central Petroleum Corp., Md.....	1/	4,132	1/	1/	1/	1/
* General Petroleum Corp., Calif.....	June	3,660	43.6	2.7	209.20	12.79
Mid-Continent Petroleum Corp., Okla.....	May	3,249	40.5	2.1	162.04	8.53
Skelly Oil Co., Okla.....	June	3,208	61.1	4.4	160.42	11.43

(continued)

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

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* Denotes Issuing Agent.

1/ Not available.

2/ Not included in total.

Petroleum Producing, Refining, Transporting and Distributing
Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942
(continued - 2)

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
* Richfield Oil Corp., Calif.....	June	3,100	54.8	3.3	\$ 187.10	\$ 11.27
* Standard Oil Co. of Kentucky, Ky.....	June	2,451	58.0	2.4	129.91	5.28
* Lone Star Gas Co., Tex.....	May	2,180	42.8	1.4	169.50	5.36
National Refining Co., Ohio.....	May	1,937	22.8	1.5	150.39	9.77
* Stanolind Pipe Line Co., Okla.....	June	1,892	82.9	8.4	191.23	19.34
* Colonial Beacon Oil Co., Mass.....	June	1,810	61.8	1.9	203.67	6.27
Barber Asphalt Corp., N. J.....	1/	1,800 2/	1/	1/	1/	1/
Carter Oil Co., Okla.....	June	1,751	68.9	4.8	221.40	15.37
Peoples Natural Gas Co., Pa.....	June	1,485	56.4	1.8	185.19	5.93
Standard Oil Development Co., N. Y.....	May	1,469	68.5	2.4	306.44	10.70
Amerada Corp., Del.....	1/	1,400 2/	1/	1/	1/	1/
* Quaker State Oil Refining Co., Pa.....	June	1,376	50.4	2.7	169.85	9.12
Deep Rock Oil, Okla.....	June	1,328	100.0	5.1	168.98	8.65
Magnolia Pipe Line Co., Tex.....	June	1,236	65.2	4.9	199.11	14.93
Shell Pipe Line Co., Tex.....	July	1,167	96.1	7.8	180.89	14.64
Illinois Pipe Line Co., Ohio.....	June	1,125	81.6	5.4	184.59	12.30
South Penn Oil Co., Pa.....	July	1,125	88.2	8.3	178.36	16.84
Superior Oil Co., Calif.....	1/	1,100 2/	1/	1/	1/	1/
Oklahoma Natural Gas Co., Okla.....	June	1,062	39.5	2.3	131.83	7.82
Total.....		<u>289,471</u>	62.7	4.1	200.42	13.06

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

August 24, 1942

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1/ Not available.

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Aviation
Mfg.

Aviation Manufacturing

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
* Curtiss-Wright Corp., N. Y.....	June	95,370	67.0	3.4	175.28	8.79
Bendix Aviation Corp., Ind.....	June	52,495	77.6	4.7	224.66	13.60
* Glenn L. Martin Co., Md.....	June	49,050	32.3	2.0	142.45	8.83
Consolidated Aircraft Corp., Cal.....	June	44,500	25.5	2.0	197.75	16.22
United Aircraft Corp., Conn.....	June	42,618	80.0	6.0	258.75	19.33
Douglas Aircraft Corp., Cal.....	1/	40,000 2/	1/	1/	1/	1/
* North American Aviation, Cal.....	June	35,385	87.8	3.4	170.56	6.64
Lockheed Aircraft Co., Cal.....	June	35,082	36.4	1.8	198.02	9.98
Sperry Corp., N. Y.....	June	32,621	58.0	4.1	223.27	15.70
Boeing Airplane Co., Wash.....	June	30,150	52.7	3.2	205.64	12.58
General Motors Corp. (Air Division), Ind.	June	22,269	99.8	6.5	225.95	14.60
Vega Airplane Co., Cal.....	July	19,352	42.0	3.0	224.70	16.28
* Bell Aircraft Corp., N. Y.....	July	14,500	48.3	3.5	206.90	15.00
Brewster Aeronautical Corp., N. Y.....	July	14,250	64.5	4.9	184.11	13.97
* Grumman Aircraft Engineering Co., N.Y....	June	13,191 2/	1/	1/	1/	1/
Vultee Aircraft, Inc., Cal.....	July	10,753	89.5	5.2	207.93	11.98
* Republic Aviation Corp., N. Y.....	June	8,541	95.2	3.4	231.64	8.15
* Fairchild Aviation Corp., N. Y.....	June	8,174	90.5	6.0	198.33	13.15
* Northrup Aircraft, Inc., Cal.....	June	7,900	58.2	3.7	253.16	16.09
Beech Aircraft Corp., Kan.....	June	5,936 2/	1/	1/	1/	1/
* Thompson Products, Inc., Ohio.....	June	5,206	63.7	4.2	236.95	15.47
Rohr Aircraft Corp., Cal.....	June	4,290	21.9	1.4	157.55	9.73
Cessna Aircraft Co., Kan.....	June	3,680	73.4	7.0	168.48	16.04
* Fleetwings, Inc., Pa.....	June	3,716	86.8	5.9	194.40	13.31
* Aviation Mfg. Corp., Pa.....	July	3,112	92.0	5.7	227.61	14.02

(Continued)

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

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Aviation Manufacturing

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
Reo Motors, Inc., Mich.....	June	2,988	71.2	3.9	211.22	11.64
Ranger Aircraft Engines, N. Y.....	June	2,950	43.2	2.1	140.34	6.75
Solar Aircraft Co., Cal.....	1/	2,946 2/	1/	1/	1/	1/
Pollak Mfg. Co., N. J.....	June	2,619	88.2	4.3	186.59	9.13
Breeze Corp., Inc., N. J.....	June	2,603	43.3	2.1	175.77	8.66
Ryan Aeronautical Co., Cal.....	June	2,090	28.2	2.6	183.58	16.92
McDonnell Aircraft Corp., Mo.....	June	2,005	54.4	4.7	159.06	13.80
Aero Supply Mfg. Co., Pa.....	1/	1,911 2/	1/	1/	1/	1/
American Propeller Corp., N. Y.....	July	1,683	100.0	9.1	230.37	21.07
United Aircraft Products, Inc., Ohio.....	May & July	1,668	55.3	5.7	199.23	20.40
Liberty Aircraft Products Co., N. Y.....	May	1,610	100.0	5.3	232.38	12.37
Adel Precision Products, Cal.....	June	1,561	36.2	3.3	177.37	16.00
Cummins Engine Co., Ind.....	June	1,528	70.5	4.5	187.21	11.84
Jacobs Aircraft Engine Co., Pa.....	July	1,482	96.2	7.7	187.85	15.01
Harlow Aircraft Co., Cal.....	1/	1,420 2/	1/	1/	1/	1/
International Plainfield Motor Co., N.J..	June	1,411	80.6	3.9	225.02	10.95
Edo Aircraft Corp., N. Y.....	June	1,366	56.1	2.9	246.79	12.77
Piper Aircraft Corp., Pa.....	June	1,248	67.8	3.1	103.96	4.73
Columbia Aircraft Industries, Ore.....	June	1,230	91.9	8.9	154.90	14.96
Stinson Aircraft Co., Mich.....	June	1,177	100.0	9.5	233.64	22.09
Air Associates, Inc., N. J.....	June	1,147	75.7	3.6	194.47	9.23
Link Aviation Devices, Inc., N. Y.....	June	1,052	52.3	2.8	164.20	8.93
Waco Aircraft Co., Ohio.....	June	1,025	87.8	5.1	175.61	10.29
Kellett Autogiro Co., Pa.....	May	1,000	60.0	4.4	234.27	17.09
Republic Aircraft Products, Mich.....	June	1,245	96.3	7.3	276.86	20.92
Total.....		579,702	62.0	3.9	199.46	12.52

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

August 24, 1942.

* Denotes Issuing Agent.

1/ Not available.

2/ Not included in total.

Electrical Equip.
and Supplies

Electrical Equipment and Supplies

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
* General Electric Co., N. Y.....	June	136,600	94.4	6.5	\$ 209.22	\$ 14.41
Westinghouse Electric and Manufacturing Co., Pa.....	June	80,823	61.0	2.7	201.12	8.78
* Western Electric Co., N. Y.....	June	70,086	96.5	5.8	209.97	12.52
* Allis Chalmers Manufacturing Co., Wisc...	1/	21,977 2/	1/	1/	131.52 1/	6.33 1/
* Hygrade Sylvania Corp., Mass.....	June	7,685	83.4	4.0	131.52	6.33
* Cutler Hammer, Inc., Wisc.....	June	7,212	30.5	1.4	188.19	8.53
* Emerson Electric Manufacturing Co., Mo...	June	6,765	26.6	2.3	207.13	18.10
Automatic Electric Co., Ill.....	June	3,947	70.7	4.3	169.82	10.45
* Wagner Electric Co., Mo.....	July	3,745	16.1	1.1	168.88	11.61
* Graybar Electric Co., N. Y.....	1/	3,652 2/	1/	1/	1/	1/
Thomas A. Edison, Inc., N. J.....	June	3,620	94.0	2.8	196.55	5.84
* Union Switch and Signal Co., Pa.....	June	3,584	69.5	3.7	201.09	10.65
* Sangamo Electric Co., Ill.....	1/	3,300 2/	1/	1/	1/	1/
Weston Electric Instrument Co., N. J.....	1/	2,950 2/	1/	1/	1/	1/
* Teletype Corp., Ill.....	June	2,793	89.0	5.7	191.33	12.28
Westinghouse Electric Supply Co., Pa.....	June	2,675	72.8	5.1	174.67	12.23
Robbins and Myers, Inc., Ohio.....	May	2,461	86.7	4.3	188.43	9.30
* The Hoover Co., Ohio.....	July	2,378	97.5	8.2	244.48	20.54
I. T. E. Circuit Breaker Co., Pa.....	June	2,251	79.8	4.9	200.71	12.40
* Edison General Electric Appliance Co., Inc., Ill.....	June	2,239	91.9	3.6	216.47	8.57
* Kellogg Switchboard and Supply Co., Ill..	June	2,230	66.0	1.3	139.90	2.79
* Century Electric Co., Mo.....	May	2,225	76.4	2.6	198.87	6.75
Arrow, Hart and Hegemen Electric Co., Conn.....	1/	2,200 2/	1/	1/	189.25 1/	9.45 1/
* National Electric Products Co., Pa.....	June	2,156	61.1	3.1	165.95	10.50
Square D. Co., Mich.....	June	2,044	36.3	2.3		

(continued)

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

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* Denotes Issuing Agent.

1/ Not available.

2/ Note included in total.

Electrical Equipment and Supplies

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

(continued - 2)

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
Continental Diamond Fibre Co., Dela.....	June	1,974	63.1	2.9	\$ 133.03	\$ 6.02
Leeds and Northrup Co., Pa.....	July	1,920	90.6	8.6	223.96	21.26
Line Material Co., Wisc.....	1/	1,861 2/	1/	1/	1/	1/
The B. G. Corp., N. Y.....	June	1,850	68.1	4.8	116.22	8.19
Ward Leonard Electric Co., N. Y.....	June	1,772	93.1	2.5	185.76	5.03
General Electric X-Ray Corp., Ill.....	April	1,727	87.3	3.0	245.63	8.44
Tung-Sol Lamp Works., N. J.....	June	1,650	92.7	5.1	151.52	8.35
Globe Union, Inc., Wis.....	July	1,639	81.1	5.0	155.58	9.67
Hobart Manufacturing Co., Ohio.....	June	1,588	98.0	8.4	238.61	20.35
Oak Manufacturing Co., Ill.....	June	1,571	78.3	5.8	144.79	10.71
International Resistance Co., Pa.....	June	1,544	77.0	3.0	119.01	4.71
Okonite Co., N. J.....	1/	1,470 2/	1/	1/	1/	1/
Jefferson Electric Co., Ill.....	June	1,466	68.8	3.5	111.30	5.60
Leece-Neville Co., Ohio.....	June	1,423	49.2	3.2	207.70	13.43
Trumbull Electric Manufacturing Co., Conn..	June	1,402	76.8	4.3	191.81	10.81
Sprague Specialties Co., Mass.....	June	1,400	68.9	2.6	144.76	5.42
Cornell Dubilier Electric Corp., N. J.....	July	1,383	52.9	2.6	125.09	6.16
Reliance Electric and Engineering Co., Ohio	May	1,380	24.3	2.2	177.54	16.42
Chicago Flexible Shaft Co., Ill.....	June	1,350	55.6	3.4	214.07	13.20
Belden Manufacturing Co., Ill.....	1/	1,338 2/	1/	1/	1/	1/
Connecticut Telephone and Electric Corp., Conn.....	June	1,299	98.0	8.4	158.58	13.54
Lincoln Electric Co., Ohio.....	June	1,270	22.1	2.1	219.34	20.78
Hammarlund Manufacturing Co., N. Y.....	June	1,250	38.0	1.5	164.80	6.70
Speer Carbon Co., Pa.....	July	1,247	93.0	8.2	169.00	14.93
Holtzer Cabot Electric Co., Mass.....	June	1,218	76.6	3.4	172.76	7.59

(continued)

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

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1/ Not available

2/ Not included in total.

Electrical Equipment and Supplies

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

(continued - 3)

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
* Radio Condenser Co., N. J.....	June	1,205	96.8	8.1	\$ 157.97	\$ 13.22
Crocker Wheeler Electric Manufacturing Co., N. J.....	May	1,165	46.4	2.3	195.71	9.72
* Holmes Electric Protective Co., N. Y.....	May	1,135	39.2	1.8	164.58	7.47
* Chicago Transformer Co., Ill.....	June	1,126	100.0	8.0	113.49	9.06
* Leviton Manufacturing Co., Inc., N. Y....	June	1,126	50.4	3.7	130.04	9.51
Stackpole Carbon Co., Pa.....	June	1,117	82.4	3.3	145.03	5.76
* Leland Electric Co., Ohio.....	June	1,109	100.0	6.1	188.17	11.39
Totals.....		<u>388,825</u>	80.6	4.9	\$ 199.38	\$ 12.20

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

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* Denotes Issuing Agent.

1/ Not available.

2/ Not included in totals.

Metal Products -
Miscellaneous

Metal Products - Miscellaneous

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury during June and July 1942

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
Remington Arms Co., Inc., Conn.....	June	75,815	64.5	4.4	\$ 195.06	\$ 13.32
* American Can Co., N. Y.....	June	22,171	88.1	5.1	186.41	10.82
* American Brass Co., Conn.....	July	17,953	81.6	4.1	230.90	11.52
Colt's Patent Fire Arms Manufacturing Co., Conn.....	June	15,140	49.0	4.5	230.38	21.28
* Continental Can Co., N. Y.....	June	14,367	56.4	3.4	134.31	8.18
* Federal Cartridge Co., Minn.....	June	11,482	92.4	9.5	158.80	16.29
Chase Brass and Copper Co., Inc., Conn...	June	10,097	65.2	2.7	216.38	8.84
Scovill Manufacturing Co., Conn.....	June	10,026	74.9	3.5	192.37	9.05
Bohn Aluminum and Brass, Mich.....	June	9,074	44.4	3.1	185.09	12.90
Revere Copper and Brass, Inc., N. Y.....	June	8,978	89.7	3.6	192.18	7.72
General Cable Corp., N. Y.....	June	8,900	57.8	2.9	191.01	9.43
Savage Arms Corp., N. Y.....	June	7,545	90.0	9.2	262.03	26.76
* John A. Roebling's Sons, N. J.....	June	7,454	30.6	1.8	205.34	12.02
Defense Plant Corp.-Frank Messer and Sons, Ohio.....	July	7,200	55.6	1.4	281.04	7.13
Bridgeport Brass Co., Conn.....	June	6,350	87.8	5.5	194.11	12.09
* York Safe and Lock Co., Pa.....	June	5,885	80.5	4.7	213.83	12.52
Anaconda Wire and Cable Co., N. Y.....	June	5,420	79.3	3.4	182.40	7.76
Cleveland Graphite Bronze Co., Ohio.....	June	4,800	81.3	3.1	215.84	8.21
Doehler Die Casting Co., N. Y.....	June	4,707	91.7	5.0	239.28	13.09
Parker Appliance Co., Ohio.....	June	4,687	30.0	1.2	205.82	8.09
* Buffalo Arms Corp., N. Y.....	June	4,379	62.0	3.0	194.11	9.35
Stevens Arms Manufacturing Co., Mass.....	June	4,238	88.6	5.0	219.92	12.42
High Standard Manufacturing Co., Conn....	June	3,765	91.2	7.1	219.41	17.00
Crown Cork and Seal Co., Md.....	June	3,700	64.0	2.9	161.35	7.39
Hartford Ordnance, Mass.....	June	2,994	41.9	3.1	123.30	9.26

(continued)

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* Denotes Issuing Agent.

Metal Products - Miscellaneous

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury during June and July 1942

(continued - 2)

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
Benicia Arsenal, Cal.....	June	2,800	22.3	2.0	\$ 170.28	\$ 15.23
A. M. Byers Co., Pa.....	June	2,718	85.5	5.2	173.18	10.55
Mueller Brass Co., Mich.....	April	2,667	79.2	2.3	173.79	5.07
Reynolds Corp., Ga.....	July	2,200	72.7	7.6	100.32	10.48
Associated Spring Corp., Conn.....	June	2,050	52.4	4.2	195.12	15.76
J. H. Williams and Co., N. Y.....	May	2,017	78.6	2.6	250.13	8.19
W. A. Shaeffer Pen Co., Iowa.....	June	1,988	60.6	3.7	114.69	6.98
E. C. Atkins and Co., Ind.....	May	1,822	100.0	2.1	180.02	3.78
Auto Ordnance Corp., Conn.....	June	1,805	66.9	5.3	228.74	18.20
* Simplex Wire and Cable Co., Mass.....	June	1,785	82.4	4.8	212.36	12.39
Copper Range Co., Mich.....	1/	1,769 2/	1/	1/	130.07 1/	7.97 1/
American Safety Razor Corp., N. Y.....	June	1,609	24.7	1.5	222.61	16.54
* Ampco Metal, Inc., Wisc.....	July	1,436	80.4	6.0	191.64	14.14
Smith and Wesson, Mass.....	June	1,435	79.6	5.9	181.27	12.71
Ohio Brass Co., Ohio.....	July	1,426	95.2	6.7		
* Parker Pen Co., Wisc.....	June	1,367	100.0	4.9	175.57	8.61
Aluminum Industries, Inc., Ohio.....	June	1,350	47.9	2.0	185.19	7.70
American Magnesium Corp., Ohio.....	July	1,338	29.0	1.9	226.48	15.09
National Bronze and Aluminum Foundry, Ohio.....	May	1,288	26.4	1.4	249.67	13.35
* Eversharp, Inc., Ill.....	June	1,223	42.0	3.7	160.06	14.27
* Gillette Safety Razor Co., Mass.....	June	1,222	52.8	3.0	168.55	9.69
* Callite Tungsten Corp., N. J.....	June	1,151	95.1	6.8	166.74	11.86
Billings and Spencer Co., Conn.....	May	1,017	35.4	1.8	\$ 190.18	\$ 9.59
Total.....		<u>314,841</u>	68.5	4.2	\$ 197.20	\$ 12.21

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

August 24, 1942.

* Denotes Issuing Agent.

1/ Not available.

2/ Not included in total.

Steel &
Iron

Steel and Iron

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
U. S. Steel Corp., N. Y.....	June	282,564	68.4	3.3	\$ 169.83	\$ 8.29
Bethlehem Steel Corp., N. Y.....	June	228,086	77.2	4.6	210.58	12.54
Republic Steel Corp., Ohio.....	June	66,576	71.5	2.5	200.00	6.89
Jones and Laughlin Steel Co., Pa.....	June	33,800	90.2	3.7	188.08	7.80
* Inland Steel Co., Ill.....	June	29,580	87.9	4.0	179.58	8.28
Crucible Steel Co. of America, N. Y.....	June	27,543	61.0	3.0	177.98	8.68
* Youngstown Sheet and Tube Co., Ohio.....	June	26,049	83.0	6.2	184.78	13.84
Wheeling Steel Corp., W. Va.....	June	20,591	71.1	4.3	162.39	9.75
Colorado Fuel and Iron Corp., Colo.....	June	11,727	82.8	5.3	158.32	10.20
American Rolling Mill Co., Ohio.....	May	11,695	81.2	8.2	140.56	14.21
Allegheny Ludlum Steel Corp., Pa.....	June	11,690	84.5	4.1	191.84	9.38
* National Steel Corp., W. Va.....	June	9,203	90.6	4.7	195.14	10.21
* Pittsburgh Steel Co., Pa.....	June	9,072	51.4	2.3	169.97	7.67
* Otis Steel Co., Ohio.....	1/	5,561	1/	1/	1/	1/
Lukens Steel Co., Pa.....	June	5,500	10.0	1/	1/	8.73
* Chicago Bridge and Iron Co., Ill.....	June	4,972	48.4	5.7	244.37	28.71
Cleveland Cliffs Iron Co., Ohio.....	June	4,844	54.4	3.6	172.05	11.24
* Wickwire Spencer Steel Co., N. Y.....	June	4,388	87.4	3.5	181.52	7.24
* Sheffield Steel Corp., Mo.....	June	4,229	72.2	6.2	159.62	13.79
* Sloss-Sheffield Steel and Iron Co., Ala..	June	4,128	73.5	3.9	136.06	7.14
* Sharon Steel Corp., Pa.....	July	3,772	80.8	3.1	208.84	8.10
Alan Wood Steel Co., Pa.....	July	3,650	72.6	4.8	171.23	11.35
Acme Steel Co., Ill.....	June	3,019	70.9	3.7	186.00	9.64
Falk Corp., Wis.....	June	2,950	30.5	4.1	211.86	28.59
* Woodward Iron Co., Ala.....	July	2,864	91.5	7.8	136.12	11.55

(continued)

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

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* Denotes Issuing Agent.

1/ Not available.

2/ Not included in total.

Steel and Iron

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

(continued - 2)

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
Ohio Steel Foundry Co., Ohio.....	June	2,712	68.3	2.9	\$ 214.03	\$ 9.19
* Harrisburg Steel Corp., Pa.....	July	2,581	87.3	5.6	236.95	15.07
* Carpenter Steel Co., Pa.....	June	2,573	86.8	4.6	235.95	12.63
Andrews Steel Co., Ky.....	May	2,500	38.0	2.4	138.00	8.85
Central Foundry Co., Ala.....	July	2,468	72.0	2.8	105.93	4.14
Midland Steel Products Co., Mich.....	June	2,404	93.1	6.2	227.04	15.01
Interlake Iron Corp., Ill.....	July	2,387	93.4	6.8	166.64	12.22
* Rustless Iron and Steel Corp., Md.....	June	2,373	88.0	3.3	204.64	7.66
* Scullea Steel Co., Mo.....	July	2,300	19.1	1.8	148.26	13.87
* Continental Roll and Steel Foundry, Ind...	June	2,283	99.6	10.2	222.70	22.92
Taylor-Wharton Iron and Steel Co., N. J..	June	2,220	78.6	3.9	164.34	8.13
Continental Steel Corp., Ind.....	July	2,187	100.0	7.2	142.08	10.17
* Granite City Steel Co., Ill.....	1/	2,000 2/	1/	1/	196.14	14.43
Keystone Steel and Wire Co., Ill.....	July	1,855	87.9	6.5		
* Birdsboro Steel Foundry and Machine Co., Pa.....	July	1,828	78.6	4.0	97.93	4.95
Joshua Hendy Iron Works, Calif.....	April	1,827	49.9	3.8	237.91	18.34
American Cast Iron Pipe Co., Ala.....	July	1,802	99.4	9.3	202.00	18.89
Taylor Forge and Pipe Works, Ill.....	May	1,800	100.0	6.4	216.11	13.78
Northwestern Steel and Wire Co., Ill.....	June	1,770	98.9	9.0	174.61	15.95
Lansdowne Steel and Iron Co., Ala.....	July	1,766	83.5	6.3	140.59	10.56
Standard Pressed Steel Co., Pa.....	April	1,700	88.2	7.1	164.71	13.33
Central Iron and Steel Co., Pa.....	June	1,681	63.3	3.2	165.38	8.26
Jessop Steel Co., Pa.....	June	1,647	45.2	4.5	166.85	16.72
Firth Sterling Steel Co., Pa.....	June	1,594	95.7	4.9	247.89	12.79
Moore Drop Forge Co., Mass.....	June	1,563	100.0	6.6	211.13	13.84
Universal-Cyclops Steel Corp., Pa.....	May	1,559	89.8	4.3	183.83	8.81

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

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1/ Not available.

2/ Not included in total.

Steel and Iron

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

(continued - 3)

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
Laclede Steel Co., Mo.....	July	1,488	48.7	2.4	\$ 180.92	\$ 8.98
* Buffalo Bolt Co., N. Y.....	July	1,427	99.1	6.3	224.30	14.36
* Worth Steel Co., Del.....	May	1,375	89.5	4.7	219.05	11.41
Superior Steel Corp., Pa.....	July	1,362	88.5	3.2	178.41	6.52
Edgewater Steel Co., Pa.....	July	1,335	64.8	4.0	186.54	11.53
Atlantic Steel Co., Ga.....	July	1,332	84.9	3.9	154.90	7.03
Standard Forgings Corp., Ill.....	June	1,281	92.0	5.8	220.09	13.87
Pittsburgh Steel Foundry Corp., Pa.....	June	1,257	93.5	4.8	170.68	8.85
* Phoenix Iron Co., Pa.....	June	1,256	67.6	3.3	157.70	7.66
Empire Sheet and Tin Plate Co., Ohio.....	July	1,250	96.0	5.5	154.84	8.81
Transue and Williams Steel Forging Corp., Ohio.....	May	1,234	54.5	5.0	170.19	15.77
* Albion Malleable Iron Co., Mich.....	June	1,176	40.1	1.7	149.91	6.37
* General Metals Corp., Calif.....	June	1,150	92.6	6.0	241.70	15.73
* Lebanon Steel Foundry, Pa.....	July	1,140	94.3	8.2	192.98	16.84
* Globe Steel Tubes Co., Wis.....	July	1,055	75.3	3.7	189.57	9.41
* Harrison Steel Casting Co., Ind.....	July	1,049	25.7	1.5	151.97	8.74
Ohio Seamless Tube Co., Ohio.....	June	1,033	100.0	8.2	193.00	15.84
Virginia Iron Coal and Coke Co., Va.....	1/	1,000 2/	1/	1/	1/	1/
Vanadium-Alloys Steel Co., Pa.....	1/	1,000 2/	1/	1/	1/	1/
Totals.....		879,572	74.2	4.1	\$ 186.03	\$ 10.19

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

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Railroads

Railroads

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury during June and July 1942

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
* Pennsylvania Railroad Co., Pa.....	May	163,794	73.6	3.0	\$ 187.54	\$ 7.68
* New York Central System, N. Y.....	June	126,494	85.8	2.9	189.42	6.48
* Baltimore and Ohio, Md.....	June	60,822	62.8	2.4	178.24	6.76
* Southern Pacific Co., Calif.....	June	60,500	67.6	3.5	198.16	10.35
* Union Pacific Railroad, Nebr.....	June	54,000	81.7	4.8	197.99	11.65
* Atchison, Topeka and Santa Fe Railway, Ill.....	June	51,935	43.2	2.2	209.86	10.86
* Railway Express Agency, N. Y.....	June	48,600	92.4	3.1	185.43	6.26
* Southern Railway System, D. C.....	June	42,009	62.5	2.5	186.13	7.49
* Illinois Central System, Ill.....	June	40,481	81.5	3.6	176.37	7.85
* Chicago, Milwaukee, St. Paul and Pacific, Ill.....	June	34,827	61.7	2.7	181.05	7.96
* Missouri Pacific Lines, Mo.....	June	34,778	98.9	4.5	196.91	8.95
* Louisville and Nashville Railroad, Ky....	July	31,500	72.1	3.9	177.08	9.62
* Chesapeake and Ohio Lines, Ohio.....	June	29,500	74.2	3.6	176.95	8.54
* Chicago and Northwestern Line, Ill.....	June	28,000	71.1	4.6	188.68	12.26
* Chicago, Burlington and Quincy Railroad, Ill.....	June	27,378	84.7	4.6	183.45	9.89
* Great Northern Railway, Minn.....	May	25,622	41.8	1.4	212.93	7.18
* Erie Railroad Co., Ohio.....	June	25,043	76.0	3.0	187.07	7.48
* New York, New Haven and Hartford Railroad, Conn.....	June	24,295	62.6	2.4	184.40	7.19
* Pullman Co., Ill.....	April	23,500	81.5	2.9	156.38	5.61
* Northern Pacific Railway, Minn.....	May	22,393	16.2	0.4	186.75	4.07
* Norfolk and Western Railway Co., Va.....	June	22,071	81.5	3.0	180.45	6.74
* Rock Island Lines, Ill.....	June	20,700	83.8	3.2	207.73	7.83
* Reading Co., Pa.....	June	19,500	59.7	2.2	183.41	6.83
* Seaboard Airline Railway and subsidiaries, Va.....	June	18,080	50.7	2.7	189.82	10.24

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Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
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(Continued - 2)

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
* Atlantic Coast Line Railroad Co., N. C....	June	17,006	45.8	2.8	\$ 182.55	\$ 11.25
St. Louis-San Francisco Railway Co., Mo....	June	16,516	89.9	4.1	182.18	8.28
* Texas and New Orleans Railroad Co., Tex...	June	16,293	59.6	2.7	180.08	8.15
* Boston and Maine Railroad, Mass.....	June	16,045	84.1	3.5	176.43	7.37
Delaware, Lackawanna and Western Railroad, New York.....	June	15,133	74.7	2.9	175.42	6.72
* New York, Chicago and St. Louis Railroad Co., Ohio.....	June	13,616	49.2	2.4	186.74	8.97
* Lehigh Valley Railroad Co., N. Y.....	June	12,617	37.2	1.2	203.34	6.74
Wabash Railway Co., Mo.....	June	12,182	65.4	3.1	193.47	9.18
Central Railroad of New Jersey, N. J.....	June	11,500	63.3	1.4	207.20	4.58
Missouri-Kansas-Texas Railroad Co., Mo....	June	11,052	81.3	4.5	181.49	10.14
Canadian National Railways, Canada.....	June	10,777	53.4	2.7	169.17	8.41
* Delaware and Hudson Railroad Corp., N. Y..	June	9,591	33.9	1.5	180.65	8.22
* Texas and Pacific Railway Co., Tex.....	June	8,895	62.0	3.1	182.80	9.23
Minneapolis, St. Paul and Sault Ste. Marie Railway, Minn.....	June	8,586	83.4	4.5	198.84	10.63
St. Louis Southwestern Railway Lines, Mo..	June	8,006	16.4	1.0	171.03	10.46
Nashville, Chattanooga, and St. Louis Railway, Tenn.....	June	6,862	40.1	1.6	183.31	7.27
* Pere Marquette Railway Co., Ohio.....	June	6,698	71.5	3.4	191.59	9.23
* Western Pacific Railroad Co., Calif.....	June	6,600	72.9	5.2	185.10	13.27
* Elgin, Joliet and Eastern Railway Co., Ill.	July	6,400	87.8	7.2	176.04	14.40
* The Alton Railway Co., Ill.....	June	5,980	68.3	2.6	191.02	7.18
Chicago, St. Paul, Minneapolis and Omaha Railway Co., Minn.....	June	5,700	71.1	3.3	176.35	8.22
Central of Georgia Railway Co., Ga.....	June	5,425	45.2	0.4	180.12	1.54
Duluth, Missabe and Iron Range Railway Co. Minn.....	June	4,787	87.4	4.7	205.22	10.93

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Railroads

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
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(Continued - 3)

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
Western Maryland Railway, Md.....	June	4,712	97.5	6.1	\$ 196.99	\$ 12.30
Chicago and Eastern Illinois Railroad, Ill.	June	4,690	79.4	3.7	182.99	8.44
Chicago, Great Western Railway, Ill.....	July	4,614	59.9	3.0	178.15	8.96
Kansas City Southern Railway Co., Mo.....	June	4,536	61.2	3.2	192.98	10.17
Terminal Railroad Association of St. Louis Mo.....	June	4,408	57.3	3.0	197.77	10.23
Wheeling and Lake Erie Railway, Ohio.....	June	4,332	95.6	8.7	189.74	17.26
Maine Central Railroad Co., Me.....	June	4,149	85.6	3.7	179.96	7.74
Washington Terminal Co., D. C.....	June	4,078	67.6	2.4	153.94	5.45
Richmond, Fredericksburg, Potomac Railroad Co., Va.....	May	3,662	16.1	1.4	175.86	14.81
Union Railroad Co., Pa.....	June	3,288	44.6	1.9	204.72	8.77
The Virginian Railway Co., Va.....	June	3,250	76.3	4.5	192.62	11.44
The Western Railway of Alabama, Ga.....	June	3,008	73.9	3.9	188.69	10.03
Minneapolis and St. Louis Railway, Minn...	June	2,900	92.0	4.8	193.11	9.98
Florida East Coast Railway, Fla.....	June	2,838	76.5	4.0	176.27	9.16
Spokane, Portland and Seattle Railway Co., Ore.....	June	2,706	56.7	2.8	200.25	9.86
Louisiana and Arkansas Railway Co., La....	June	2,403	75.4	3.2	177.15	7.55
Chicago, Indianapolis and Louisville Railroad, Ill.....	June	2,228	62.9	2.5	178.39	6.97
Fort Worth and Denver City Railway Co., Tex.....	June	1,661	64.4	4.0	170.60	10.47
Norfolk and Southern Railroad, Va.....	June	1,644	21.3	1.6	161.19	12.23
(Continued)						

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Railroads

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

(Continued - 4)

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
K. C. Terminal Railway Co., Mo.....	June	1,638	70.2	3.1	\$ 170.86	\$ 7.57
The Belt Railway of Chicago, Ill.....	June	1,604	72.4	3.1	180.80	7.75
Illinois Terminal Railroad Co., Mo.....	June	1,599	69.9	3.2	184.11	8.31
Atlanta, Birmingham and Coast Railroad, Ga.....	June	1,581	24.0	1.6	145.48	9.44
Colorado and Southern Railway Co., Colo...	June	1,532	85.0	4.9	192.16	11.11
Clinchfield Railroad Co., Tenn.....	June	1,479	49.4	2.8	174.17	10.01
Bangor and Arcostook Railroad, Me.....	June	1,467	55.7	4.6	155.87	12.83
Cincinnati Union Terminal Co., Ohio.....	June	1,450	73.1	2.0	170.78	4.74
Canadian Pacific Railway Co., Canada.....	June	1,276	20.7	7.6	188.60	6.97
Chicago and Western Indiana Railroad Co., Ill.....	June	1,260	91.4	4.5	158.73	7.81
Rutland Railroad Co., Vt.....	June	1,224	84.5	2.3	160.99	4.29
Tennessee Central Railway Co., Tenn.....	June	1,115	90.3	5.2	160.91	9.35
Chicago and Illinois, Midland Railroad Co., Ill.....	June	1,075	90.8	6.0	186.40	12.27
Ann Arbor Railroad Co., Ohio.....	June	1,047	74.0	3.9	178.67	9.47
Total.....		<u>1,356,543</u>	70.2	3.2	\$ 183.70	\$ 8.30

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* Denotes Issuing Agent.

Insurance

Insurance

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
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Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
Prudential Insurance Co., N. J.....	June	38,130	95.9	3.7	\$ 216.85	\$ 8.31
* Metropolitan Life Insurance Co., N. Y.....	June	16,785	91.7	5.3	164.30	9.46
Travelers Insurance Co., Conn.....	June	11,662	73.6	2.0	211.74	5.81
* Aetna Life Insurance Co., Conn.....	June	7,703	38.2	1.5	179.42	6.94
* Liberty Mutual Insurance Co., Mass.....	May	4,652	11.5	0.5	148.21	5.92
* New York Life Insurance Co., N. Y.....	July	4,652	90.8	4.6	157.36	8.02
National Life and Accident Insurance Co., Tenn.....	June	4,568	89.5	5.5	251.85	15.48
Equitable Life Assurance Society of the United States, N. Y.....	July	4,078	47.7	1.6	166.09	5.50
John Hancock Mutual Life Insurance Co., Mass.....	July	4,000	85.0	1.0	115.00	1.32
Western and Southern Life Insurance Co., Ohio.....	<u>1/</u>	3,807 <u>2/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>
* Mutual Life Insurance Co. of New York, N. Y.....	June	3,480	73.1	3.3	165.58	7.47
Firemen's Insurance Co. of Newark, N. J....	June	3,077	85.0	3.8	139.73	6.17
United States Fidelity and Guaranty Co., Md.....	June	2,947	51.2	2.6	148.50	7.59
North American Companies, Pa.....	July	2,727	57.7	2.9	172.55	8.65
Hartford Accident and Indemnity Co., Conn.	June	2,699	55.0	2.3	167.01	6.97
Maryland Casualty Co., Md.....	<u>1/</u>	2,442 <u>2/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>
Fidelity and Casualty Co. of N. Y., N. Y..	June	2,360	68.2	2.4	156.78	5.56
* Continental Casualty Co., Ill.....	June	2,214	89.4	4.0	140.37	6.34
* Continental Insurance Co., N. Y.....	July	2,100	75.6	3.1	166.67	6.92
Home Insurance Co., N. Y.....	June	2,016	100.0	6.7	127.17	8.56
(Continued)						

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1/ Not available.

2/ Not included in total.

Insurance

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

(Continued - 2)

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
* Life and Casualty Co., Tenn.....	June	1,937	29.9	1.2	\$ 208.33	\$ 8.53
* Great American Insurance Co., N. Y.....	June	1,798	57.2	2.2	161.30	6.34
* Royal Indemnity Co., N. Y.....	July	1,768	73.5	2.6	130.51	4.65
* Northwestern Mutual Life Insurance Co., Wisc.....	July	1,617	81.6	3.5	176.75	7.50
* Fire Companies Adjustment Bureau, N. Y....	July	1,566	70.6	3.7	211.69	11.07
Monumental Life Insurance Co., Md.....	July	1,500	84.7	3.9	212.95	9.71
New Amsterdam Casualty Co., N. Y.....	1/	1,499 2/	1/	1/	1/	1/
Employers Mutual Liability Insurance Co., Wisc.....	July	1,406	98.2	8.7	160.74	14.19
Penn Mutual Life Insurance Co., Pa.....	July	1,358	48.6	2.1	162.47	6.88
* Hartford Fire Insurance Co., Conn.....	June	1,352	56.7	3.0	173.65	9.31
* Hardware Mutual Casualty Co., Wisc.....	June	1,324	72.7	3.2	163.98	7.20
* Ohio Farm Bureau, Ohio.....	July	1,225	75.8	4.3	146.53	8.35
Standard Accident Insurance Co, Mich.....	1/	1,200 2/	1/	1/	1/	1/
General Accident, Fire and Life Assurance Co., Pa.....	June	1,200	54.2	2.2	139.37	5.58
New England Mutual Life Insurance Co., Mass.....	1/	1,185 2/	1/	1/	1/	1/
* Connecticut General Life Insurance Co., Conn.....	June	1,180	89.0	3.9	173.49	7.52
Fidelity and Deposit Co. of Maryland, Md..	July	1,156	69.4	2.9	211.07	8.96
* Ocean Accident and Guarantee Corp., N. Y..	June	1,123	69.3	3.2	154.30	7.13
National Fire Insurance Co. of Hartford, Conn.....	1/	1,101 2/	1/	1/	1/	1/
Glens Falls Insurance Co., N. Y.....	June	1,048	89.8	4.0	183.15	8.07
* American Insurance Co., N. J.....	July	1,033	96.3	5.2	162.45	8.80
Total.....		<u>143,441</u>	77.5	3.4	183.54	8.05

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Chemicals

Chemicals including Plastics, Explosives, Paints, Fertilizers and Soap
Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
E. I. duPont de Nemours and Co., Del.....	June	117,295	89.2	7.8	\$ 194.68	\$ 16.99
Hercules Powder Co., Del.....	July	30,729	77.5	6.4	170.48	14.21
Union Carbide and Carbon Co., N. Y.....	1/	30,000 2/	1/	1/	1/	1/
Eastman Kodak Co., N. Y.....	June	24,252	87.0	4.3	179.19	8.81
* Atlas Powder Co., Del.....	June	19,932	95.4	7.7	175.89	14.20
The Proctor and Gamble Corp., Tenn.....	June	12,356	80.0	5.7	114.69	8.15
Monsanto Chemical Co., Mo.....	June	11,073	99.5	2.1	189.79	4.01
Dow Chemical Co., Mich.....	June	10,873	77.8	4.2	205.25	11.20
Sherwin Williams Co., Ohio.....	June	8,747	77.9	4.4	177.51	9.94
* Colgate-Palmolive-Peet Co., N. J.....	June	7,377	87.2	7.2	162.39	13.48
Air Reduction Co., N. Y.....	June	7,324	91.5	4.7	200.00	10.20
American Cyanamid and Chemical Co., Conn..	1/	7,077 2/	1/	1/	1/	1/
Solvay Process Co., N. Y.....	July	6,169	98.5	5.6	199.34	11.27
* General Aniline and Film Corp., N. Y.....	June	6,164	79.3	3.8	174.37	8.46
* Lever Brothers Co., Mass.....	June	5,650	97.3	5.5	189.20	10.73
Virginia-Carolina Chemical Co., Va.....	1/	5,449 2/	1/	1/	1/	1/
* Trojan Powder Co., Ohio.....	June	5,000	79.6	5.5	184.80	12.83
General Chemical Co., N. Y.....	June	4,686	50.8	2.2	187.63	8.30
* Walter Kidde and Co., Inc., N. J.....	June	4,520	28.6	1.5	185.38	9.65
* Rohm and Haas, Pa.....	June	3,747	93.0	4.2	182.41	8.27
* Westvaco Chlorine Products, N. Y.....	1/	3,658 2/	1/	1/	1/	1/
Semet-Solvay Co., N. Y.....	June	3,638	71.1	3.9	173.16	9.59
* Merck and Co., N. J.....	July	3,450	96.4	4.0	205.22	8.42
* Permanente Metals Corp., Calif.....	June	3,437	100.0	6.7	157.65	10.49
* Interchemical Corp., N. Y.....	July	3,150	49.9	2.6	190.95	10.13

(Continued)

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

August 24, 1942.

* Denotes Issuing Agent.

1/ Not available.

2/ Not included in total.

Chemicals including Plastics, Explosives, Paints, Fertilizers and Soap

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury during June and July 1942

(Continued - 2)

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
* Diamond Alkali Co., Pa.....	June	3,147	91.6	6.6	\$ 239.34	\$ 17.22
Allied Chemical and Dye Corp., N. Y.....	June	3,023	27.7	1.6	241.10	14.01
American Agricultural Chemical Corp., N.Y.	June	3,019	62.0	6.3	141.99	14.33
* American Enka Corp., N. C.....	June	2,937	34.9	2.5	121.00	8.71
International Mineral and Chemical Corp., Ill.....	May	2,702	31.8	1.7	143.04	7.63
Commercial Solvents Corp., N. Y.....	June	2,680	69.7	1.6	169.15	3.91
* Michigan Alkali Co., Mich.....	June	2,482	96.6	3.9	215.43	8.65
* Mathieson Alkali Works, N. Y.....	July	2,423	72.6	3.2	181.51	8.10
* Morton Salt Co., Ill.....	June	2,155	70.2	3.7	147.85	7.90
* Liquid Carbonic Corp., Ill.....	June	2,084	88.5	4.4	167.26	8.29
* Pennsylvania Salt Manufacturing Co., Pa...	June	1,883	53.2	3.4	182.17	11.69
* Celanese Corp. of America-Plastics Division, N. J.....	July	1,816	96.1	7.9	180.07	14.88
Davison Chemical Corp., Md.....	July	1,792	66.1	4.6	177.10	12.34
Archer-Daniels-Midland Co., Minn.....	June	1,746	63.3	4.2	170.42	11.42
* National Cylinder Gas Co., Ill.....	June	1,672	51.7	2.5	183.74	8.91
* Sylvania Industrial Corp., Va.....	July	1,639	9.6	1.0	115.92	11.94
* Columbian Carbon Co., N. Y.....	July	1,631	59.4	4.1	160.36	11.12
* Devco and Reynolds Co., N. Y.....	July	1,554	82.8	2.5	194.36	5.81
* Spencer Kellogg and Sons, N. Y.....	June	1,532	80.6	3.7	212.69	9.83
American Commercial Alcohol Corp., Md.....	1/	1,432 2/	1/	1/	1/	1/
* Mallinkrodt Chemical Co., Mo.....	July	1,400	33.1	1.6	147.50	7.08
* American Potash and Chemical Co., Calif...	July	1,327	86.0	5.9	217.56	14.90
General Printing Ink Corp., Del.....	1/	1,300 2/	1/	1/	1/	1/
U. S. Industrial Alcohol Co., N. Y.....	June	1,291	62.8	1/	1/	11.43
International Salt Co., Pa.....	July	1,275	70.5	4.0	153.12	8.69

(Continued)

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

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1/ Not available.

2/ Not included in total.

Chemicals including Plastics, Explosives, Paints, Fertilizers and Soap

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

(Continued - 3)

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
Freeport Sulphur Co., La.....	June	1,142	83.1	5.4	\$ 228.46	\$ 14.72
Andrew Jergens Co., Ohio.....	June	1,089	84.0	3.5	120.01	4.96
Ethyl Gasoline Corp., N. Y.....	June	1,080	46.5	3.0	251.83	16.15
Hooker Electrochemical Co., N. Y.....	July	1,041	98.8	6.9	216.14	15.06
F. S. Royster Guano Co., Va.....	May	1,011	28.7	1.5	131.46	6.88
Total.....		<u>350,851</u>	82.4	5.8	\$ 182.99	\$12.98

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Publishing

Publishing

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
* Hearst Consolidated Publications, N. Y....	1/	12,637 2/	24.1/	1.5/	152.84/	9.24/
Crowell-Collier Publishing Co., N. Y.....	June	6,107	49.8	2.8	163.66	9.33
* Cuneo Press, Inc., Ill.....	May	5,283	49.8	2.3	197.96	9.08
* Curtis Publishing Co., Pa.....	May	3,920	57.6	3.0	207.82	11.00
News Syndicate Co., N. Y.....	June	3,238				
* New York Times Co., N. Y.....	May	2,518	24.9	1.3	222.77	12.01
* Illinois Publishing and Printing Co., Ill.	1/	2,468 2/	39.6	1.1/	200.05/	14.73/
New York Journal American, N. Y.....	June	2,445	77.1	2.9	166.87	9.92
* American Bank Note Co., N. Y.....	June	2,033	84.9	4.6	179.80	13.70
* American Sales Book Co., N. Y.....	June	1,973		6.5		
McCall Corp., N. Y.....	June	1,871	90.1	5.8	132.66	8.48
New York Herald Tribune, Inc., N. Y.....	July	1,817	46.7	3.0	187.71	12.24
* Chicago Daily News, Inc., Ill.....	June	1,770	81.1	4.1	192.09	9.71
United Printers and Publishers, Ill.....	1/	1,750 2/	89.2	1.1/	282.78/	10.23/
Time, Inc., N. Y.....	June	1,749		3.2		
* Conde Nast Publications, N. Y.....	June	1,652	68.6	3.1	183.86	8.26
Dun and Bradstreet, N. Y.....	June	1,500	86.7	3.8	133.33	5.77
* Evening News Association, Mich.....	May	1,500 2/	65.8	1.1/	138.66/	18.09/
* American Colortype Co., Ill.....	June	1,450	96.9	3.5	184.83	7.43
Hall (W.F.) Printing Co., Ill.....	May	1,375		4.9		9.25
Crowe Name Plate and Mfg. Co., Ill.....	June	1,289	93.9	6.4	151.28	10.36
Times Mirror Co., Cal.....	1/	1,243 2/	41.7	1.1/	187.50/	12.00/
Los Angeles Examiner, Cal.....	June	1,200	24.4	2.7	231.24	13.64
* Hearst Magazines, Inc., N. Y.....	June	1,147	85.1	1.4	169.32	9.52
Reuben H. Donnelly Corp., Ill.....	June	1,134		4.8		

(Continued)

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

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Publishing

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

(Continued - 2)

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
U.S. Printing and Lithographing Co., Md....	July	1,112	75.0	3.3	195.69	8.61
Times Publishing Co., Mich.....	June	1,106	55.5	4.1	194.68	14.53
U. S. Playing Card Corp., Ohio.....	June	1,103	90.7	3.5	125.96	4.84
Boston Herald Traveler, Mass.....	July	1,100	16.4	7.4	208.28	9.44
Daily Mirror, Inc., N. Y.....	June	1,090	71.6	3.1	239.85	10.47
* Philadelphia Record Co., Pa.....	May	1,089	23.0	1.9	171.62	14.31
New York World Telegram, N. Y.....	June	1,070	82.6	3.3	236.07	9.57
Minneapolis Star Journal and Tribune Co., Minn.....	June	1,069	67.7	4.2	161.02	10.09
* Brown and Bigelow, Minn.....	June	1,066	100.0	10.4	226.90	23.57
Globe Newspaper Co., Mass.....	June	1,050	19.5	1.0	209.52	10.82
* New York Sun, N. Y.....	June	1,048	44.5	1.9	224.24	9.59
Evening Star Newspaper Co., D. C.....	June	1,045	68.9	2.7	203.98	8.02
Record American Advertiser, Mass.....	June	1,025	42.4	2.3	242.47	13.33
Gibson Art Co., Ohio.....	1/	1,025 2/	1/	1/	1/	1/
The Examiner, Cal.....	June	1,020	43.2	3.4	187.84	14.88
Los Angeles Evening Herald and Express, Cal.....	May	1,005	38.6	7.2	160.27	29.82
Total.....		61,469	56.9	3.3	182.28	10.61

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

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1/ Not available.

2/ Not included in total.

Public
Utilities

Public Utilities - Electric Light and Power, Gas, and Street Railways
Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
Consolidated Edison Co. of New York, N. Y.	July	30,323	88.1	2.9	\$ 177.65	\$ 5.93
* Public Service Corp. of New Jersey, N. J.	June	19,976	72.0	1.9	219.01	5.67
Columbia Gas and Electric Co., Del.....	1/	15,600 2/	1/	1/	1/	1/
Chicago Surface Lines, Ill.....	May	15,600	97.0	2.7	169.23	4.69
* Pacific Gas and Electric Co., Calif.....	May	13,152	18.5	1.2	177.42	11.33
* Philadelphia Transportation Co., Pa.....	July	10,782	22.7	1.0	206.82	7.87
* Commonwealth Edison Co., Ill.....	June	9,894	98.0	4.6	219.86	10.45
* The Detroit Edison Co., Mich.....	June	9,100	59.0	3.5	219.78	13.08
* Pennsylvania Power and Light, Pa.....	1/	7,537 2/	1/	1/	1/	1/
Philadelphia Electric Co., Pa.....	June	6,737	84.6	2.0	212.40	4.96
Boston Elevated Railway Co., Mass.....	June	6,607	58.2	1.9	189.95	6.27
* Consolidated Gas, Electric, Light and Power Co., Md.....	July	5,467	42.4	2.0	205.30	9.64
* Georgia Power Co., Ga.....	May	4,931	17.6	1.0	165.57	7.04
Capital Transit Co., D. C.....	June	4,881	31.5	1.3	178.95	7.63
Consumers Power Co., Mich.....	June	4,780	97.6	4.9	167.26	8.41
* Chicago Rapid Transit Co., Ill.....	May	4,725	68.1	2.1	158.29	4.97
* Pacific Electric Railway Co., Calif.....	June	4,700	56.4	2.8	168.21	8.42
* Union Electric Co. and Subsidiaries, Mo...	July	4,700	66.6	3.2	216.81	10.43
* Public Service Co. of Northern Illinois, Ill.....	July	4,600	97.8	4.9	216.52	10.82
* Brooklyn Union Gas Co., N. Y.....	July	4,500	69.3	2.4	163.82	5.66
* Southern California Gas Co., Calif.....	June	4,387	57.8	3.0	182.77	9.55
Duke Power Co., N. C.....	June	4,356	50.9	2.9	142.16	7.99
Cincinnati Gas and Electric Co., Ohio.....	July	4,237	73.2	2.2	174.52	5.19
* Peoples Gas, Light and Coke Co., Ill.....	June	4,190	95.7	3.7	186.88	7.15
Southern California Edison Co., Calif.....	June	4,122	63.4	3.1	190.85	9.18

(Continued)

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

* Denotes Issuing Agent.

1/ Not available.

2/ Not included in total.

Public Utilities - Electric Light and Power, Gas, and Street Railways

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

(Continued - 2)

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
Los Angeles Railway Co., Calif.....	June	4,029	72.9	3.5	\$ 169.98	\$ 8.22
* St. Louis Public Service Co., Mo.....	June	4,018	87.1	4.6	150.16	7.90
Virginia Electric and Power Co., Va.....	June	3,934	13.5	1.0	151.53	7.98
* Cleveland Electric Illuminating Co., Ohio.	July	3,825	76.7	3.0	196.08	7.77
West Penn Power Co., Pa.....	June	3,755	49.7	1.6	190.08	6.31
* Baltimore Transit Co., Md.....	July	3,562	44.0	1.0	218.57	3.97
* Central New York Power Corp., N. Y.....	July	3,403	50.2	2.1	205.28	8.41
Boston Edison Co., Mass.....	July	3,170	59.9	3.1	172.36	8.93
Duquesne Light Co., Pa.....	1/	3,159 2/	1/	1/	1/	1/
Alabama Power Co., Ala.....	June	3,103	51.4	3.4	149.53	9.90
Ohio Power Co., Ohio.....	July	2,970	97.4	3.9	170.14	6.75
Pittsburgh Railways, Pa.....	1/	2,950 2/	1/	1/	1/	1/
* Ohio Fuel and Gas Co., Ohio.....	June	2,896	62.3	2.0	133.65	4.36
New Orleans Public Service Co., La.....	June	2,796	24.8	1.3	180.34	9.54
Puget Sound Power and Light Co., Wash.....	June	2,710	42.5	2.5	210.42	12.33
Twin City Rapid Transit Co., Minn.....	June	2,663	75.3	3.8	157.83	8.03
Milwaukee Electric Railway and Transporta- tion Co., Wisc.....	June	2,663	92.5	3.2	174.26	6.04
New York State Electric and Gas Corp., N.Y.	June	2,575	74.7	2.9	180.47	7.06
* Public Service Co. of Indiana, Ind.....	July	2,569	84.4	3.8	181.09	8.12
New England Public Service Co., Me.....	1/	2,567 2/	1/	1/	1/	1/
North American Companies, Pa.....	June	2,563	40.9	2.3	177.84	9.90
* Michigan Consolidated Gas Co., Mich.....	July	2,495	75.5	3.8	195.95	9.91
Philadelphia Gas Works Co., Pa.....	July	2,414	80.7	2.3	195.98	5.67
* Wisconsin Electric Power Co., Wisc.....	June	2,411	96.3	3.2	188.66	6.33
Manufacturers Light and Heat Co., Pa.....	July	2,400	63.0	2.7	135.42	5.72

(Continued)

August 24, 1942.

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

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Public Utilities - Electric Light and Power, Gas, and Street Railways

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

(Continued - 3)

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
* Northern Indiana Public Service Co., Ind..	June	2,332	83.2	2.8	\$ 166.61	\$ 5.66
* Potomac Electric Power Co., D. C.....	July	2,301	92.0	6.5	205.63	14.53
* New York Light and Power Corp., N. Y.....	July	2,197	98.5	5.8	189.69	11.14
* Massachusetts Power and Light Association, Mass.....	1/	2,161 2/	1/	1/	211.67	1/
* Rochester Gas and Electric Co., N. Y.....	July	2,159	96.9	4.0	211.67	8.83
* East Ohio Gas Co., Ohio.....	July	2,100	64.6	3.4	166.67	8.72
* Public Service Co. of Colorado, Colo.....	July	2,100	91.4	3.3	174.27	6.29
* Long Island Lighting Co., N. Y.....	June	2,082	92.8	3.0	179.24	5.83
* Washington Gas Light Co., D. C.....	July	2,036	87.1	4.4	185.66	9.37
* Ohio Edison Co. and Subsidiaries, Ohio.....	July	2,013	72.0	3.3	196.70	8.97
* Cincinnati Street Railway Co., Ohio.....	July	2,006	54.1	1.8	162.42	5.48
* Columbus and Southern Ohio Electric Co., Ohio.....	June	2,004	54.2	1.6	157.87	4.53
* Pennsylvania Electric Co., Pa.....	June	1,950	59.0	3.2	176.92	9.50
* Market Street Railway, Calif.....	June	1,927	32.3	1.7	160.30	8.27
* Louisville Gas and Electric Co., Ky.....	1/	1,897 2/	1/	1/	1/	1/
* Connecticut Light and Power Co., Conn.....	June	1,886	48.2	1.9	180.94	7.07
* Houston Lighting and Power Co., Tex.....	July	1,878	47.4	3.3	159.44	11.08
* Buffalo-Niagara Electric Corp., N. Y.....	June	1,790	27.4	1.1	199.20	8.14
* Eastern Massachusetts Street Railway Co., Mass.....	May	1,785	92.4	3.2	168.07	5.88
* Kansas City Public Service Co., Mo.....	June	1,768	69.3	3.4	163.92	7.92
* Connecticut Co., Conn.....	June	1,742	46.2	1.0	196.33	3.21
* San Antonio Public Service Co., Tex.....	July	1,709	63.7	1.8	155.06	4.34
* San Diego Gas and Electric Co., Calif.....	July	1,700	80.9	6.2	164.40	12.62
* Texas Power and Light Co., Tex.....	July	1,684	68.2	4.5	137.49	9.17
* Potomac Edison Co. and Subsidiaries, Md....	June	1,655	18.9	1.0	149.38	5.60

(Continued)

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

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2/ Not included in total.

Public Utilities - Electric Light and Power, Gas, and Street Railways

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

(Continued - 4)

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
Jersey Central Power and Light Co., N. J....	June	1,650	65.9	2.6	\$ 169.94	\$ 6.69
New England Gas and Electric System, Mass....	July	1,612	51.2	2.2	173.53	7.63
Northern States Power Co., Minn.....	June	1,598	94.9	5.7	197.82	12.85
United Fuel Gas Co. and Associates, W. Va....	June	1,573	71.3	9.8	158.60	21.89
Gulf States Utilities Co., La.....	June	1,546	50.1	3.0	168.20	9.99
Boston Consolidated Gas Co., Mass.....	June	1,531	90.3	2.8	166.36	5.18
New York City Omnibus Corp., N. Y.....	July	1,530	100.0	3.0	224.90	6.86
Montana Power Co., Mont.....	June	1,520	47.4	3.2	196.06	13.32
Narragansett Electric Co., R. I.....	July	1,517	42.5	1.4	195.38	6.39
Oklahoma Gas and Electric Co., Okla.....	July	1,500	50.6	2.7	184.00	9.75
Carolina Power and Light Co., N. C.....	July	1,474	20.1	1.0	138.96	7.17
Virginia Public Service Co., Va.....	July	1,470	37.4	1.5	164.07	6.69
Dayton Power and Light Co., Ohio.....	July	1,461	91.9	2.9	188.36	6.04
Central Illinois Public Service Co., Ill....	July	1,450	64.0	2.7	162.98	6.84
Birmingham Electric Co., Ala.....	July	1,446	62.4	3.1	163.69	8.06
Arkansas Power and Light Co., Ark.....	June	1,423	50.5	3.5	130.93	9.01
Florida Light and Power Co., Fla.....	July	1,415	93.7	6.5	166.20	11.47
Indianapolis Power and Light Co., Ind.....	July	1,332	84.8	2.8	174.98	5.75
Toledo Edison Co., Ohio.....	July	1,331	70.7	3.2	196.62	9.00
Washington Water and Power Co., Wash.....	July	1,312	86.4	8.5	185.98	18.41
Portland General Electric Co., Ore.....	June	1,282	74.6	5.5	191.53	14.03
Metropolitan Edison Co., Pa.....	June	1,281	91.1	4.6	176.44	8.98
Wisconsin Power and Light Co., Wisc.....	June	1,257	99.0	4.9	171.04	8.41
Ohio Public Service Co., Ohio.....	July	1,252	42.0	1.9	167.66	7.51
Wisconsin Public Service Corp., Wisc.....	July	1,229	100.0	6.7	166.48	11.17

(Continued)

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* Denotes Issuing Agent.

Public Utilities -- Electric Light and Power, Gas, and Street Railways

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

(Continued - 5)

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
* Central Power and Light Co., Tex.....	June	1,212	92.1	1/	\$ 1/	\$ 5.28
* Portland Traction Co., Ore.....	May	1,179	56.2	2.7	179.38	8.66
* La Clede Gas Light Co., Mo.....	July	1,179	41.5	1.7	153.52	6.46
* United Electric Railways Co., R. I.....	July	1,150	11.0	1.0	160.87	7.54
* Indiana-Michigan Electric Co., Ind.....	1/	1,147 2/	1/	1/	1/	1/
Kentucky Utilities, Ky.....	July	1,125	69.1	2.9	172.24	7.27
* Iowa-Illinois Gas and Electric Co., Ill....	July	1,118	95.0	4.8	170.50	8.55
* Kansas Power and Light Co., Kans.....	July	1,101	37.9	1.7	136.83	6.05
Central Electric and Telephone Co., S. D..	June	1,100	72.7	3.6	90.91	4.44
* Indianapolis Railway Inc. and Peoples Motor Coach Co., Ind.....	June	1,097	93.2	5.4	186.87	10.81
Texas Electric Service Co., Tex.....	July	1,077	59.0	4.0	148.19	9.93
* Kansas Gas and Electric Co., Kans.....	June	1,076	20.4	1/	1/	12.88
* Southern Counties Gas Co., Calif.....	July	1,049	76.3	4.3	187.57	10.65
* Public Service Co. of New Hampshire, N. H.	June	1,031	23.1	1.0	157.00	6.06
* Central Maine Power Co., Me.....	May	1,006	68.4	2.6	173.02	6.61
Central Illinois Light Co., Ill.....	June	1,003	100.0	5.8	176.00	10.25
Denver Tramway Corp., Colo.....	June	1,000	53.4	1.8	160.75	5.28
Total.....		<u>351,970</u>	66.3	2.8	\$ 181.48	\$ 7.71

August 24, 1942.

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

* Denotes Issuing Agent.

1/ Not available.

2/ Not included in total.

Non-Ferrous Metals
Mining & Processing

Non-Ferrous Metals Mining and Processing

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
Aluminum Company of America, Pa.....	June	67,000	51.5	4.4	\$ 195.06	\$ 13.32
Kennecott Copper Corp., N. Y.....	1/	30,400 2/	1/	1/	1/	1/
* Anaconda Copper Mining Co., Mont.....	May	17,077	44.3	3.4	196.17	15.04
* Phelps Dodge Corp., N. Y.....	June	16,049	59.5	2.7	183.35	8.42
American Smelting and Refining Co., N. Y.	June	13,784	64.3	2.9	176.07	7.90
Reynolds Metals Co., N. Y.....	June	8,161	49.7	2.6	166.87	8.81
National Lead Co., N. Y.....	June	7,862	68.8	3.8	177.35	9.72
Pickands, Mather and Co., Ohio	June	6,831	81.4	7.1	196.66	17.22
St. Joseph Lead Co., N. Y.....	June	4,150	42.6	4.8	207.64	23.51
Minnesota Mining and Manufacturing Co., Minn.....	June	3,807	76.2	2.9	157.87	5.91
International Nickel Co., N. Y.....	June	3,444	83.1	5.2	217.03	13.54
New Jersey Zinc Co., Pa.....	1/	3,149 2/	1/	1/	1/	1/
Nevada Consolidated Copper Corp., Nev....	June	2,889	55.4	5.5	190.08	18.92
International Smelting and Refining Co., N. J.....	July	2,791	91.8	5.9	186.04	12.01
* U. S. Metals Refining Co., N. J.....	June	2,030	98.8	5.6	184.52	10.44
Homestake Mining Co., S. D.....	June	2,027	23.9	1.6	165.94	11.11
Calumet and Hecla Consolidated Copper Corp., Mich.....	April	1,692	60.7	3.9	123.58	7.89
* Bunker Hill and Sullivan Mining Co., Idaho.....	June	1,510	20.5	1.6	199.79	15.49
Inspiration Consolidated Copper Co., Ariz.	June	1,479	91.4	5.5	175.57	10.65
Federal Mining and Smelting Co., N. Y....	June	1,360	50.4	3.5	212.71	14.84
* Eagle-Picher Lead Co., Ohio.....	June	1,293	73.5	3.5	156.26	7.34
International Salt Co., Pa.....	June	1,280	67.9	2.8	175.71	7.30
Empire Star Mines, Ltd., N. Y.....	1/	1,225 2/	1/	1/	1/	1/
Magma Copper Co., Ariz.....	June	1,128	89.5	6.9	183.00	14.10

(Continued)

August 24, 1942.

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

* Denotes Issuing Agent.

1/ Not available.

2/ Not included in total.

Non-Ferrous Metals Mining and Processing

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

(Continued - 2)

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
Evergreen Mines Co., Minn.....	July	1,104	65.4	4.0	\$ 161.95	\$ 9.90
Vanadium Corp. of America, N. Y.....	June	1,054	79.6	5.8	221.69	16.15
Metal and Thermit Co., N. Y.....	July	1,047	96.8	6.3	219.52	14.21
Pacific Tin Consolidated Corp., N. Y.....	1/	1,000 2/	1/	1/	1/	1/
Total.....		<u>170,849</u>	57.6	4.5	\$ 180.53	\$14.06

August 24, 1942.

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

* Denotes Issuing Agent.

1/ Not available.

2/ Not included in total.

Agricultural
Implements

Agricultural Implements

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
* International Harvester Co., Ill.....	June	55,262	98.4	5.9	\$ 179.49	\$ 10.76
* Caterpillar Tractor Co., Ill.....	June	15,188	90.3	4.3	178.83	8.53
* Deere and Co., Ill.....	June	14,489	87.5	6.4	182.70	13.42
J. I. Case and Co., Ill.....	1/	6,948 2/	1/	1/	1/	1/
Oliver Farm Equipment Co., Ill.....	June	6,691	68.5	3.3	159.32	7.65
Minneapolis-Moline Power Implement Co., Minn.....	June	4,900	80.6	6.1	202.04	15.19
American Fork and Hoe Co., Ohio.....	June	2,784	62.1	2.2	176.00	6.35
* Massey-Harris Co., Wisc.....	June	2,330	85.5	4.9	191.93	11.05
* Cleveland Tractor Co., Ohio.....	1/	2,100 2/	1/	1/	1/	1/
Totals.....		<u>101,644</u>	91.5	5.5	\$ 179.80	\$ 10.75

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

August 24, 1942.

* Denotes Issuing Agent.

1/ Not available.

2/ Not included in total.

Household Appliances
and Utensils

Household Appliances and Utensils

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
* Singer Mfg. Co., N. Y.....	June	10,291	80.5	3.9	\$ 192.50	\$ 9.23
* Rheem Mfg. Co., Calif.....	April	4,616	37.2	1.9	173.20	8.70
Servel Inc., Ind.....	1/	4,000 2/	1/	1/	1/	1/
International Silver Co., Conn.....	June	3,751	65.4	3.9	169.89	10.18
Landers, Frary & Clark, Conn.....	1/	3,000 2/	1/	1/	1/	1/
Electrolux Corp., Conn.....	June	2,335	61.4	3.5	149.72	8.53
Mullins Mfg. Co., Ohio.....	June	2,300	43.5	3.4	159.56	12.50
National Enameling & Stamping Co., Wis...	June	2,089	44.9	2.4	143.60	7.55
American Stove Co., Ohio.....	June	1,977	38.7	0.8	159.78	3.42
Oneida Ltd., N. Y.....	June	1,966	75.5	4.2	186.20	10.44
* Apex Electrical Mfg. Co., Ohio.....	June	1,960	51.8	3.2	188.58	11.60
* Electric Household Utilities Corp., Ill..	June	1,594	85.1	4.4	172.07	8.99
De Vilbiss Co., Ohio.....	June	1,568	98.7	6.7	198.18	13.39
Aluminum Goods Mfg. Co., Wis.....	June	1,539	56.9	2.0	172.19	6.04
R. Wallace & Sons Inc., Conn.....	June	1,524	90.2	4.3	140.61	6.73
Easy Washing Machine Co., N. Y.....	June	1,507	39.2	2.0	194.15	9.87
Altorfer Brothers Co., Ill.....	1/	1,486 2/	1/	1/	1/	1/
Perfection Stove Co., Ohio.....	1/	1,471 2/	1/	1/	1/	1/
Maytag Co., Iowa.....	1/	1,450 2/	1/	1/	1/	1/
* Fuller Brush Co., Conn.....	June	1,317	76.2	4.0	166.03	8.66
Gorham Manufacturing Co., R. I.....	June	1,291	39.0	2.1	161.74	8.73
Coleman Lamp and Stove Co., Kan.....	May	1,261	40.7	1.7	137.80	5.72
* Norris Stamping and Mfg. Co., Calif.....	June	1,185	98.7	6.4	188.75	12.18
A. C. Gilbert and Co., Conn.....	1/	1,116 2/	1/	1/	1/	1/
American Thermos Bottle Co., Conn.....	June	1,109	36.0	3.3	138.86	12.55
Total.....		<u>45,180</u>	62.9	3.4	\$ 173.12	\$ 9.38

August 24, 1942.

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

* Denotes Issuing Agent.

1/ Not available.

2/ Not included in total.

Radio, Television
and Phonographs

Radio, Television and Phonographs

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
* R. C. A. Manufacturing Co., N. J.....	June	22,122	84.5	7.6	\$ 182.83	\$ 16.46
* Philco Corp., Penn.....	June	6,469	92.3	3.4	155.61	5.79
* Ken-Rad Tube and Lamp Corp., Ky.....	June	3,193	91.6	7.8	105.68	8.95
* Raytheon Production Corp., Mass.....	May	2,408	23.7	.4	122.92	1.94
* Stromberg Carlson Telephone Co., N. Y....	June	2,241	95.9	4.9	196.86	10.15
* National Union Radio Corp., N. J.....	June	2,133	43.1	1.8	123.00	5.07
* Columbia Broadcasting Co., N. Y.....	June	2,127	49.4	4.4	269.94	24.03
* National Broadcasting Co., N. Y.....	June	2,112	38.0	2.7	256.37	18.42
* Crosley Corp., Ohio.....	1/	2,077 2/	1/	1/	131.00	16.41
* General Instrument Corp., N. J.....	April	2,000	19.0	2.4	186.00	13.27
* Sparks-Withington Co., Mich.....	June	1,767	100.0	7.1	225.55	7.88
* Dictaphone Corp., Conn.....	June	1,752	66.7	2.3	167.89	10.29
* Farnsworth Television and Radio Co., Ind.	July	1,730	86.4	5.3	183.50	7.07
* Zenith Radio Corp., Ill.....	June	1,716	87.9	3.4	131.19	8.76
* Galvin Manufacturing Corp., Ill.....	June	1,616	79.5	5.3	205.57	16.07
* Federal Telegraph Co., N. J.....	May	1,565	47.2	3.7	168.88	18.90
* Colonial Radio Corp., N. Y.....	June	1,279	96.7	10.8	109.50	9.15
* Magnavox Co. Inc., Ind.....	June	1,274	73.7	6.2	143.97	7.50
* Solar Manufacturing Co., N. J.....	June	1,160	60.0	3.1		
Total.....		<u>58,664</u>	75.5	5.5	\$ 173.04	\$ 12.67

August 24, 1942

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

* Denotes Issuing Agent.

1/ Not available.

2/ Not included in total.

Hardware

Hardware

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
* American Hardware Corp., Conn.....	June ^{1/}	6,600 ^{2/}	93.0 ^{1/}	4.7 ^{1/}	\$ 183.56 ^{1/}	\$ 9.18 ^{1/}
* Yale and Towne Manufacturing Co., N. Y...	June	6,349	94.1	6.0	177.45	11.26
* Stanley Works, Conn.....	June	3,975	86.3	7.0	120.08	10.72
* National Lock Co., Ill.....	June	2,919	40.6	2.2	251.27	13.75
* Diebold Safe and Lock Co., Ohio.....	May	1,970				
Sargent and Co., Conn.....	June	1,685	28.7	0.8	160.24	4.71
American Screw Co., R. I.....	June	1,510	89.1	3.4	154.19	5.81
* Belknap Hardware and Manufacturing Co. Ky.....	June	1,486	72.0	3.1	134.59	5.76
* Marshall-Wells Co., Ore.....	May	1,430	75.5 ^{1/}	5.3 ^{1/}	142.94 ^{1/}	9.96 ^{1/}
* North and Judd Manufacturing Co., Conn...	^{1/}	1,396 ^{2/}				
* Joslyn Manufacturing and Supply Co., Ill..	June	1,174	59.8	3.3	184.32	10.12
* Bassick Co., Conn.....	June	1,023	77.7	2.9	179.27	6.73
Total.....		<u>23,521</u>	78.4	4.3	\$ 171.05	\$ 9.42

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

* Denotes Issuing Agent.

^{1/} Not available.^{2/} Not included in total.

Rubber and
Rubber Products

Rubber and Rubber Products

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
United States Rubber Co., N. Y.....	June	49,433	72.9	3.5	155.24	7.46
Goodyear Tire and Rubber Co., Ohio.....	May	45,886	51.0	1.5	169.48	5.03
* Firestone Tire and Rubber Co., Ohio.....	June	35,800	67.6	3.1	181.59	8.43
* Goodrich (B.F.) Co., Ohio.....	June	20,880	34.7	1.6	179.76	8.45
Hood Rubber Co., Inc., Mass.....	June	5,071	58.9	1.4	178.27	4.10
General Tire and Rubber Co., Ohio.....	May	3,693	81.7	4.4	163.60	8.82
Gates Rubber Co., Colo.....	June	3,090	90.6	4.2	161.81	7.50
Richardson Co., Ohio.....	April	2,174	74.8	3.2	151.60	6.40
American Hard Rubber Co., N. J.....	June	1,826	85.3	4.4	155.84	8.02
* United Elastic Corp., Mass.....	June	1,725	32.8	1.8	119.65	6.57
* Hewitt Rubber Corp., N. Y.....	June	1,402	87.7	4.8	170.02	9.30
* Seiberling Rubber Co., Ohio.....	June	1,367	48.1	3.1	147.39	9.60
Dayton Rubber Mfg. Co., Ohio.....	June	1,250	92.8	4.6	226.83	11.32
* Boston Woven Hose and Rubber Co., Mass...	June	1,228	64.1	3.0	155.23	7.48
* Thermoid Co., N. J.....	June	1,225	84.5	2.2	170.72	4.38
Intercontinental Rubber Co., N. Y.....	^{1/} June	1,200 ^{2/}	^{1/} 97.1	^{1/} 8.1	106.22 ^{1/}	8.83 ^{1/}
Servus Rubber Co., Ill.....		<u>1,033</u>				
Total.....		<u>177,083</u>	61.7	2.6	168.10	7.21

August 24, 1942.

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

* Denotes Issuing Agent.

^{1/} Not available.^{2/} Not included in total.

Beverages

Beverages

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
* Schenley Distillers Corp., N.Y.....	June	5,609	81.6	3.9	148.58	7.01
* Joseph E. Seagrams and Sons and Affiliates, N.Y.....	1/ June	5,558 2/	1/ 63.6	1/ 3.9	163.52 1/	10.05 1/
* Anheuser-Busch, Inc., Mo.....	June	5,000	45.3	2.9	150.31	9.59
* National Distillers Products Corp., N.Y..	June	3,879				
Hiram Walker-Gooderham and Worts, N.Y....	July	3,085	67.6	7.0	114.79	11.90
Frank Fehr Brewing Co., Ky.....	1/ June	2,771 2/	1/ 92.0	1/ 3.7	160.91 1/	6.55 1/
* Canada Dry Ginger Ale, Inc., N.Y.....	June	2,175	58.5	3.0	181.65	9.40
* Joseph Schlitz Brewing Co., Wisc.....	June	2,152	94.4	3.7	213.89	8.38
* P. Ballantyne and Sons, N.J.....	June	1,800				
* Jacob Ruppert, Inc., N.Y.....	June	1,545	46.6	1.6	202.10	7.05
* F. and M. Schaefer Brewing Co., N.Y.....	June	1,462	100.0	3.5	277.00	9.64
* Hoffman Beverage Co., N.J.....	June	1,169	52.5	1.5	179.64	4.99
* Falstaff Brewing Co., Mo.....	June	1,132	95.0	4.6	155.35	7.47
* Frankfort Distilleries, Ky.....	June	1,140	99.5	7.3	207.02	15.12
* Pepsi-Cola Co., N.Y.....	June	1,092	90.5	5.2	179.87	10.30
Total.....		<u>31,240</u>	72.2	3.9	168.04	8.98

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

August 24, 1942.

* Denotes Issuing Agent.

1/ Not available.

2/ Not included in total.

Clocks and
Watches

Clocks and Watches

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
Elgin National Watch Co., Ill.....	June	5,132	96.4	6.4	\$ 132.39	\$ 8.77
General Time Instruments, Ill.....	June	4,060	75.3	4.6	135.62	8.24
Waterbury Clock Co., Conn.....	June	3,143	71.8	3.9	192.10	10.36
Waltham Watch Co., Mass.....	June	2,478	93.4	5.7	146.40	8.94
Hamilton Watch Co., Pa.....	June	2,175	55.2	4.5	141.38	11.50
New Haven Clock Co., Conn.....	1/	1,905 2/	1/	1/	1/	1/
* E. Ingraham Co., Conn.....	June	1,575	74.7	4.2	175.05	9.80
Bulova Watch Co., N. Y.....	1/	1,500 2/	1/	1/	1/	1/
Warren Telechron Co., Mass.....	June	1,222	66.3	3.4	159.57	8.29
* Bristol Co., Conn.....	June	1,073	83.4	4.4	191.99	10.10
Total.....		<u>20,858</u>	79.9	4.8	\$ 152.50	\$ 9.23

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

August 24, 1942.

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1/ Not available.

2/ Not included in total.

Sugar Producing
and Refining

Sugar Producing and Refining

Summary of Operation of Payroll Savings Plans in Companies Reporting to the Treasury
during June and July 1942

Name of Company and State	Month for which report was rendered	Number of employees	Percentage of employees participating	Percentage of aggregate payroll deducted	Average monthly salary	Average deduction per employee participating
* American Sugar Refining Co., N. Y.....	May	8,570	81.0	2.8	\$ 136.88	\$ 4.74
* National Sugar Refining Co., N. Y.....	June	4,412	59.0	2.6	138.84	6.23
Utah-Idaho Sugar Co., Idaho.....	1/	3,040 2/	1/	1/	1/	1/
* Spreckels Co., Calif.....	June	2,837	48.9	3.4	175.02	12.14
* Godechaux Sugars, Inc., La.....	June	2,700	66.4	3.0	70.72	3.21
United Fruit Co., Mass.....	June	2,235	50.3	3.3	203.00	13.31
* California Hawaiian Sugar Refinery, Calif	June	1,796	92.4	4.3	194.98	9.11
Great Western Sugar Co., Colo.....	June	1,549	71.4	6.8	207.05	19.85
Holly Sugar Corp., Colo.....	1/	1,000 2/	1/	1/	1/	1/
Total.....		<u>24,099</u>	68.9	3.4	\$ 149.29	\$ 7.45

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

* Denotes Issuing Agent.

1/ Not available.

2/ Not included in total.



HEADQUARTERS

UNITED STATES COAST GUARD

WASHINGTON

24 August, 1942.

MEMORANDUM FOR - SECRETARY OF THE TREASURY.

Subject: Flight schedule.

	<u>To</u>	<u>Miles</u>	<u>Flight Time</u>
August 16, 1942.			
LaGuardia Airport	Fort Riley, Kan.	1280	7 hrs.
August 17, 1942.			
Fort Riley, Kan.	Fort Sill, Okla.	310	1 hr. 45 min.
Fort Sill, Okla.	Randolph Field, Tex.	380	1 hr. 55 min.
August 18, 1942.			
Randolph Field, Tex.	Augusta, Ga.	940	5 hrs. 30 min.
August 19, 1942.			
Augusta, Ga.	Fort Benning, Ga.	190	1 hr. 5 min.
August 20, 1942.			
Fort Benning, Ga.	Fort Bragg, N. C.	390	1 hr. 55 min.
Fort Bragg, N. C.	Roanoke, Va.	190	1 hr.
Roanoke, Va.	Washington, D. C.	190	1 hr.
		<u>3870</u>	<u>21 hrs. 10 min.</u>

W. E. Sinton
W. E. SINTON.



HEADQUARTERS

ADDRESS THE COMMANDANT, U. S. COAST GUARD
AND REFER TO NO.

207

UNITED STATES COAST GUARD

WASHINGTON

24 August, 1942.

MEMORANDUM FOR - SECRETARY OF THE TREASURY.

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	<u>To</u>	<u>Miles</u>	<u>Flight Time</u>
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Randolph Field, Tex.	Augusta, Ga.	940	5 hrs. 30 min.
August 19, 1942.			
Augusta, Ga.	Fort Benning, Ga.	190	1 hr. 5 min.
August 20, 1942.			
Fort Benning, Ga.	Fort Bragg, N. C.	390	1 hr. 55 min.
Fort Bragg, N. C.	Roanoke, Va.	190	1 hr.
Roanoke, Va.	Washington, D. C.	190	1 hr.
		<u>3870</u>	<u>21 hrs. 10 min.</u>

W. E. Sinton
W. E. SINTON.

August 24, 1942

My dear General Marshall:

I am writing to thank you most heartily for having arranged for my inspection trip of your Army. I come back to Washington with a wholesome respect for what you have been able to do with a citizen Army in so short a time.

Everywhere on the trip, I was received most courteously and given every opportunity to see what I wanted. I want particularly to compliment General Harmon and his Second Armored Division at Fort Bragg. It seems to me that both General Harmon and his Division have what it is going to take to defeat the enemy.

My trip was made particularly pleasant through your assigning Colonel James H. Phillips to accompany me. Colonel Phillips was intelligent and courteous and a splendid guide.

Thank you again for having made this trip possible.

Sincerely yours,

(Signed) Henry Morgenthau, Jr.

General George C. Marshall,
Chief of Staff,
United States Army,
Washington, D.C.

Sent by Secret Service
10:30 A.M. - 8/24/42

My dear General Marshall:

I ~~want~~^{am writing to} to thank you most heartily for having arranged for my inspection trip of your Army. I come back to Washington with a wholesome respect for what you have been able to do in so short a time. ~~with a citizen Army.~~^{with a citizen Army}

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My trip was made particularly pleasant through your assigning Colonel Phillips^{James H.} to accompany me. Colonel Phillips was intelligent^{and}, courteous and a splendid guide.

~~Again~~^{Again} Thanking you for having made this trip possible, I ~~remain~~

Sincerely yours,

AUG 24 1942

My dear Mr. President:

I have your letter of August 20th, with reference to criticisms and statements publicly made by responsible officials of the Government.

Your instructions have been brought to the attention of Treasury officials and you may count upon a full compliance by this Department.

Faithfully yours,

(Signed) H. Morgenthau, Jr.

The President,

The White House.

Delivered by SS Agent 4:26 8/24/42

Photo file (3) NMC
File to Thompson

WNT:je

THE WHITE HOUSE
WASHINGTON

August 20, 1942

My dear Mr. Secretary:

In dealing with the many complex war problems which we face today, it is unavoidable that there be wide differences of opinion between agencies of the Federal Government -- opinions sincerely and honestly held. However, too often in recent months, responsible officials of the Government have made public criticism of other agencies of the Government; and have made public statements based either on inadequate information or on failure to appreciate all the aspects of a complex subject which is only partially within their jurisdiction.

This is inadvisable at any time. But in times of war it is particularly contrary to public policy. It contributes only to the confusion of the public, which naturally does not know what to believe on an involved issue when it gets different stories on successive days from officials of equal standing, though not necessarily of equal understanding.

Such divergencies, especially when coupled, as they often are, with express or implied criticisms of other officials are a direct and serious handicap to the prosecution of the war. Officials divert to quarrels with each other the time and energy they ought to be devoting to fighting the enemy. The people, confused by these contradictory voices, are apt to obtain the false impression that the Government as a whole is uncertain as to its objectives and general method and that it does not know its job.

This feeling is of course pounced upon, exploited, and intensified by opponents of our war effort. Our enemies use this raw material of discord provided for them by men who ought to be making trouble for the enemy and not for one another.

One of the duties prescribed for the Office of War Information is the coordination of war informational activities of all Federal departments and agencies, for the purpose of assuring an accurate and consistent flow of war information to the public and the world at large and for the added purpose of eliminating conflict and confusion among the departments and agencies of the Government in the matter of their public relations. Elmer Davis, Director of this Office, tells me that so far as written statements from departments and agencies are concerned, very

- 2 -

satisfactory progress toward this objective is being made. But, he points out that the attainment of the objective is being gravely hampered by verbal statements dealing with matters touching more than one department or agency made by high officials in press conferences and elsewhere, - statements which do not contribute either to the accuracy or the consistency of public information.

In a recent report to me on this situation, Mr. Davis makes a statement which should be emphasized: "The enemy is constantly at work trying to undermine public confidence in the government; why should members of that government help him along by undermining it themselves?"

Where honest differences of opinion exist no one would propose to suppress them. Nor would anyone attempt to interfere with the free use by every public official of the normal processes of information to the public and press. But it is no solution to a controverted question to argue it out in public. If the agencies would refrain from resorting to public debate of this kind they would have a good deal more time to attend to their business, and the nation would have a good deal more assurance that that business was being done right.

These differences between agencies often deal with matters of fact which can be harmonized by fuller investigation, or questions of policy which should be adjusted by conference between the agencies or by reference to me as the responsible head of the Government. Disagreements either as to fact or policy should not be publicly aired, but are to be submitted to me by the appropriate heads of the conflicting agencies. The policy of the government should be announced by me, as the responsible head thereof. Disagreements as to facts can be resolved, if necessary, by investigations and surveys directed by me.

Will you please see to it that your particular department and its various bureaus and divisions comply with these instructions.

I am sending an identical letter to the responsible head of each department and agency of the Federal Government.

Very sincerely yours,



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

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

August 24, 1942

TO Ferdinand Kuhn

FROM Secretary Morgenthau

Mrs. Roosevelt would like to have for her column some figures showing the comparison of what the profits for corporations are during the first six months of this war as compared, say, to the first six months of World War I. Also, what has happened during a similar period, as to the cost of living. Before it goes over to Mrs. Roosevelt, I would like to see it. The men are busy working on taxes for me so if we have that by Wednesday, it will be time enough, but I want you to put it together for me.

Sent 8/26/42 -

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE August 24, 1942

TO Secretary Morgenthau
FROM Mr. Hagg
Subject: The Business Situation,
Week ending August 22, 1942.

Summary

(1) Industrial production rose to a new peak in July with the FRB adjusted index of production advancing to 180 from 176 in the previous month. Last November, before our entry into the war, the index stood at 166. Industrial finishing capacity has been expanded to the extent that pressure on material supplies has become unusually severe, and the coordination of material deliveries presents a major problem.

(2) The general price level has risen gradually to a new wartime high, after an earlier levelling-out period. The BLS all-commodity index in the week ended August 15 rose 0.3 point to 98.9, thus very slightly exceeding the peak reached in May and touching a new high since October 1926. Basic commodity prices in the aggregate have moved slightly higher during the past 3 weeks, due to advances in certain uncontrolled agricultural products, particularly butter, steers, hogs, wheat and barley.

(3) The cost of living is still rising, largely because of the continuing rise in food prices. The BLS cost-of-living index rose 0.4 percent from mid-June to mid-July, and stood 18.6 percent above the pre-war level of June 1939. Food prices rose 1.1 percent. The Canadian cost-of-living index for July 1 showed the sharpest rise since general price control measures were imposed late last year, owing to increases in food prices, largely of a seasonal nature.

(4) Department store sales have improved recently, and in the week ended August 15 equalled (in dollar value) those of the corresponding period a year ago, when a heavy wave of advance buying was under way. In comparison with the more normal sales trends prevailing in August 1940, sales in the first half of the current month showed a gain of over 39 percent. The sales figures, however, have been inflated by the intervening price rise. On August 1, retail prices of typical department store items were 13.6 percent above year-earlier levels, and 21.7 percent above those of the corresponding date in 1940.

Material shortages grow as industrial output rises

Industrial output continued to expand in July, and the FRB seasonally-adjusted index of production rose to a new peak at 180, as compared with 176 in the previous month and 166 last November just before our entry into the war.

Coincident with the attainment of new production records, complaints of raw material shortages have grown, and reports of production curtailments due to lack of materials have become more frequent. Thus, the Labor Policy Committee of the WPB has reported that in July more than 30 plants holding war contracts had to cut production due to lack of materials. Moreover, fears were expressed by the Committee that curtailments might be much more widespread during the current month and next for the same reason. In addition to earlier complaints of material shortages from the shipbuilding and aircraft industries, the machine tool industry and even steel plate producers are facing cuts in output due to lack of materials.

Apparently our vastly expanded industrial finishing capacity is now consuming materials and supplies at such a rate that shortages at various points have become a serious problem. While opinions vary as to the principal reason for the current material shortages, the predominant view seems to be that faulty distribution and scheduling are primarily responsible.

Commodity price index moving higher

General commodity prices have been slowly rising over the past several weeks, following an earlier levelling-out tendency after general price ceilings were imposed. The BLS all-commodity index in the week ended August 15 rose 0.3 point to 98.9, which is fractionally higher than the peak touched at the end of May, and a new high since October 1926. (See Chart 1.)

Sharp advances in prices of basic foodstuffs, particularly fruits, vegetables, and meats, largely accounted for the rise in the latest week. Average prices for foods rose 0.8 percent during the week, and farm products increased 0.6 percent.

- 3 -

Cost of living continues to advance

The cost of living continues to rise despite the ceiling price regulations, because food prices -- the most important factor in living costs -- are only partially controlled. The BLS cost-of-living index rose 0.4 percent from mid-June to mid-July, carrying the index 18.6 percent above the pre-war level of June 1939. (See Chart 2.) Food prices rose 1.1 percent during the month, while other components showed but minor changes. Seasonal advances in retail prices of eggs, butter, lamb, and poultry were largely responsible for the increase in the food price index.

Taking notice of the continued rise in living costs, Price Administrator Henderson last week declared that price increases in uncontrolled foods are forming a dangerous pattern and threaten to seriously affect the family budget. Prices of uncontrolled foods rose 2.5 percent from June 15 to July 15. He admitted that there had also been a slight increase -- 0.3 percent -- in prices of foods under ceilings. This was attributed to some upward adjustments in ceiling prices, to the discontinuance of below-ceiling sales by retail stores, and to "the ever-present possibility of small-scale violations of the ceilings."

Secretary Wickard last week helped pave the way for more effective control of food prices by urging repeal of the "110 percent of parity" limitation on farm product ceilings in the Price Control Act, reversing his previous position. Where price controls result in inadequate incentive for production of vital war commodities, however, he suggested that farmers be given increased returns through subsidies. Secretary Wickard announced also that he was prepared to give approval to ceilings on livestock prices "if a practical plan for livestock marketing can be evolved."

Canadian living costs rise further

The Canadian cost-of-living index for July 1 showed the sharpest monthly rise since general price control measures were imposed in the last quarter of 1941. The cost-of-living index on July 1 had risen 1.4 percent above the previous peak of last November, and 17.0 percent above the pre-war level of August 1939. The total increase during the war period, however, has been somewhat less than that in the United States. (See Chart 3, upper section.)

- 4 -

Practically all of the upturn was due to increased food prices, chiefly for potatoes, beef, lamb, and eggs, largely of a seasonal nature. The rise in the Canadian food price index of 3.2 percent between June 1 and July 1 carried the index 31.2 percent above the pre-war level of August 1939. (See Chart 3, lower section.) This increase, however, is slightly less than the rise in food prices in the United States during the same period.

Canadians receive additional cost-of-living bonuses

General price control in Canada is combined with control of wages, and adjustments of wages in the form of bonuses must be made whenever the cost-of-living index changes more than one index point during any one quarter. The recent rise in the index accordingly will make necessary additional weekly payments to employees under the cost-of-living bonus order. Estimates in the press have placed the number of Canadians who have been receiving bonuses at more than 1 million, and it is forecast that this number will be more than doubled by those receiving bonuses for the first time as a result of the new rise in living costs.

Basic commodity index slightly higher

Since the end of July the BLS price index of 28 basic commodities has moved slightly higher, due to noticeable increases in prices of certain uncontrolled agricultural commodities, particularly butter, steers, hogs, wheat and barley. (See Chart 4.) Some downturn occurred last week, however, particularly in the uncontrolled commodities. Secretary Wickard's reversal of position on the 110 percent of parity provision contributed to this recent downturn.

In reflection of the tight supply situation in meats -- largely due to seasonally low marketings--steer prices have advanced substantially and hog prices have risen further to the highest levels since 1920. The packers' gross margin on pork products has consequently dropped to an even more unprofitable level. The emergency confronting some 1,300 small packers has led Chairman Murray of the Senate Committee on small business to announce that he will start hearings soon on this problem.

- 5 -

Heavy crop production forecast

Outstandingly favorable growing conditions during July have raised the Department of Agriculture's crop estimates substantially. The wheat forecast of 955 million bushels indicates the largest crop since the record one of 1915. The corn crop, which a month ago was expected to be smaller than last year, is now forecast as considerably larger. Feed grain supplies as a whole will be greater than anticipated earlier in the season, and production of principal oil seeds will probably substantially exceed earlier expectations. There are, however, no excess supplies of feed grains in view of record livestock requirements.

New crop cotton supplies large

An abundant cotton crop was forecast in the first Government production estimate of the season. At 13,085,000 bales, the crop would be the largest since the 18,946,000-bale crop of 1937. Indicated total supplies for the 1942-43 crop year are the heaviest since 1939-40, and "free supplies" -- that is, carry-over exclusive of Government stocks, plus new crop -- 2,576,000 bales greater than a year ago.

The 1942 average loan rate for cotton announced by the Commodity Credit Corporation will be 16.02 cents per pound, based upon the parity price of 18.85 for August 1. Last year the average loan rate was 14.02 cents per pound. A feature of the loan terms is a retention of provisions under which the Corporation may call the loans on demand. Although the basic loan rate is two cents above that of last year, the price of 16.02 cents is not high enough to draw much cotton into the loan from trade channels.

Department store sales rising

After lagging behind year-earlier levels in the previous 2 weeks, department store sales in the week ended August 15, drew even with the corresponding period a year ago. (See Chart 5.) This may be regarded as a relatively strong sales showing since a heavy wave of scare buying was under way in August 1941 which carried the FRB adjusted sales index in that month substantially above all previous records. In comparison with the more normal sales trends prevailing in August 1940, sales in the first half of the current month showed a gain of over 39 percent.

- 6 -

As a partial offset to the recent sales showing, however, it must be remembered that the 1942 sales figures have been inflated by the intervening price rise. Thus, on August 1 retail prices of typical department store items, as measured by the Fairchild index, were 13.6 percent above year-earlier levels, and 21.7 percent above the corresponding date in 1940. The imposing of the General Maximum Price Regulation has caused the retail price index to level off in recent months after a long upswing, and during July the combined index was unchanged.

Department store inventories heavy

The recent improvement in sales volume may result in some cutting down of department store inventories, which at the end of June were 73 percent above year-earlier levels. The stocks then on hand at 344 department stores throughout the country were estimated by the Federal Reserve Board to be equivalent to about 4.6 months' supply at the June sales rate, versus 2.8 months' supply at the end of June last year.

Some items have been stocked up to provide supplies far in excess of the average, however. Thus, stocks of furs were equivalent to more than 33 months' supply. Closer in line with the average were 5.4 months' stocks of men's and boys' wear, and 3.5 months' stocks of women's apparel and accessories, both noticeably exceeding the previous year's figures.

Steel operations still below capacity despite recent rise

In the face of the heavy demand for steel, operations have failed to attain capacity levels. Despite a moderate improvement in the last 2 weeks, the operating rate last week was still only 97.2 percent of capacity. (See Chart 6.) Shut-downs for repairs and the tight steel scrap situation continue to be cited as reasons for the inability of mills to attain higher operating levels.

Recent steel operating rates have been revised downward moderately in order to conform to the new mid-year capacity figures recently issued by the American Iron and Steel Institute. These figures revealed an expansion in steel-making capacity of 628,000 tons in the first half of 1942, carrying the total up to 89,198,000 net tons as of July 1. Since the outbreak of the war in Europe the steel industry's production capacity has increased about 8,000,000 tons. However, the increase in the

- 7 -

first half of this year was substantially less than in the corresponding period of 1941, when capacity was expanded around 2,000,000 net tons.

Construction contracts still awarded in heavy volume

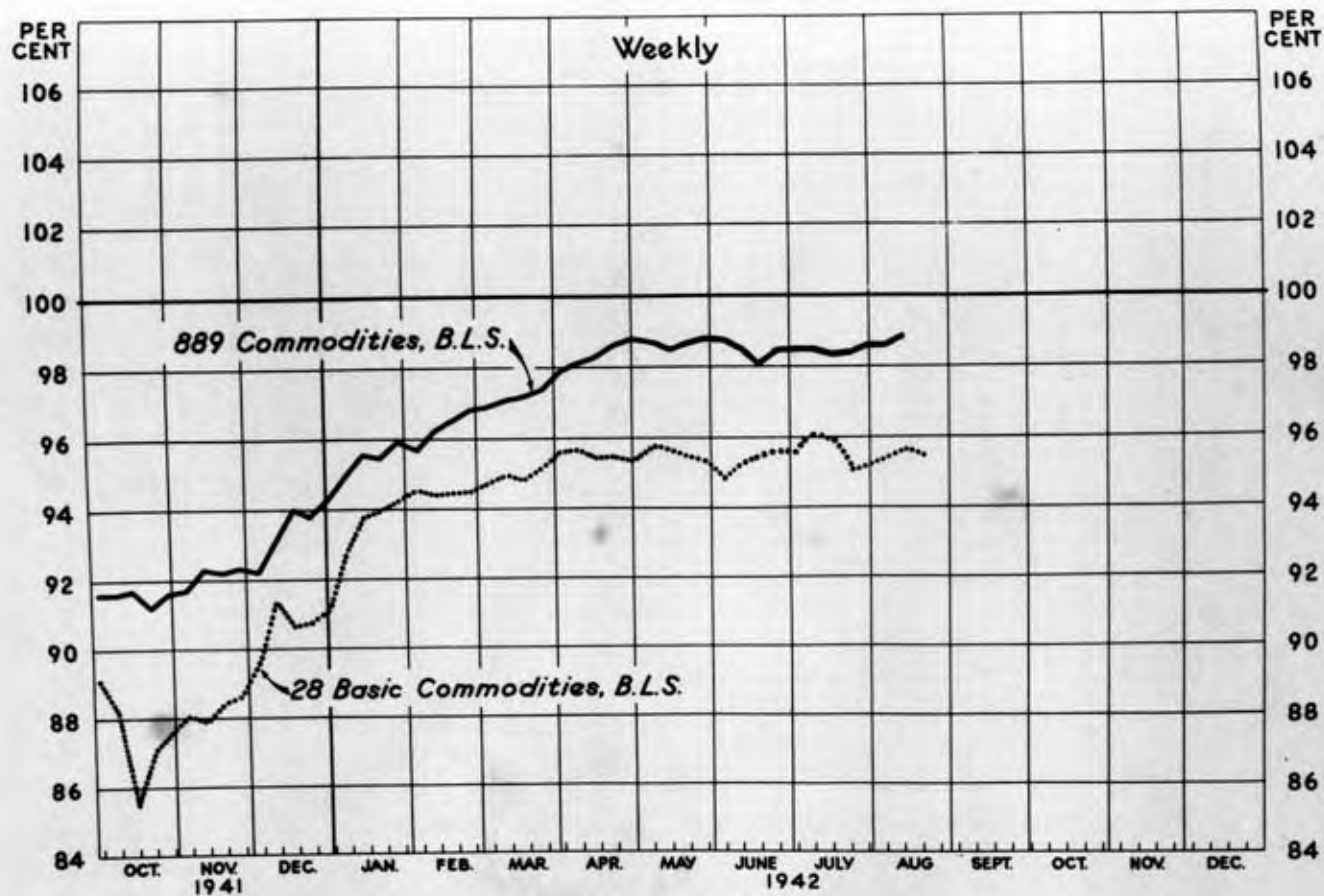
Although total construction contracts in July, as reported by the F. W. Dodge Corporation, fell below the June peak, new awards for manufacturing buildings continued to expand and totaled \$303 millions, as compared with \$272 millions in the previous month, and \$110 millions in July 1941.

Total construction awards last month receded 21 percent from the previous month's record figure, but still attained the second highest total on record at nearly \$944 millions. All major categories of construction except residential showed gains over July 1941, as will be seen in the following table:

	July 1942 (Millions of dollars)	July 1941
Residential	127	205
Non-residential	489	221
Public works	130	101
Utilities	198	51
Total	944	577

COMMODITY PRICES

1926=100



221

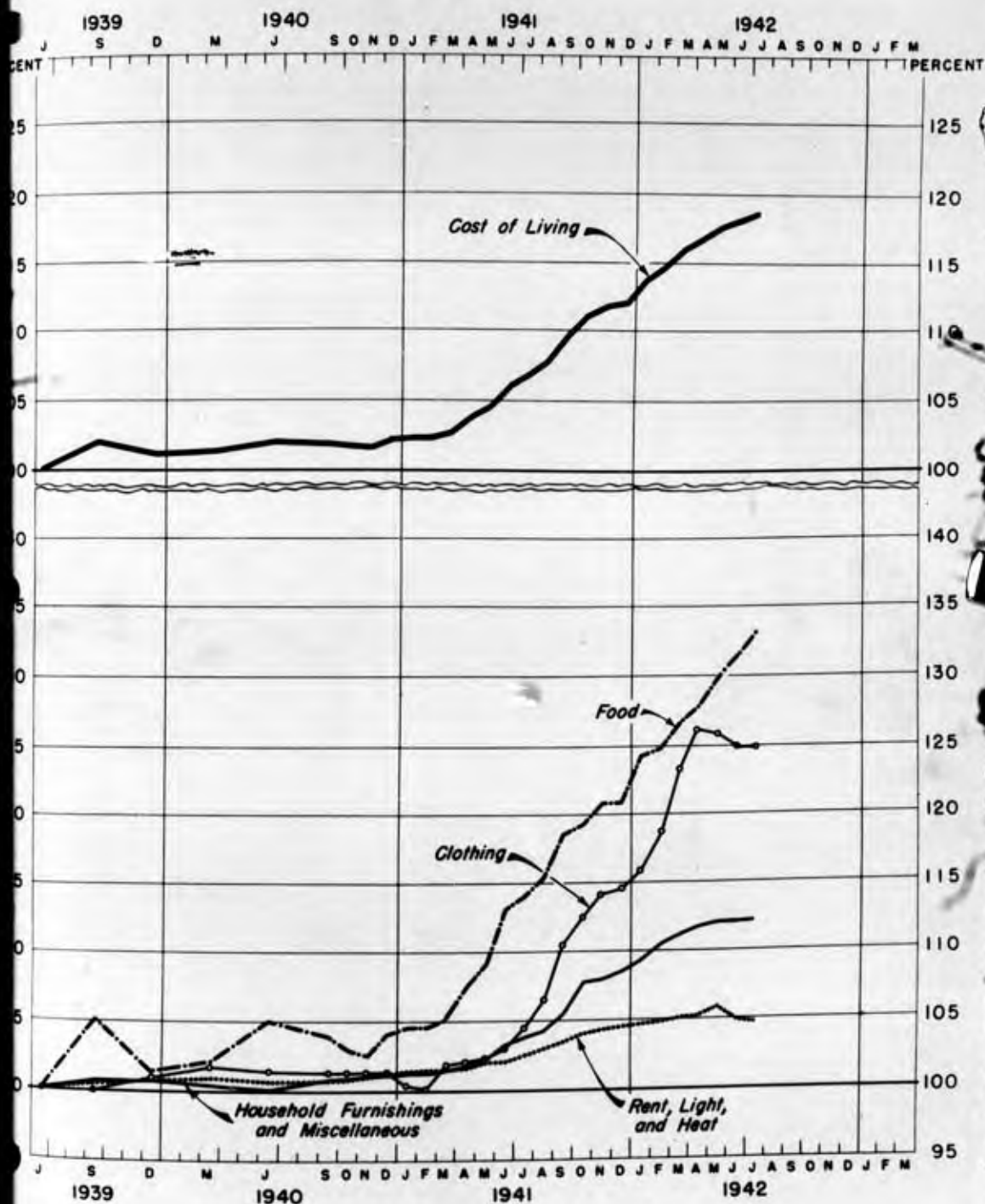
Chart 1

COST OF LIVING AND SELECTED ITEMS

Chart 2

222

June 1939=100



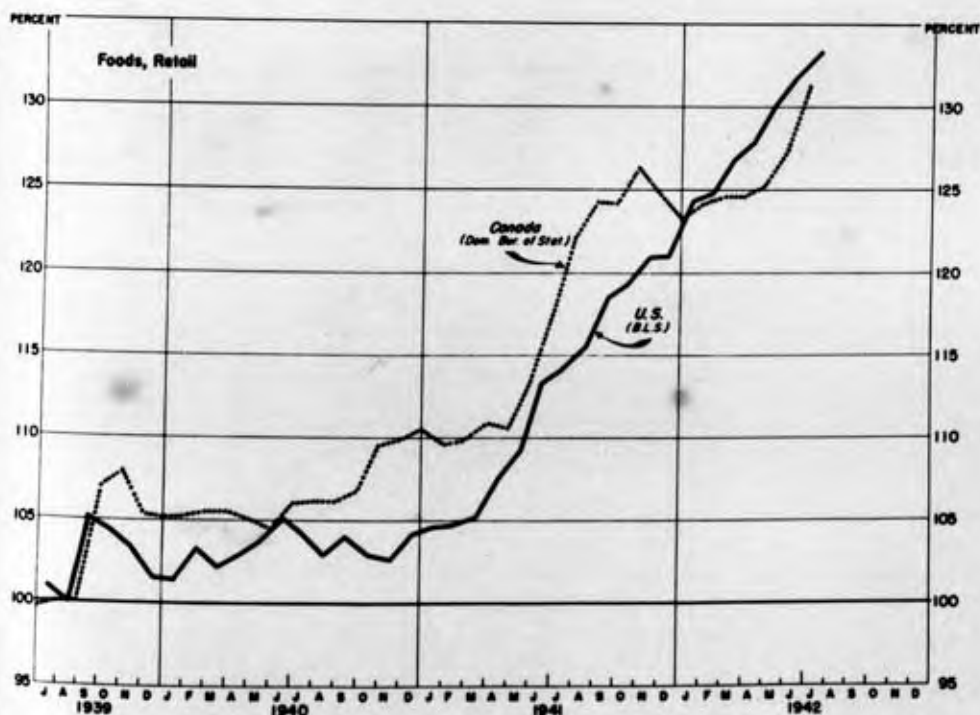
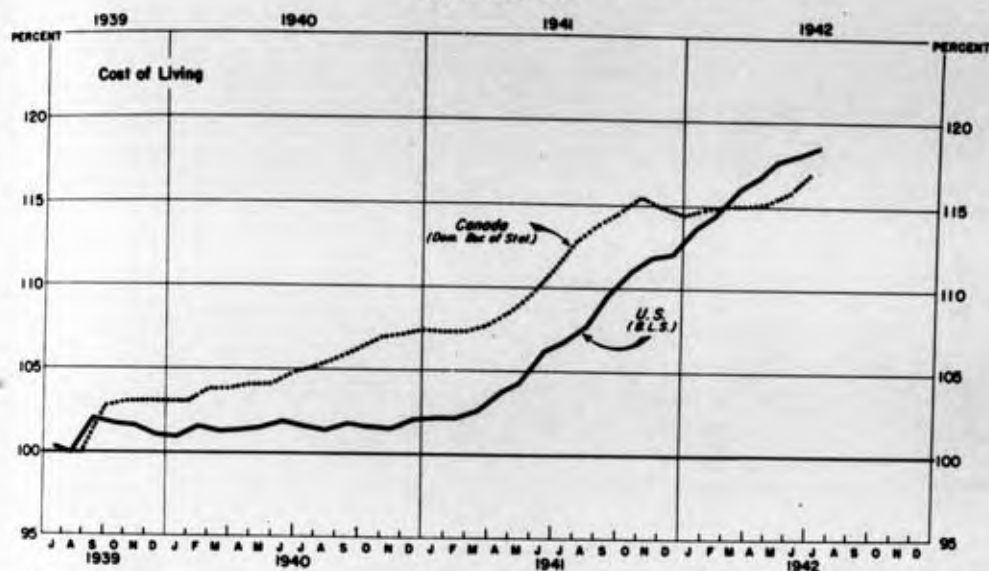
Source: B.L.S.

of the Secretary of the Treasury
Division of Research and Statistics

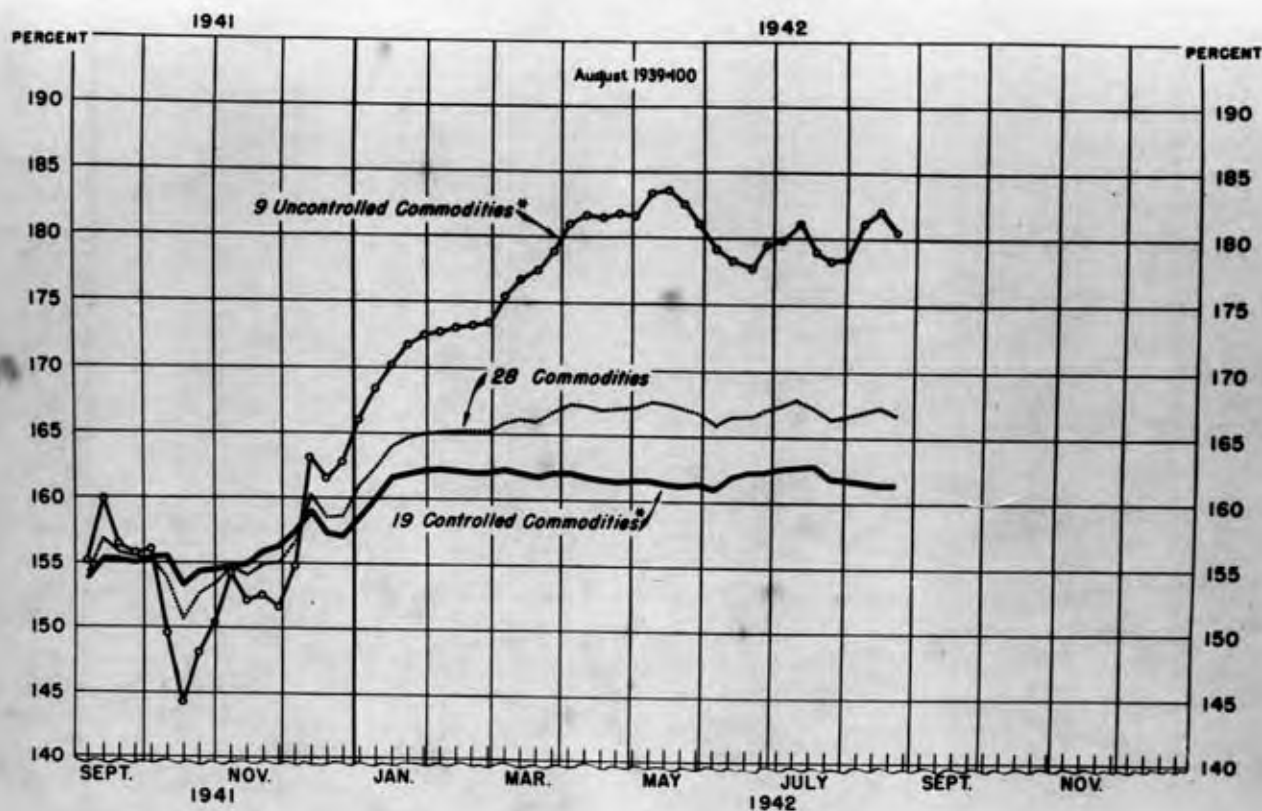
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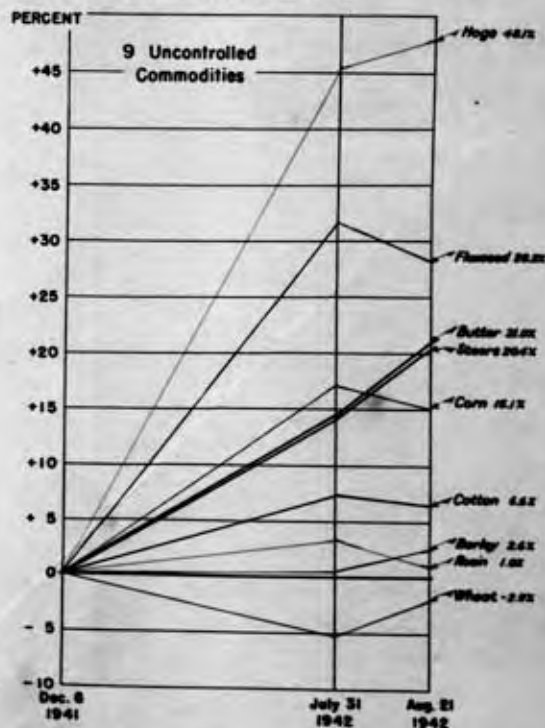
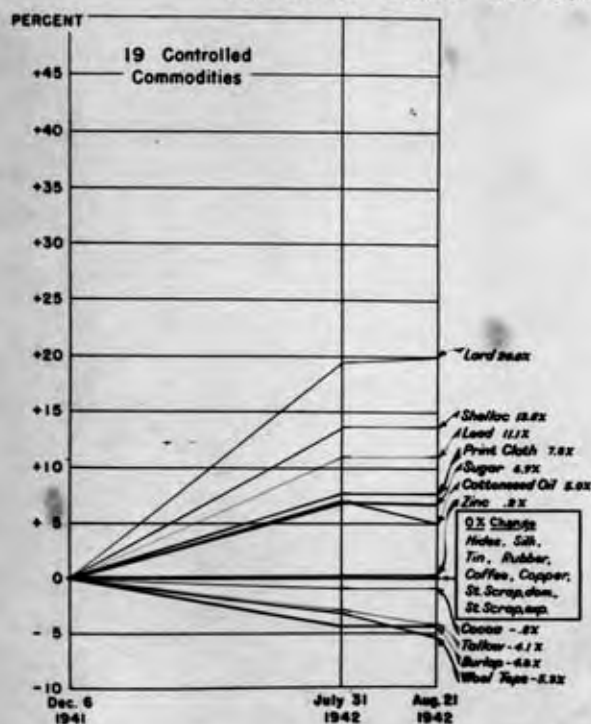
COST OF LIVING, U.S. AND CANADA August 1939 = 100



MOVEMENT OF BASIC COMMODITY PRICES



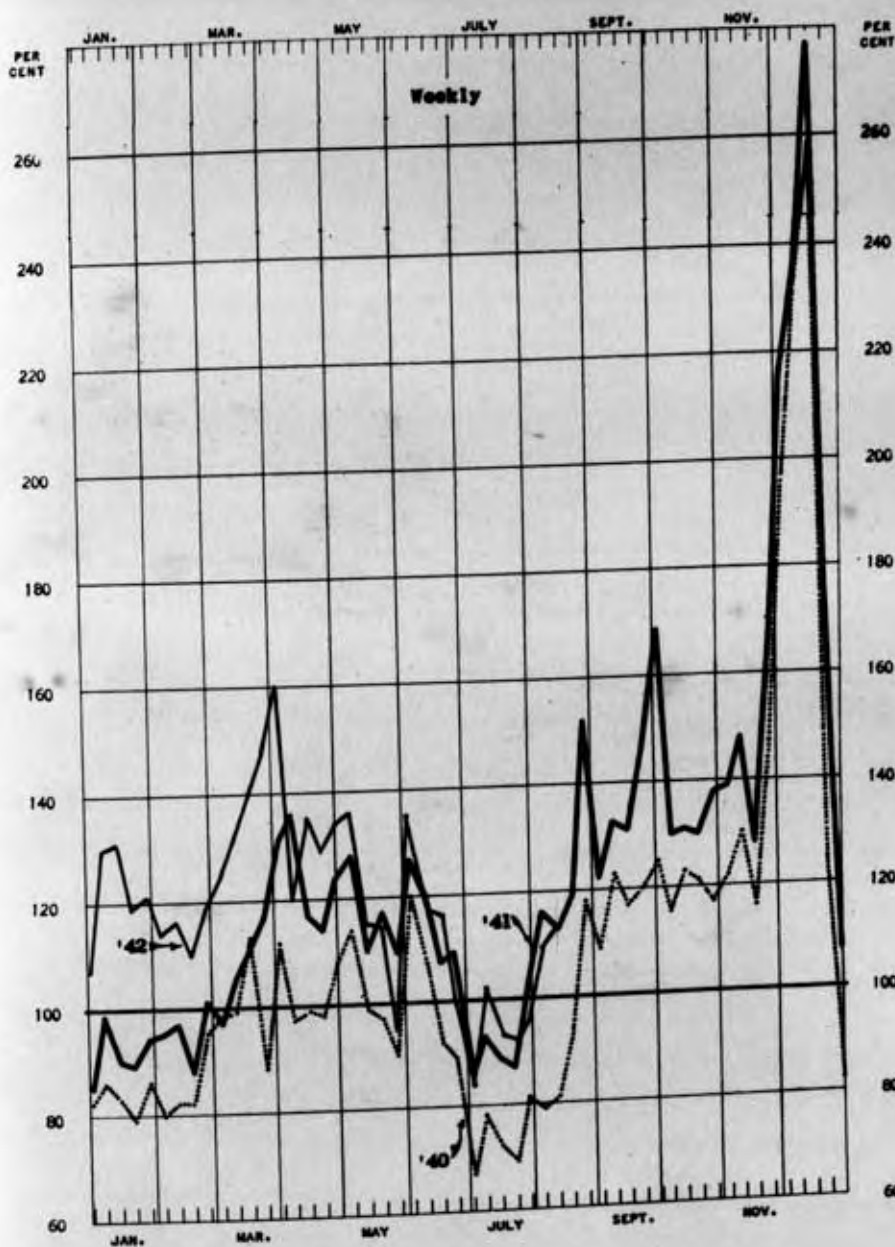
PERCENTAGE CHANGE DEC. 6, 1941 TO JULY 31 AND AUG. 21, 1942

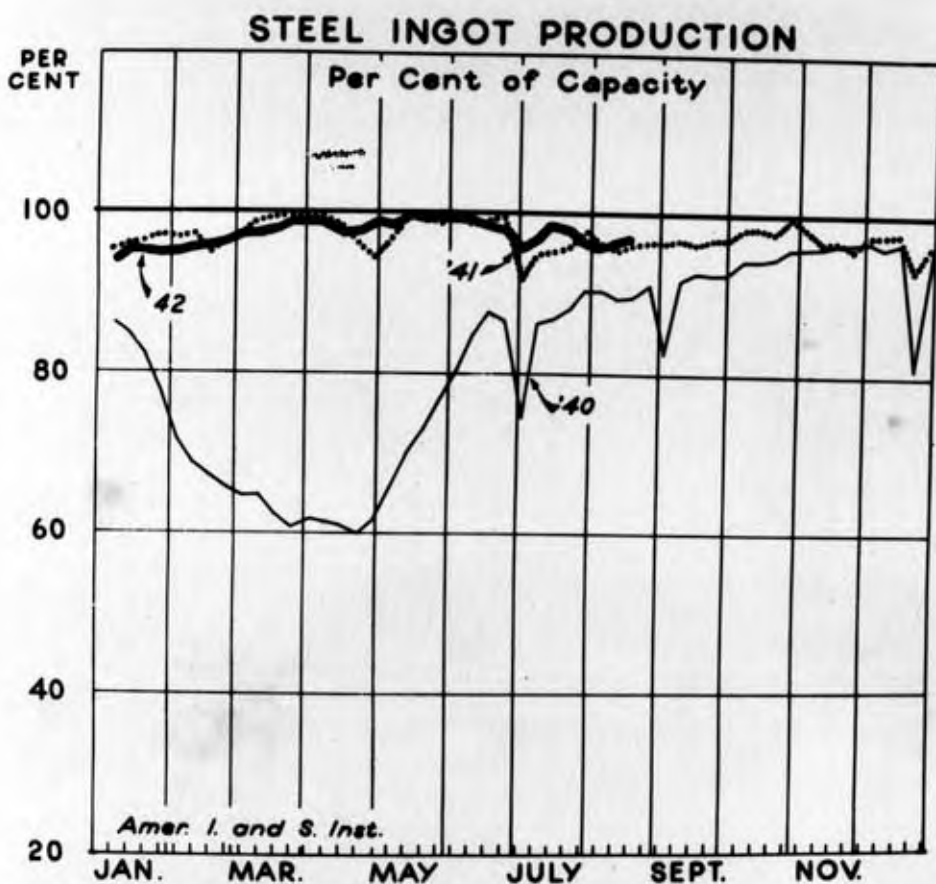


* 20 Controlled and 8 Uncontrolled previous to June 26

DEPARTMENT STORE SALES

1935 - '39 = 100, UNADJUSTED





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

C-419

THE AMERICAN JEWISH
JOINT DISTRIBUTION COMMITTEE, Inc.

100 EAST 42nd STREET, NEW YORK CITY

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ES H. BECKER, *Chairman, National Council*
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MRS. H. B. L. GOLDSTEIN, *Comptroller*
ISIDOR COONS, *Director of Fund Raising*
MOSES A. LEAVITT, *Secretary*

August 24, 1942

Mrs. Henrietta S. Klotz,
U. S. Treasury Department,
Office of Secretary Henry Morgenthau,
Washington, D. C.

Dear Mrs. Klotz:

I thank you for your courtesy and the pains you are taking with respect to our consideration of the matter of the refugees in Shanghai. I enclose herein a letter addressed to the Secretary, together with a copy of a memorandum which we left with Mr. Welles and a copy of the telegram received by us from the International Red Cross.

With personal greetings,

Sincerely yours,

J. C. Hyman
Joseph C. Hyman
Executive Vice-Chairman

JCH:smh
enclosures

THE AMERICAN JEWISH
JOINT DISTRIBUTION COMMITTEE, Inc.
100 EAST 42nd STREET, NEW YORK CITY

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FELIX M. WARBURG, *Honorary Chairman*
IS. N. ROSENBERG, *Honorary Chairman, Executive Committee*
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ISIDOR COONS, *Director of Fund Raising*
MOSES A. LEAVITT, *Secretary*

August 24, 1942

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

Dear Mr. Secretary:

On July 22nd my associate, Mr. M.A. Leavitt, and I had the opportunity to go into the whole question of the plight of the refugees in Shanghai with Mr. Daniel W. Bell, Mr. Foley, Mr. Bernard Bernstein, and Mr. Schmidt. We pointed out that the International Red Cross had cabled their representative in Washington, Mr. Marc Peter, that they were willing to undertake the supervision and administration of whatever funds might become available for relief purposes for the refugees in Shanghai.

Immediately after our discussion with the representatives of the Treasury, we called on Mr. Sumner Welles who had with him Mr. Joseph Green, Chief of the Special Division of the State Department. Mr. Welles told us that he had just had a telephone conversation with Mr. Bell regarding the discussion we had had earlier with the representatives of the Treasury Department, and that he was therefore familiar with the discussions that had taken place. He stated that the Government would find it difficult to make exceptions to the general policy. While he did not define the general policy, he did say that everyone was very much concerned with the situation in Shanghai and was anxious to try to be of help, provided the method used would not constitute an exception. He asked whether the International Red Cross would be prepared to supervise the distribution of funds and supplies. We read to him the telegram from Mr. Marc Peter in which an offer was made by the International Red Cross to assume that responsibility.

Mr. Welles stated that he hoped something could be worked out along those lines, and raised the question as to whether we would be prepared to put up a fund of \$240,000. for the disposition of the International Red Cross. We advised that we did not think that it was necessary to go that far; that we had not raised the question of remitting funds from this country; that all that we would wish to do at this stage would be to authorize our representative in Shanghai, Miss Margolis, to obtain locally the equivalent of \$240,000 which would not be payable until after the war, or at such time as was legal for us to do so. Miss Margolis would be instructed to turn the funds secured locally over to the International Red Cross which then would supervise the distribution, presumably in cooperation with Miss Margolis and Mr. Siegal, her assistant

Honorable Henry Morgenthau

2.

August 24, 1942

and in collaboration with such members of the Shanghai relief committee as were free to serve.

We left with Mr. Welles and Mr. Bell copies of a memorandum describing the situation in Shanghai and of the telegram from Mr. Marc Peter. I enclose herein copies of these papers. Mr. Green asked no questions and took no part in the conversation save to state that Miss Margolis was still in Shanghai and had not been evacuated in the first exchange of nationals from the Far East. We spent about fifteen minutes with Mr. Welles and at the conclusion he stated that he would take the matter up with the International Red Cross and advise us accordingly. He ended the interview by stating, "You will hear from me." The feeling we had as a result of this interview was that an effort would be made to work out the transaction on the basis of International Red Cross supervision.

In answer to the question of Mr. Welles whether the International Red Cross had the right of supervision, we pointed out that although the International Red Cross had the right under international convention to deal with prisoners of war and other internees only, it had undertaken civilian relief where both belligerents agreed to such activity. If the Japanese gave their consent to the International Red Cross interesting themselves in the refugee situation, we believed there would be no difficulty so far as the International Red Cross was concerned. We also advised Mr. Welles that the delegate of the International Red Cross with whom we had discussed the matter, Mr. de Watteville, had stated that the International Red Cross was ready to handle the matter.

Only last week we had opportunity again to meet with Mr. Marc Peter, the delegate of the International Red Cross, resident in Washington. He had had no further word from Mr. Welles or from any other Department of our Government on this matter. We are deeply concerned about this matter. We anxiously await the advice of the competent authorities in this situation.

Sincerely yours,

Joseph C. Hyman
Joseph C. Hyman
Executive Vice-Chairman

JCH:mh
enclosure

MEMORANDUM ON THE REFUGEE SITUATION IN SHANGHAI.

There are some 22,000 refugees in Shanghai. Prior to December 7, 1941 the Joint Distribution Committee sent subventions amounting to \$30,000 a month to provide daily food and shelter for some 6 - 7,000 refugees and occasional food, medical and other assistance for 6,000 additional people. The relief activities are supervised by a volunteer group of Jews resident in Shanghai (mainly British and Dutch subjects). The committee is aided by two American representatives of the J.D.C., Miss Laura L. Margolis, known to and highly regarded by the Hon. Avra M. Warren, our new Minister to San Domingo, arrived in Shanghai in April, 1941. The second representative, Mr. Manuel Siegel, arrived in November, 1941. So far as we know, they are both still there, but there is a possibility that Miss Margolis may have been repatriated in the post-war exchange of nationals now taking place.

In March, 1941, the J.D.C. notified most of the local relief committees abroad that in the event of a break in communications between them and the J.D.C. office in New York, they were authorized to continue to carry on their activities for a period of several months by borrowing locally at the same budgetary rate as for the month in which the break had occurred. Reimbursement for funds borrowed would be made after the war, or at such time as it was legal and feasible to do so. In order to limit the post war liability of the J.D.C., a definite period of six months was set on December 10, 1941, for which the local committees could borrow and count on reimbursement. On this basis the committee in Shanghai was authorized to borrow the equivalent in Shanghai dollars of \$180,000 which would enable them to carry on their relief program through May 31, 1942.

We have learned that our American representatives were able to borrow \$180,000 and they have requested authorization to arrange for an additional six months at the rate of \$40,000 per month. We have been informed that \$130,000 of the \$180,000 has been borrowed from a Mr. Jacob Shriro, whose brother, Mr. Aron Shriro, is now resident in New York City. From Mr. Aron Shriro we learned that his brother is a Russian national who carried on a substantial import and export business in Shanghai. Although we have no confirmation, we believe that the remaining \$50,000 was borrowed from another Russian national, Mr. David Ponevsky, whose brother, Mr. Anatole Ponevsky, is also resident in New York City.

The refugees in Shanghai are for the most part German and Austrian nationals, now declared stateless by the German Government by their decree of November 25, 1941. There are in addition somewhat over 1,000 Polish nationals as well as a sprinkling of Czech and Dutch refugees.

The problem of sending a cable through the Swiss Embassy to our American representatives, authorizing them to proceed for another six months on the same arrangement as for the first six months, was first discussed informally with Mr. M.L. Hoffman of the Office of Foreign Funds Control of the Treasury Department. Mr. Hoffman after consultation with his colleagues informed us

-2-

by telephone on May 13, 1942, that since this did not involve an exchange transaction in which dollars would be paid for foreign exchange, the Treasury had no jurisdiction in the matter. The problem was one of communication with enemy-occupied territory and Mr. Hoffman suggested that we take the matter up with the Special Division of the Department of State. The problem was thereupon presented to Mr. Joseph Green, Chief of the Special Division. He took the position that unless the sending of the cable were approved by the Treasury Department he would not be free to transmit the cable through the diplomatic channels of the State Department. This in turn was reported to the Treasury Department and we understand that as a result of a conference between State and Treasury the Treasury Department assumed responsibility for authorizing the transmission of cables of this nature. The Treasury decision was that it could not authorize the sending of such a cable.

On June 27, 1942, Mr. Marc Peter, delegate of the International Red Cross Committee in Washington, relayed to the J.D.C. a message received by the Geneva office from the delegate in Shanghai. A copy of this message is attached hereto. Mr. Jean de Matterville, a representative of the International Red Cross now on a visit to this country and planning to return to Geneva in August, confirmed to the office of the J.D.C. the readiness of the International Red Cross to supervise the distribution of funds and foodstuffs purchased with funds that can be made available by borrowing in Shanghai.

July 20, 1942

COPY OF TELEGRAM.

WASHINGTON, D.C.

JUNE 27, 1942

JOINT DISTRIBUTION COMMITTEE
100 East 42nd Street
NEW YORK CITY

HAVE BEEN ADVISED BY INTERNATIONAL RED CROSS COMMITTEE IN GENEVA THAT YOUR FORMER CONTRIBUTION TO COMMITTEE ASSISTANCE EUROPEAN JEWISH REFUGEES SHANGHAI CEASED DECEMBER AND THAT YOUR AUTHORITY TO RAISE LOANS SHANGHAI FOR A TOTAL HUNDRED EIGHTY THOUSAND IS NOW EXPIRING. RENEWAL IS OF GREATEST URGENCY AS NINE THOUSAND ABSOLUTELY DESTITUTE DEPEND ON THIS RELIEF. DELEGATE OF INTERNATIONAL RED CROSS COMMITTEE IN SHANGHAI IS WILLING TO SUPERVISE DISTRIBUTION OF FUNDS. A COMPLETE REPORT ON THIS SITUATION HAS BEEN CABLED TO THE STATE DEPARTMENT BY THE INTERNATIONAL RED CROSS COMMITTEE. MY ADDRESS IN WASHINGTON IS 2500 QUE STREET NW

MARC PETER, DELEGATE INTERNATIONAL RED CROSS
COMMITTEE IN U.S.A.

TREASURY DEPARTMENT

233

INTER OFFICE COMMUNICATION

DATE AUG 24 1942

TO Secretary Morgenthau
FROM Mr. Paul

In my memorandum to you of August 20, 1942, it was indicated that the State Department was being asked to call a meeting of representatives of State, Treasury, and Censorship to canvass what steps can be taken to prevent the use of the diplomatic pouch to avoid our wartime controls.

John Pehle discussed this matter with State on August 19 and it was agreed that State would call a meeting to see what can be done about this problem. Acheson is out of the city on a short leave and State prefers to await his return to call the meeting. In the meantime the State Department has been requested and has agreed to gather together all information in its possession evidencing abuse of the diplomatic pouch privilege, and we are doing the same.

I will keep you advised as to the progress of this matter.

hsp

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 24, 1942

TO Secretary Morgenthau

FROM Mr. White

Subject: R.K.O. case; Review of developments

A letter received from Mr. Bewley dated August 15 informs the Treasury that the British Treasury has written to R.K.O. stating that it may make application for the release of \$2 million, but that, because the British Treasury has not received assurances from the rest of the industry that release of R.K.O. funds would not be considered a precedent, release of the balance must wait upon the general settlement to be made at the negotiations with the industry at Washington.

R.K.O.'s funds blocked in Britain amounted on June 27 to about \$3.5 million.

The Treasury has also received a memorandum of August 13 from Mr. Patterson of R.K.O. reviewing R.K.O.'s efforts to obtain from the industry the letter stating that release of its funds would not be considered a precedent. I am attaching a memorandum outlining the Treasury's information on this matter and the information contained in Mr. Patterson's memorandum.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 24, 1942

TO Mr. White

FROM Mr. Hicks

Subject: R.K.O. case; Request that letter be furnished stating that industry would not regard release of R.K.O. funds as a precedent

Mr. Hays assured Mr. White on May 13 that, though the industry was primarily interested in obtaining release of all its funds, it would not object, if that should prove impossible, to having R.K.O. receive special treatment because of its critical financial position. Mr. White asked Mr. Hays to provide a letter to this effect.

Mr. Bewley told Mr. White on June 17 that London had said that it was willing to consider sympathetically an approach from R.K.O. if assurances were given that the rest of the industry would not construe the release of R.K.O.'s funds as a precedent. Mr. White told Mr. Bewley that the industry had said that they would not object, and that he had asked Mr. Hays for such a statement, and had also asked Mr. Schaeffer (then President of R.K.O.) to obtain such a statement from Mr. Hays. Mr. White requested that the British contact the Treasury before completing their negotiations in order to learn whether or not the Treasury had received such a letter.

During this period the industry held meetings to determine whether Alport, the industry's representative in London, could file a separate application for R.K.O. Mr. Patterson's memorandum says "There was some difference of opinion although it was generally agreed that if R.K.O. insisted it could require Alport to submit its application over objection." It was agreed that Mr. Hays might instruct Alport to file R.K.O.'s application and state that the general application would shortly be made by the other companies.

Mr. Patterson called upon Mr. White on July 16 and gave him copies of a letter and two cables constituting Mr. Hays' instructions to Alport in accordance with the industry's decision. The cables were as follows:

1. Hays to Alport: "Embassy advising you of cable of State Department to Embassy today. You may file application for R.K.O."

2. State Department to the Embassy: "Please notify the British Treasury that the motion picture industry is in course of preparing its application for de-freezing the impounded sterling and that application will be made through official channels as heretofore. Advise Alport of foregoing."

Division of Monetary
Research

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Mr. Patterson said that he presumed the cablegrams indicated that the motion picture industry had no objection to R.K.O. receiving special consideration. Mr. White told Mr. Patterson, however, that a more explicit statement would be necessary.

Alport filed R.K.O.'s application and then cabled Mr. Hays stating that the British Treasury was prepared to consider the application favorably if the letter in question was received.

Thereupon members of the industry met and, "after much effort" agreed upon the following statement:

"(1) The industry, as a whole, is making application to de-freeze all funds on various grounds which it believes entitle it to relief.

"(2) Should the British Treasury see fit to grant R.K.O.'s application it should be understood that this will not militate in any way against any company or against the general application of all companies, which application includes among others the same arguments for de-freezing that R.K.O. has presented. This means that other companies individually or as a group waive no rights at all, including the right to claim release of funds for themselves for the same reasons recognized in R.K.O.'s case, in addition to all the other reasons for the release of such funds, in justice to their own obligations to their separate stockholders."

The British Treasury replied:

"While this is not the undertaking for which we had asked, I should not regard it as unreasonable for the remaining companies to support any claims they may wish to put forward by considerations similar to those advanced by R.K.O. But equally I should not be prepared to accept as an argument in support of claims from the other companies the mere fact that R.K.O. might have received a concession, without satisfactory evidence that the other companies have valid arguments to urge showing that their circumstances are similar to those which we have recognized in the case of R.K.O."

Upon receipt of this advice from Alport the industry again held meetings and "after much difficulty" agreed to the text of a telegram stating:

Division of Monetary
Research

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"Agreement companies understand British Treasury is not prepared to accept as an argument in support of claims they might put forward the mere fact that R.K.O. might have received a concession. Agreement companies point out, however, that while they may support their general application for de-freezing by presenting many reasons which seem just to them, among which are those advanced by R.K.O., they certainly do not expect favorable Treasury action to be conditioned upon a showing that their circumstances are similar to those which have been recognized in the case of R.K.O."

A few hours later, however, Universal, whose president had been out of the city, objected to the statement, and Alport was advised not to submit it until an agreement had been reached with Universal. This company refused to approve the statement, and at that juncture United Artists also withdrew their support from the statement and Mr. Alport was stricken with appendicitis.

Mr. Bewley's letter of August 15, informing the Treasury of the offer to release \$2 million of R.K.O. funds, mentions receipt of a letter of August 12 from R.K.O., of which we do not have a copy, but complains that no reply was received to the British Treasury's letter quoted in part above.

C
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HM4C

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

Chungking via N.R.

Dated August 24, 1942

Rec'd 8:04 p.m.

Secretary of State,

Washington.

965, August 24, 10 a.m.

FOR THE SECRETARY OF THE TREASURY FROM ADLER

TF 55.

One. Central Bank's oversold foreign exchange position in July United States dollar 11,031,000 and 96,000 pounds (sterling). High United States dollar total for July which exceeds that of previous ten months combined due to payments by Chinese Government to American Bank Notes Company, Security Bank Notes Company and American Paper Company amounting to United States dollars 10,662,000 for currency notes and paper and ink. (Payments to British printing companies are made from British export credit). Central Bank's claim from the board under the November 1, 1941, agreement thus about United States dollars 20,700,000 and pounds (sterling) 5,620,000. Subtracting item of about United States dollars 2,700,000 and pounds 1,000,000 representing Chinese Government foreign exchange expenditures from August 21 to October 31, 1941, board's net obligation under November 1, agreement now United States dollars 18,000,000 and pounds 4,620,000. To meet sterling claim board has about 2,000,000 pounds on hand and has proposed to Dr. Kung that the 2,000,000 pounds accruing to the Chinese Government from its purchase of Hong Kong dollar and Burma rupee notes from Chinese refugees be turned over to the Board. If Dr. Kung agrees there would remain over 500,000 to be met from the board's United States dollar assets. However, it has been suggested by the British member that the board should not exhaust its sterling assets but should keep 1,000,000 pounds from which to meet its current sterling liabilities which would increase the sterling drain on the board's United States dollar assets to over 1,500,000 pounds. Should appreciate your reaction to this suggestion.

Two. On August 20 at first full board meeting since Mr. Fox's death board unanimously voted to grant Mrs. Fox a solatium of United States dollars 25,000.

GAUSS

WSB

NOT TO BE RE-TRANSMITTED

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 289

Information received up to 7 A.M., 24th August, 1942.

1. NAVAL

Photographic reconnaissance yesterday located TIRPITZ, HIPPER, KOLN and 5 destroyers at NARVIK.

2. AIR OPERATIONS

WESTERN FRONT. 23rd. A Mosquito bombed Sylt aerodrome and two Wellingtons bombed LMDEN Docks. Six Spitfires attacked railway targets and a factory in the ROUEN area, one of them is missing. A JU 88 was shot down over ST. GEORGE'S CHANNEL by Spitfires, one of which was lost.

23rd/24th. Ten enemy aircraft flew over this country, three of them were destroyed and one damaged by night fighters.

EGYPT. 21st/22nd. Our bombers again attacked TOBRUK and MERSA MATRUH Harbours, one F-boat was set on fire and others damaged. Enemy Mechanical Transport and tanks in the battle area and camps east of SIDI BARRANI were also successfully attacked.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Aug. 24, 1942

TO Secretary Morgenthau
FROM Mr. Hoflich

Subject: Lieut. Kamarck's article on the reason for Hitler's attack on Russia.

You may be interested in the attached article "Why Hitler Attacked Russia" by Lt. Kamarck from the Field Artillery Journal for September, 1942.

In this article, the author concludes:

"The Nazi invasion of Russia reveals as in a lightning flash the dilemma confronting Hitler. That is, Germany is conducting a two-front war with a one-front army and a one-front air force. When the German military forces were on the offensive in the West, they could do nothing in the East. Last year, when the German military forces were on the offensive in the East, they were forced to remain passive in the West.

"The German attack on the Soviet Union was a desperate attempt by the Nazis to escape from their terrible predicament by eliminating one front in a surprise offensive. The failure of the Reichswehr to eliminate the Russian Army last year before the Western Allies were ready to take the offensive means that the German dilemma has become insoluble.

"Hitler can no longer win this war, although we can still defeat ourselves by a passive strategy. If we pursue the correct aggressive strategy, Hitler's fate is sealed. It is obvious what we must do: when Hitler attacks in the East, we must strike him in the rear in the West; when Hitler is forced to turn around to meet our offensive in the West, our Russian ally must attack in the East as she did this last winter. Under this Allied strategy, the German problem is hopeless and admits of no possible solution."

WHY HITLER ATTACKED RUSSIA

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Until the invasion of Russia on June 22, 1941, it appeared that Germany was pursuing assiduously the strategy of "one enemy at a time." She attempted, and with considerable success, to isolate her chosen victim, use all her force to destroy him, and then move on to the next objective. Yet, while Germany was still engaged against England, she suddenly attacked and brought into the lists against her another major enemy, Russia.

More than idle curiosity is served by the knowledge of why Germany attacked Russia. If we understand why the Nazis felt it necessary to attack Russia, we will comprehend the German situation and thus be better able to make our own decisions. Furthermore, the attack on Russia provides a case-study of the German military mind; knowledge of how our enemy thinks is especially valuable. It is well known, now, that the tactics and techniques used in the Battle of France were outlined years before the war in German military journals. A British officer, Lt. Col. de Watteville, in the October, 1940, *Army Quarterly* pointed out that in the pre-war standard German work on tank warfare is a description of an imaginary battle of August, 1940, which is practically a description of the actual battle which did take place in that year.

There is considerable evidence that the German General Staff did not believe that Russia would be an easy victim and, therefore, that the reasons impelling Germany to attack must have been very powerful. Prior to the war, the German General Staff advised Hitler that Germany's chances for victory in a general war depended on keeping Russia neutral. According to the official *French Yellow Book*, the French Ambassador at Berlin, M. Coulondre, reported to his Foreign Office on June 1, 1939, that he had reliable information from a senior official of the Wilhelmstrasse that:

The Fuhrer has asked General Keitel, chief of the General Staff, and General von Brauchitsch, C-in-C. of the Army, whether in their opinion, under existing conditions, an armed conflict would turn in favour of Germany. Both replied that much depended on whether Russia remained neutral or not. In the first case General Keitel replied "Yes" and General von Brauchitsch (whose opinion has greater value) replied "Probably." Both declared that, if Germany had to fight against Russia, she would not have much chance of winning.

Proof of the high estimate put on Russian military power by the Germans can be deduced from the heavy price which was paid to keep Russia neutral. The German Army had to turn over to the Red a large part of Poland's western territories. The Reichswehr had to stand by while Russia marched into the Baltic states and transformed them from an easy German highway to Leningrad into fortified Russian defense-bulwarks. When Russia took over Hangoe from Finland in the Russo-Finnish war and thus barred the sea route to Leningrad, the Germans again had to acquiesce, although the Russians were thus improving their strategic position against future German pressure.

The German General Staff clearly understood that the Russians were strengthening themselves against possible German attack. Hitler said in his June 22, 1941, speech that when Russia was acquiring the Baltic states and the territory from Finland she motivated these actions by the fact that she had to forestall an outside menace:

This could only be meant to apply to Germany, for no other power could even gain entrance into the Baltic area, let alone go to war there.

Colonel Barrows of the U. S. Army similarly pointed out in the October, 1941, *U. S. Army Command and General Staff School Military Review* that Russian territorial gains in the first years of the war were all designed to form a buffer strip to absorb German blows while Russian mobilization was completed.

It is not often remembered that the German Army was probably in a better position to estimate the correct strength of the Russian Army than were any other observers. German generals developed their theories of mechanized warfare in cooperation with the Russians, prior to the taking of power by Hitler. Before 1933 the Reichswehr officers spent long tours of duty with the Russian Army. As for the German air force, here is what a British air magazine* has to say:

During 1937 and 1938, long extracts from . . . (the Russian Regulation for the employment of the air force in the field,

**The Aeroplane*, July 18, 1941; Russian Air Power: The Strategic Plan.

The Real Significance of the German Attack

By LT. ANDREW M. KAMARCK, FA

published in 1935) were published by German military and aeronautical journals together with the comments of Russian experts. The curriculum of the German Air Warfare Academy contains a number of lectures on the Regulation, which was described as the first of its kind to lay down the principles for the use of the air weapon.

A survey of the German air operations of the present war suggests that most of them have been modelled on the Russian Regulation whether they were independent air force operations or collaboration with the ground forces. This is not surprising if one keeps in mind that most of the prominent Luftwaffe generals . . . learnt their first lessons in aerial warfare in Russia before 1933, when the German and Russian High Commands worked closely together on building up their armed forces.

The second part of the Regulation is the more interesting. The great battles of this war launched by the Germans seem to have been modelled on it; and examples of its operation are the break-through at Sedan and the German thrust towards the Channel ports.

It therefore is evident that the German General Staff was fully aware that the Red Army was a formidable opponent. Carried away by their easy victories in Poland and France, the Nazis may have under-rated the Russian Army, but they certainly never believed that it would be an easy mark. The German propaganda, peddled so effectively abroad, that "the German Army could go through the Russian Army like a knife through butter," of course did play an important role even though the Germans themselves knew better. This propaganda depreciated the estimate the democracies had of the alliance-value of Russia and probably delayed by months the sending of supplies to the Russian Armies.



Two lengths of channel iron enable mechanized troops to cross although the bridge has been blasted. (Dever from Black Star)

Any explanation for the German invasion based on the premise that Hitler is a psychopathic case must be discarded. Hitler may well be mentally unbalanced, but no one has yet been able to demonstrate that the German conduct of the war has been governed by other than sound military grounds—and the invasion of Russia is not an exception.

The most generally accepted theory for the attack is that Germany attacked Russia to secure needed supplies. This theory is simple, appealing, and, unquestionably, is part of the truth. Yet the desire to secure Russian supplies can not be, by any means, the whole story of the motives behind the Nazi assault.

Hitler was receiving some supplies from Russia prior to the invasion. It was not much, we now know, but still it was something. At the same time, some strategic materials did trickle through from the Far East via Japan and the Trans-Siberian. An invasion of Russia would cut off these supplies for at least some months. The hope that Russian resources could be secured by invasion was at best a risky one.

The German General Staff knew from experience the Russian tactics of fighting and their scorched-earth policy: this is not the first time the Germans have invaded Russia. In 1918 the German Army took the Ukraine with very little fighting, as a result of the collapse of the old Czarist state; even so, grain had to be imported from Central Europe to feed the army of occupation. In 1941, the Germans knew that there was no German fifth column alive in Russia. That they also knew that they could expect no popular support of any kind is shown by the absence of attempts to set up puppet governments in occupied territories.

The German experience with the occupied countries of western Europe was no inducement to take on new territories to administer. Because of shortage of manpower, it is clear that the Nazis have failed to organize their occupied territories successfully. As the war has continued and resistance of the conquered peoples has grown, the contribution of occupied Europe to the German war effort has been decreasing rather than increasing.

Not only was there the risk of losing the imports from Russia without gaining any new resources, but the large-scale fighting necessary would constitute a heavy drain on German resources and reserves. The German Army for a Russian campaign had to be at least twice as large as the army used in the French campaign (300 divisions as against 100-plus in the west). German production would unquestionably suffer from lack of manpower. In the Balkans, too, mobilization of Romanian, Hungarian, and Bulgarian soldiers would deplete the working forces and reduce production in the German granary of the Balkans.

If the primary motivation of the German invasion of Russia was to secure the Russian resources, and since:

(a) the Russian campaign has been a tremendous drain on German resources, and (b) no substantial gain in resources has been derived from Russia, then the German Army's supplies must be well-nigh exhausted. This conclusion, while pleasing, is a fit companion to and as dangerous as the Chamberlain-Daladier theory of 1939-40 that Germany had a bad supply situation and could, therefore, be whipped by an economic blockade alone and no fighting would be necessary. It is true that now in the summer of 1942, the German supply situation is arriving at the point where one can begin to characterize it as "bad." But this deterioration is mainly the result of the war in Russia which has drained reserves, resources, and men off to the East to be consumed on the Russian front. Practically all students of the German economy agree that had it not been for the Russian war, Germany could stand the war almost indefinitely without any unbearable hardships. Let us have no illusions on this point.

From the record, it is clear that Hitler must have had some powerful motive other than the desire to secure Russian resources to impel him to bring such a dangerous enemy into the field against Germany. This second and probably more important reason why Germany attacked Russia was carefully explained by Hitler in his speech on the morning of the invasion:

While our soldiers from May 10, 1940, had been breaking Franco-British power in the west, Russian military development on our eastern frontier was being continued to a more and more menacing extent.

From August, 1940, I therefore considered it to be in the interest of the Reich no longer to permit our eastern provinces, which moreover had already been laid waste so often, to remain unprotected in the face of this tremendous concentration of Bolshevik divisions.

Thus there resulted British-Soviet Russian cooperation, intended mainly at the tying-up of such powerful forces in the East that radical conclusion of the war in the West, particularly as regards aircraft, could no longer be vouched for by the German High Command.

In other words, Hitler was invading Russia not to create a new front against himself, but to eliminate an already existing second front. Churchill's analysis of the causes of the German attack on Russia is similar. On the day of the German invasion, Churchill unhesitatingly ranged England on the side of the Soviet Union,



Observation is well organized in the German Army in Russia. The German caption reads: "All observed details are reported by 'phone of every B-position to the commanding officer's observation post of the division. Here the entire scenery of the situation forms herself which is deciding for the future operations." Possibly this can be interpreted as follows: "The division OP. Here are received, also, reports from other OP's. Thus the various pieces of the puzzle are fitted together. This is most useful to the commander in formulating plans and making decisions relative to future operations." (Dever from Black Star)

giving his analysis of the reasons for the German action in the following words:

... when I spoke a few minutes ago of Hitler's blood lust and the hateful appetites which have impelled or lured him on his Russian adventure, I said there was one deeper motive behind his outrage. He wishes to destroy the Russian power because he hopes that if he succeeds in this he will be able to bring back the main strength of his army and air force from the east and hurl it upon this island, which he knows he must conquer or suffer the penalty of his crimes.*

His invasion of Russia is no more than a prelude to an attempted invasion of the British Isles. He hopes no doubt that all this may be accomplished before the winter comes, and that he can overwhelm Great Britain before the fleets and air power of the United States will intervene; he hopes that he may once again repeat upon a greater scale than ever before that process of destroying his enemies one by one, by which he has so long thrived and prospered, and that then the scene will be clear for the final act without which all his conquests would be in vain; namely, the subjugation of the Western Hemisphere to his will and to his system.

The Russian danger is, therefore, our danger and the danger of the United States. . . .

Churchill plainly pointed out in this speech that Hitler was attacking the Soviet Union to eliminate Russian military power in order to be free to concentrate upon and destroy his British enemy.

The analysis that Hitler attacked Russia in order to eliminate an already existing front means, of course, that Hitler has had a war on two fronts from the beginning of World War II. Only a few penetrating military analysts such as Captain W. D. Puleston of the U. S. Navy recognized prior to June 22, 1941, this salient fact

*My emphasis.—A. M. K.

as a characteristic of the present war. But when we look back over the history of the war since September 1, 1939, it becomes evident that only this analysis brings out the significance of developments and completely explains what otherwise appear to be incomprehensible events.

If one now applies the Clausewitz definition of war as "the continuation of policy by means of force," the German attack on Russia is seen to be merely a violent continuation of the silent struggle which had been going on by diplomatic means since the beginning of the war.

Actually, the history of this war has not differed markedly from the history of the last one, despite surface appearances. Germany has had the same problem in both wars (enemies on two fronts) and has attempted to solve it in somewhat similar manner. (The Polish, Norwegian and Balkan campaigns in this war, like the Mesopotamia and Salonika campaigns of the last, while not unimportant are subsidiary to the main outlines of the strategic picture.) In 1914 and in 1939 it was clear to the German General Staff that victory could be won quickest on the western front. While the enemy in the west was being defeated, it was planned to purchase the necessary time by selling space to the enemy in the East. Thus, in 1914 the Germans were ready to give up East Prussia, if necessary, while in 1939-40 they gave up half of Poland, the Baltic States, and strategic positions in Finland, Bessarabia, and northern Bukovina.

Note how Goering describes these Russian acquisitions in military terms in his speech of May 20, 1942:

Slowly the (Russian) columns penetrated, first in the north against Finland. In the south they took over Rumanian positions. And they would have pushed on farther and farther to the north and to the south, on the Balkans, over Scandinavia, in order then in these pincers to give the final blow to Germany, which was involved in a hard struggle against the other powers.

In 1914 the Battle of the Marne, which should have knocked out the French, failed partly because three Army Corps were withdrawn from France to meet the Russian invasion in the East. In 1940, the Germans succeeded in knocking out the French before the Russians could influence the battle, partly because the tempo was so fast, partly because the Russians overestimated French resistance, and partly because the hang-over of Munich had so soured Russian relations with the French that there was no joint plan of action. After the defeat of France the Germans made ready to attack England, which was practically disarmed after Dunkerque: for example, it has been revealed that after Dunkerque there were less than 100 tanks in the whole island of Britain, and seventy destroyers were out of action as a result of damages during the evacuation.

At this point, when the British were preparing to sell their lives as dearly as possible, an informal alliance sprang into action which has only recently been formally recognized. Both the United States and the Soviet Union felt their interests were bound up with the con-

tinued resistance of the fortress of Britain, and both gave aid. The United States poured weapons into the British Isles to arm the British, the transfer of 50 destroyers being only the most spectacular aspect of the assistance given. At the same time the Russians made an armed demonstration in the East to draw as large German forces as possible away from the Channel coast. As Hitler stated, "Thus there resulted British-Soviet Russian cooperation, intended mainly at the tying up of such powerful forces in the East that radical conclusion of the war in the West, particularly as regards aircraft, could no longer be vouched for by the German high command."

The Germans tried, nevertheless, to win the Battle of Britain with the remaining available portion of their air force. They came very close to success and the British had to rob their flying schools for pilots to beat back the German threat, but the skill and the courage of the British had the edge and won the Battle of Britain. There can be no doubt now but that the Battle of Britain was the Battle of the Marne of this war, and that its outcome was shaped by some similar strategic forces.

In the following winter of 1940-41, Hitler attempted to conquer the fortress of Britain by cutting her supply-lines by air, submarine, and surface action. This attempt failed, due to the vigorous British defense and the assistance of the United States. When the United States on April 30, 1941, announced it would patrol the American defense zones in the western Atlantic, the Germans had the choice of crippling their submarine campaign or risking bringing the United States into the war. In 1917, the risk had been taken; in 1941, the Germans balked. Hitler admitted this openly last April 26: "I have already previously stated that the paralyzing of German submarine activities in the past year was solely due to our efforts to avoid any conflict with the United States." (For a more complete discussion of this phase of the war, see my article, "The Unknown British-American Victory" in the August, 1942, issue of the *United States Naval Institute Proceedings*.)

It runs counter to all German military thinking to remain passive: something had to be done to bring the war to a decision. Only one way out was open: an attempt would have to be made to eliminate the Russian front.

An attack on Russia possessed many attractions for the Nazis. They hoped they could use the Communist bogey-man again to cause confusion in the democratic camp. The bulk of the German Army could be concentrated on Russia. The British had been pushed back across the Channel and, for the time being, it was likely that they would make no attempt to re-cross and open up a new land front in the West. The old Munich sleight-of-hand might be repeated to neutralize the British by diplomatic means while the Russians were being crushed. Hess was sacrificed in the experiment. Even

though this attempt failed, the German General Staff hoped to destroy the Russian Army before Britain was strong enough to invade the continent. Once the Russian front was eliminated, German military forces would be free to swing around and attack England with all their concentrated power.

The Nazi invasion of Russia reveals as in a lightning flash the dilemma confronting Hitler. That is, Germany is conducting a two-front war with a one-front army and a one-front air force. When the German military forces were on the offensive in the West, they could do nothing in the East. Last year, when the German military forces were on the offensive in the East, they were forced to remain passive in the West.

The German attack on the Soviet Union was a des-

perate attempt by the Nazis to escape from ~~843~~ a terrible predicament by eliminating one front in a surprise offensive. The failure of the Reichswehr to eliminate the Russian Army last year before the Western Allies were ready to take the offensive means that the German dilemma has become insoluble.

Hitler can no longer win this war, although we can still defeat ourselves by a passive strategy. If we pursue the correct aggressive strategy, Hitler's fate is sealed. It is obvious what we must do: when Hitler attacks in the East, we must strike him in the rear in the West; when Hitler is forced to turn around to meet our offensive in the West, our Russian ally must attack in the East as she did this last winter. Under this Allied strategy, the German problem is hopeless and admits of no possible solution.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE

August 24, 1942

TO Secretary Morgenthau
FROM Ferdinand Kuhn, Jr.

On pages one to four of this report, the section headed "Editorial Attitudes" is Alan Barth's regular weekly survey of newspaper opinion, just as he used to write it for us.

I think you will also be interested in the chart on page 10 showing particularly how many people would be willing to make "peace" if the German army overthrew Hitler and offered "peace" now.

The section on page 16 and 17, about morale in the city of Detroit, bears out the recent lurid description of the subject in Life magazine.

F. K.

Report #37

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8-21-42

INTELLIGENCE REPORT

37

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This document contains information relating to the national defense of the United States within the meaning of the Espionage Act, as amended, U. S. Code 50, Sections 31 and 32. Its transmission or communication in any manner to any unauthorized person is prohibited by law.

OFFICE OF
WAR INFORMATION
BUREAU OF
INTELLIGENCE

COPY No. 33
Ferdinand Kuhn, Jr.

Such recommendations and suggestions as may appear in this report have not been cleared in advance with the Director of the Office of War Information and do not necessarily reflect his views or those of the Office of War Information. Recommendations and suggestions, if they do appear, are only submitted by individuals in the Bureau of Intelligence who have assembled the data and they are offered for the consideration of appropriate authorities.

The Bureau of Intelligence of the Office of War Information uses a variety of procedures and techniques to obtain its data on the attitudes of people and on what is brought to their attention. These procedures and techniques have been found reliable after extensive experimentation over a period of years.

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* Reprinted from Intelligence Report #36



NEWS EMPHASIS

Good news from the Solomon Islands brought this sector of the war flaring back into banner headlines after a

few days of obscurity. Handling of the story, in both press and radio, has been dramatic, yet there was little tendency to minimise American dangers and losses. Rivaling it for attention among the fighting fronts was news of the continuing battle for the Caucasus. In general, the war stories were reported with more hopeful overtones during the past week, although the seriousness of the Russian situation was not disguised. American bombing raids helped to give the headlines a somewhat optimistic tone. And Prime Minister Churchill's visit to Moscow was dramatized hopefully.

News from India dropped to a subordinate position. Emphasis was placed on British statements that violence had been brought under control. Newspapers, indeed, seemed deliberately to play the situation down. Radio commentators were more prone to stress its importance.

On the home front, material shortages remained a subject of prime interest. A number of speculative stories discussed criticism of the WPS in regard to supply allocations and the Kaiser plan. The strike at the Bayonne plant of the General Cable Corporation highlighted the problem of wildcat walk-outs. But news interest died down when the Navy took over.



EDITORIAL ATTITUDES

Military Front

Editorial criticism of military issues evaporated into cheers this week over reports of the American offensive in the Solomons. The action was widely interpreted as a part of global strategy,

a number of commentators suggesting that it may have averted a Japanese thrust at Siberia. Toward the end of the week, there was a tendency to abandon earlier caution and describe the American attack as a major success and the beginning of a great offensive.

Satisfaction over the Solomons was carried over into encouragement respecting the Russian front. Commentators reviewing the situation stressed the gravity of the German conquest of the Maikop oil fields. But there seemed little fear of a Russian collapse. Some insisted, indeed, that the Germans had failed in their main objectives. Major George Fielding Eliot, for example, declared, "The German eruption into the northern Caucasian area is a military operation which must move much farther before it can be considered a permanent success. A stalemate now would be tantamount to German defeat."

Agitation for the opening of a second front all but ceased. Comment on this issue was cautious, generally suggesting that the decision must be left to the United Nations leadership.

The meeting of allied leaders in Moscow was commonly interpreted as a hopeful portent of concerted action. The New York Herald-Tribune said of it: "Short of the announcement of a major victory, it is difficult to imagine better news than that conveyed in the communique reporting Mr. Churchill's visit to Moscow." On the air, Raymond Gram Swing found "the presence of Churchill in Russia ... a symbol of the reality of Britain's concern over what is happening in Russia" and called the meeting "an occasion with the life and civilization of nations at stake."

Despite the paucity of news about India, the volume of comment on the Indian problem has been abundant. By no means all of the discussion remains sympathetic to the British. A number of critics express uneasiness over the

way in which the problem has been handled, particularly over the news that whipping is to be employed. In this connection, the New York Times remarked, "If they mean to recognize the freedom and equality of the Indian people, they must not use against a rebellious minority any measures that they would not use against a similar minority in Britain itself."

Much of the uneasiness about the problem in India arises from a sense that Britain's conduct may not be wholly consistent with the stated ideals of the United Nations. Columnist Raymond Clapper observed: "The first anniversary of the Atlantic Charter should have been an important morale event, but it was muffled under the turbulent news from India. The noble words give off just now a slightly hollow ring against the noise of riots in the Gandhi campaign for immediate independence."

Production

Discussion of developing shortages of war materials continued heavy in volume, but changed in tone, to some extent, from mere grumbling to more considered concern. A number of commentators rose to the defense of Donald Nelson. Others refrained from charging him with full blame for the shortcomings they saw in the War Production Board. The St. Louis Post Dispatch, for example, declared that "If the present WPS setup can't produce results, then, as Senator Truman says, Donald Nelson 'should exercise his authority and reorganize the iron and steel division' of his organization."

Walter Lippmann loftily reproved the production chief for "his excessively patient way". He declared that Mr. Nelson must "participate in the planning of the war at the level of General Marshall and Admiral King, and of the combined chiefs of staff, and of the British Minister of Production." It is a

common complaint that Mr. Nelson has not been sufficiently tough.

The Scripps-Howard newspapers have been tilting their lance at WPS on behalf of Henry Kaiser and his cargo plane plan. They charge that the West coast shipbuilder was given the "old bureaucratic run-around." Other commentators, too, reveal dissatisfaction with the way in which Kaiser has been treated.

Attention was diverted from the technical to the human problems of production by the strike at the General Cable Corporation plant in Bayonne, New Jersey. The strike was vehemently condemned. And while commentators approved the prompt seizure of the plant by the Navy, they were avid for more drastic punishment of the strikers. Even the relatively liberal Philadelphia Record said: "Draft into the Army, immediately, the leaders of illegal strikes, their aides, and as many more as may be necessary to convince war workers generally that Uncle Sam is not going to allow them to let down their countrymen at the fighting fronts."

Politics

Comment on the primaries figured among the top editorial topics of the week. The renomination of Hamilton Fish was condemned by most commentators. But a majority also appeared pleased to be able to interpret the renomination of other ex-isolationists as a repudiation of the President's formula for judging candidates by their attitude prior to Pearl Harbor. Like the Detroit Free Press, they argued that any presidential interest in political affairs amounted to "attempted dictation from the outside."

The Chicago Tribune, with its customary restraint, declared in a front page editorial on Mr. Fish's victory that "The outcome of the primary was a

deserved rebuke to a vindictive and unscrupulous administration, determined to punish anyone who had dared to show some independence of mind before Pearl Harbor."



POPULAR REACTIONS

War News

There is a natural correspondence between the handling of news by editors and popular appraisal of events. The stories to which newspaper headlines and radio newscasters give prime attention are the stories upon which public interest is focussed. Thus, when the Bureau of Intelligence asked people to name the most important event of the past week, a majority chose the battle of the Solomon Islands. Second in importance, to the man in the street, was the fighting in the Caucasus.

Most people considered the offensive in the Solomon Islands to be good news. Despite continuing reverses on the Russian front and difficulties in India, there was a marked swing of public opinion toward a belief that the week's war news was generally favorable for the United Nations.

The Bureau of Intelligence, on Friday, August 14, asked a small national sample the same question which it had put to a comparable cross section on July 31 -- "Do you think the war news as a whole this past week has been generally favorable for our side or generally unfavorable?" The results for the two interviewing dates are shown in the following table:

	July 31	August 14
Favorable	21%	46%
50-50	14	16
Unfavorable	53	29
Don't know	12	9

Battle for the Caucasus

Some light is shed on the seriousness with which the American public views the Russian reverses by another question put to the small sample last Friday — "If Russia doesn't get more help from the allies than she is getting now, do you think Russia will be able to hold out against the Germans until this winter?" The division of opinion on this question was fairly even, with a considerable minority undecided. Thirty-eight per cent answered "Yes"; 43 per cent said "No"; 19 per cent expressed no opinion.

Apparently the plight of the Russians is considered grave when it is called to the attention of respondents in these terms. But spontaneous references to the gravity of the Russian situation are not frequent in response to generalized questions about the progress of the war. The full implications of a Russian defeat for the United Nations cause do not appear to be widely understood.

Public opinion is also split rather evenly as to the way in which Russia can best be aided by her allies. The chart immediately below shows the division of opinion expressed by people in response to a question posed August 14 and designed to discover their preference respecting methods of opening up a second front in Europe.

DURING THE NEXT TWO OR THREE MONTHS DO YOU THINK THE ALLIES SHOULD...



Concentrate on increasing their bombing attacks on Germany?

40%



Try to land troops somewhere in Europe to try to attack Germany?

38%



Don't know

22%

Production

The statement regarding production problems issued by the Office of War Information, together with considerable publicity about raw material shortages, seems to have dampened public optimism concerning our productive effort. People are no longer quite so prone as they were a few weeks ago to feel that our output of war material is all that it should be. The table which follows shows the trend of opinion on this subject:

"In general, do you think that production of war materials in this country is going along very well, only fairly well, or poorly?"

	Early July	Late July	Mid-August
Very well	67%	50%	42%
Only fairly well	23	40	43
Poorly	2	4	10
Don't know	8	6	5

Prices

About one-third of the public has sufficient confidence in price control to believe that prices will remain at current levels during the year ahead. More than half of those interviewed believe there will be a rise in prices. Among those anticipating increases, a majority expects that they will be considerable; but a sizeable minority thinks they will be only slight.

DO YOU EXPECT THAT IN THE NEXT YEAR PRICES ON MOST THINGS AROUND HERE WILL GO UP STAY ABOUT THE SAME OR GO DOWN?



Go up

54%

29%

21%

5%



Stay about the same

36%



Other

1%

The Aftermath of Isolationism*

Those Americans who, prior to Pearl Harbor, held views which were commonly called "isolationist" show little embarrassment about acknowledging them today. Either they remain convinced that they were right in their earlier opinion or they believe that the errors demonstrated by hindsight are no cause for consternation. The fact is that when they are asked now to recall the attitudes they held before December 7, they show no hesitation in acknowledging that they were opposed at that time to American intervention in the conflict.

A study prepared by the Princeton University Office of Public Opinion Research sheds interesting light on the attitudes of this group. Last November the Princeton research agency asked the following question of a national cross section: "Which of these two things do you think is more important for the United States to try to do: (1) To help Britain even at the risk of getting into the war or (2) To keep out of war ourselves?" The latter alternative was chosen by 28 per cent.

In June of 1942, a comparable sample of the public was asked: "Before the Japanese attacked us at Pearl Harbor a lot of people thought we should try to keep out of war, rather than run the risk of getting in by sending supplies to England and Russia. Were you in favor of risking war by sending supplies to England or were you in favor of trying to keep out of the war?" Thirty-five per cent put themselves in the second category.

The readiness with which people now acknowledge that they were on the isolationist side before American entry into the war lends small

encouragement to those interested in the defeat of "isolationist" Congressmen. Candidates are unlikely to encounter any greater hostility because of their views on war issues today than they would have last November.

An analysis of those who say they preferred avoiding war to aiding Britain, prior to American involvement, shows that they continue to be markedly less in favor of vigorous offensive action than the majority of the public. The chart on the following page illustrates contrasts between the attitudes of those who said that, before Pearl Harbor, they favored risking war (interventionists) and those who said they favored keeping out of war (non-interventionists).

Nationwide Gas Rationing

The following table summarizes the views of a nationwide cross section on the question of whether gasoline rationing is necessary throughout the country.

	RATIONED AREA			NON-RATIONED AREA		
	Car	No Car	Total	Car	No car	Total
Necessary	51%	56%	53%	27%	41%	31%
Not necessary	39	24	33	60	38	54
Not ascertainable	10	20	14	13	21	15

Interviews were conducted late in July. In general, they confirmed the findings of two telegraphic polls conducted during the first half of July and reported in Survey No. 33.

The contrast between rationed and non-rationed areas is sharp. A

* Reprinted from Intelligence Report #36

* Reprinted from Intelligence Report #36

CONTRASTING VIEWS ON SOME WAR ISSUES

"YES" ANSWERS ONLY:

 Pre-Pearl Harbor Interventionists

 Pre-Pearl Harbor Non-Interventionists



IF HITLER OFFERED
PEACE NOW, WOULD
YOU FAVOR ACCEPT-
ING IT?



IF GERMAN ARMY
OVERTHREW HITLER
AND OFFERED PEACE
NOW, WOULD YOU
FAVOR ACCEPTING IT?



ANY DANGER SOUTH
AMERICA WILL BE
INVADED?



IS THE GOVERNMENT
GIVING THE PEOPLE
AS MUCH INFORMATION
AS IT SHOULD?



SHOULD WE SEND
MOST OF OUR ARMY
ABROAD TO FIGHT
WHEREVER NECES-
SARY?



WHEN WAR IS OVER,
SHOULD U.S. TAKE
ACTIVE PART IN
WORLD AFFAIRS?



majority of people in areas which now have gasoline rationing believed that a nationwide program should be instituted. People in non-rationed areas, on the other hand, were reluctant to accept rationing. In both areas those who did not own cars were somewhat more likely to approve of gas rationing.

Respondents who felt that nationwide gasoline rationing is necessary were asked to tell why. Almost half of them mentioned the need for conserving gasoline — either to supply the armed forces or for some unspecified use in connection with war effort. The reason given by the next largest group of respondents was the need for conserving rubber. In areas where rationing now prevails many people also stressed the importance of equality of sacrifice; they felt that the entire country, and not simply the East, should bear the burden of gasoline rationing.

Of those who felt that nationwide rationing is unnecessary, the largest single group maintained that there is no real shortage of gas. Especially in non-rationed areas, many respondents took the position that any shortage which does exist is due solely to transportation, so that nationwide rationing is unjustified.

Those interviewed were also asked: "Do you think there is a serious rubber shortage in this country now?" Two-thirds replied in the affirmative, and had the word "now" not been included in the question even more might have done so. People in areas where gasoline rationing is now in effect were a little more prone than people in other parts of the country to feel that there is a serious rubber shortage.

Those respondents who said that nationwide gasoline rationing is unnecessary, or who were doubtful about it, were asked the following question:

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Those respondents who said that nationwide gasoline rationing is unnecessary, or who were doubtful about it, were asked the following question:

"Do you think we may have a rubber shortage which is so serious that we will have to ration gasoline all over the country in order to save tires?" Thus reminded of the interrelationship between gasoline rationing and rubber conservation, half of those questioned modified their previously expressed views and acknowledged that such a course might sometime be necessary. This surprising and significant turnabout suggests that large numbers of people now opposed to nationwide gas rationing can be persuaded to accept it if sufficient emphasis is put on its value in conserving rubber.

(For tables and further details see "Gasoline Rationing," Special Report #14, Extensive Surveys Division, available on request to the Bureau of Intelligence.)

Fear of Sabotage

Americans are inclined to feel that their fellow countrymen are not greatly worried over the danger of sabotage. But they think that there is now greater awareness of this danger and a greater fear of it than there was a few weeks ago.

Shortly after the capture of the eight Nazi saboteurs who landed from submarines on Long Island and in Florida, the Bureau of Intelligence put this question to a national sample: "Are most of the people you know really worried about the chances of sabotage in this country or do they think things are pretty well under control?" The first alternative was chosen by 32 per cent of those interviewed; 57 per cent chose the second alternative; 11 per cent did not know how to answer the question.

Proximity to the scene of the saboteurs' landings seems to have encouraged a belief that people are fearful respecting the sabotage danger. Respondents in East coast communities were most inclined to say that people

are worried, while those on the West coast were least prone to hold this opinion.

The Bureau also asked the sample the following question: "Do you think people are more worried now than they were a couple of weeks ago?" Fifty-nine per cent answered "Yes"; 34 per cent said "No"; seven per cent expressed no opinion. Again the East coast led the rest of the country in thinking the public was "worried", while the West was lowest in this opinion. Indeed, among West coast respondents who expressed opinions, a slight majority felt that the public was no more alarmed than it had been two weeks earlier.

There is a majority feeling among Americans that the Government should make public information concerning the capture of spies or saboteurs. The question asked in this connection did not relate specifically to the recently publicized trial of German saboteurs, but was general in nature — "Do you think the Government should tell the public when they catch spies and Nazi agents in this country, or do you think they should keep it quiet?" Fifty-five per cent were in favor of telling the public; 35 per cent were in favor of keeping it quiet; 10 per cent left the question unanswered.

The chief reason offered in support of the contention that the Government should release information of this sort was that it would make the public more vigilant. Conversely, the reason most commonly advanced for the contrary opinion was that it would put the enemy on guard and increase the difficulty of capturing other enemy agents.

Attitudes Toward Aliens

Publicity concerning the recent trial of the Nazi saboteurs appears to have heightened a prevailing feeling that the Germans are the most dangerous

of the alien groups in the United States. The following table illustrates the shift of opinion on this topic between April and July: "Which of these alien groups in the United States do you think is the most dangerous; the Japanese, Germans, or Italians?"

	<u>April</u>	<u>July</u>
Germans	46%	51%
Japanese	35	26
Italians	2	1
All the same	11	15
Not ascertainable	6	7

Despite the fact that a majority of Americans considers the Germans the most dangerous alien group residing here and that no more than one per cent puts the Italians in this category, three-fourths of the public think that all three alien groups should be treated alike. Apparently the belief that Italians are less dangerous than Germans does not remove the fear that they are, nevertheless, a real threat to our security.

In an earlier study, conducted during the first part of June, a similar disinclination to consider Italians as menacing as Germans was apparent. At that time the sample was asked separately about treatment of German aliens and treatment of Italian aliens. A cross tabulation showed that 75 per cent recommended identical treatment for the two groups, 19 per cent favored more lenient treatment for Italians than for Germans; three per cent recommended more lenient treatment for Germans than for Italians. These findings appear to indicate that distrust of the Italian aliens, while less intense than that for Germans, is still sufficient to create widespread opposition to proposals for giving the Italians special consideration.

Attitudes Toward the Anti-Inflation Program*

Most leaders of farm, labor and business groups recognize that inflation constitutes a real threat to the people they represent. They are prepared to support a strong and uncompromising anti-inflation program. Each of them insists, however, that the program should not disadvantage his particular group. Absolute equity is demanded in the imposition of necessary restrictions.

These opinions were secured through more than 600 off-the-record interviews, conducted by the Bureau of Public Inquiry, with leaders of the principal occupational groups in all sections of the country.

The dominant feeling among these group leaders is that the general public has forgotten the President's anti-inflation speech and never possessed any clear understanding of it. The term "inflation" is generally feared, but there is no clear picture of what it means or how it can be prevented. Various phases of the program are opposed by different group interests.

Leaders among these groups are jockeying for preferential positions. None wants that portion of the anti-inflation program affecting his group to be the first undertaken. He would prefer it to be the last, but he will support an over-all program imposed simultaneously and justly.

The view prevails among group leaders that there is urgent need for an effective informational campaign to promote general understanding of two points:

- (1) That sacrifice is necessary today to forestall disaster tomorrow
- (2) That the sacrifices will be imposed simultaneously and equitably upon all, with no privileges and no needless hardships.



DEVELOPING SITUATIONS

Detroit

Serious tensions are fermenting in the overcrowded industrial city of Detroit, one of the most important centers of the American production effort. Labor unrest, a desperate housing shortage, racial antagonisms and unscrupulous agitation combine to create a situation which may become explosive and which clearly detracts from the morale and productivity of this community. There is now some public awareness of the problems which plague the city as a result of the candid picture story on Detroit which appeared in the August 17th issue of Life and subsequent newspaper articles quoting prominent Detroiters.

The restlessness and resentment of Detroit's workers, particularly within the United Automobile Workers Union, was depicted in Intelligence Report #35 and is given additional detail in the following item of this issue. Union leadership may be overridden by the rank and file. Small wildcat strikes are already extremely frequent.

The housing situation is critical. While it is true that the Sojourner Truth housing riots reflected instigated race friction, the need for housing for whites, as well as Negroes, has been desperate. In Willow Run, where Henry Ford is opposing a Federal housing project, people are living in tents, trailers and shacks. It is hoped that about 75,000 local women can be recruited for Detroit's industries. But it is estimated that about 96,000 new workers from outside the area will be needed to meet 1943 production requirements. At the time of the last WPA vacancy survey in April, it was estimated that no more than 5,040 dwelling units were available for rent. An influx of

new residents will overtax not only existing housing, but also the city's water supply, sewerage, health, recreation and transportation facilities.

Negroes constitute about 10 per cent of Detroit's population, foreign-born whites about 20 per cent. Within the past twenty years 200,000 whites have moved to Detroit from southern or border states, and many of the newcomers will be drawn from the same regions. They bring with them deep-seated antagonisms toward aliens and the colored elements of the population. Detroit has been the scene of most of the strikes caused by the employment of Negroes at skilled and semi-skilled work.

Influential groups are at work to inflame unrest and widen existing cleavages. The Ku Klux Klan, attempting to stage a comeback, is trying to gain control of the U.A.W. and has already penetrated into a number of locals. Gerald L. K. Smith is recruiting members for his ambitiously titled "Committee of One Million." The organization's publication, the Cross and Flag, which picked up the baton when Social Justice was forced to suspend publication, sedulously follows the Axis line. Charles Coughlin's "Christian Front" and the pro-Axis "National Workers League" contribute to the discord and discontent.

Smith is campaigning for the Republican nomination for Senator. While he will probably not be elected, it may be expected that he will miss no opportunity to exploit group hatreds. Complicating the political situation is a German bloc which tends to vote as a unit.

The enemy appears to realize that tensions in the Detroit area threaten the attainment of war production goals, and pays the city a great deal of attention in its propaganda. Vigorous federal action, both on the administrative and informational levels, is urgently needed to restore health and

harmony to this seething center of unrest. Only the national Government possesses the prestige and power to overcome the disturbing influences now at work in Detroit.

Labor Grievance*

Last week's Intelligence Report (#35), states that final action of the United Automobile Workers Convention on proposals to rescind the voluntary waiver of Saturday and Sunday overtime pay would provide a clue to the prevalence of rank and file discontent. When the proposal was introduced on the Convention floor pandemonium followed. For nearly three hours delegates argued that the Committee's resolution was too mild a measure. They wanted to add to it the threat to abolish the "no strike agreement".

When the vote came, more than half of the 1700 delegates present sent the resolution back to the Committee for "more teeth". As finally adopted, it provided that UAW would regard itself as released from its commitment, waiving premium pay for overtime work, unless the Administration within 30 days developed an effective anti-inflation program based on 10 specified points.

The turbulence was extreme. Leadership was quite unable to control the resentment of members over the belief that management and rival unions were taking advantage of their sacrifice. Effective administrative and informational measures seem urgently needed to prevent intemperate action by the rank and file of the automobile workers.

* Reprinted from Intelligence Report #36

Women and the War

Women are playing an increasingly important part on the nation's production front. In July more than 14,000,000 American women were gainfully employed. More than 2,000,000 of them had been added to the labor force in the preceding 12 months.

Women constitute our most important source of additional workers. There are approximately 2,500,000 unemployed single women. Excluding farm women, there are some 13,000,000 married women who have no children under 16 years of age. Many women with young children will be in a position to accept employment once enough day nurseries are established.

Despite the existence of this large supply of potential workers, bringing enough women into the labor force to meet the demands of the war effort will be a formidable task. It is estimated that 5,000,000 women must be recruited, trained and placed within the next 18 months to replace men drawn into the armed forces and to augment the labor force as production capacity expands. Although there is now a shortage of women workers in only a few localities, shortages impend in a number of additional places and will be experienced in many of the most important production centers of the country as the proportion of women workers needed in industry increases.

Many employers have objections and reservations about hiring women, and large numbers of women — even though they may theoretically approve of women working — hesitate to seek employment outside of the home. The real difficulties in the way of a fuller utilization of women in business and industry are sometimes exaggerated by both management and by women. Efforts to pave the way for the wider employment of women must both provide the

facilities which will make it possible for women to seek work outside the home, including training courses and day nurseries, and neutralize the attitudes which now inhibit their employment.

The recruitment of women into the labor force may be expected to improve their morale and their knowledge of issues related to the war. Studies conducted by the Bureau of Intelligence suggest that employed women are somewhat better informed and have higher morale than housewives.

Women and men see eye-to-eye on most war issues. But, except on issues closely related to their everyday experience, women are less likely than men to express any opinion. Many women complain that their housekeeping tasks do not leave them enough time to keep up with the war.

Women appear to be somewhat more prone than men to take a "defensive" view of the war. For example, more women than men think that we should pull our armed forces close to home to protect ourselves, rather than use them offensively against Germany and Japan. Women also tend to be slightly more apprehensive than men about the course of the war and its final outcome. But the differences are not great, and the women who think about the war in defensive terms comprise only a small minority.

These findings summarize a Special Intelligence Report, Women and the War, issued August 19, and available to authorized individuals upon request to the Bureau of Intelligence.

War Worker Motivations*

Interviews conducted among war workers in 19 cities and small towns throughout the country indicate that the men engaged on the production front

Reprinted from Intelligence Report #36

have a keen, perhaps exaggerated, recognition of the importance of their role in the war effort. They are prone to feel that production alone will win the war and to be over-optimistic in their reactions to current military events.

On the basis of their answers to a number of questions, the Bureau of Intelligence rated slightly less than half of this group as of high morale; about one-third as possessing medium morale; a quarter were judged to be of low morale.

The morale of these men is affected by certain dissatisfactions which detract from the full utilization of their skill and energy in the production program. Their satisfaction with their jobs is affected by the wages they receive, by the conditions under which they work, by their relations with employers, with the Government and with the communities in which they live. Wages are the dominant factor. About half of the men interviewed said they were satisfied with their present rate of pay.

Workers are prone to blame management for delays or inefficiency in production. They desire a greater voice in the planning of production and wider information respecting production difficulties and the use made of their products. Labor-Management committees have helped in some situations to promote cooperation between employers and employees. In general, however, workers are unfamiliar with them.

Workers look confidently toward the Government for the protection of their economic interests, both at present and when the war is over. But they are fearful that the war may be followed by depression and unemployment and are kept from full absorption in their present jobs by this uncertainty.

The problem of promoting worker morale is a problem in employer-employee relations. The solution can be helped, however, by Government information policy which will educate workers in respect to the need for all-out effort and the possibilities for social security which lie ahead with victory.

These findings summarize a Special Intelligence Report, War Worker Motivations, issued August 12 and available to authorized individuals upon request to the Bureau of Intelligence.



ENEMY PROPAGANDA

Enemy Version of the Military Situation

Nazi propaganda treatment of the Dieppe commando raid followed expected lines. The raid was described as a genuine invasion attempt turned into a "Dunkirk" by strong German defenses. The suicidal character of the attempt is said to reflect the desperateness of the Soviet military position. Vichy is quoted by Berlin as describing the action as the "First U. S. reverse on European soil" and that "American blood has been spilled in Europe by order of Stalin."

A new stage in the Nazi "peace offensive" against Britain and the United States is reflected in the first explicit German propaganda claim of final victory. Broadcasting to the United States on August 15, a German news analyst declared, "Germany and her allies, the Axis powers, the new Europe, have won this war." Dr. Goebbels is now permitting exaggeration in broadcasts outside of Germany, although he seeks to avoid extremes of optimism and pessimism within Germany by a more cautious domestic propaganda policy.

The original Japanese version of the Solomon Islands battle has been

revised from claims of complete Japanese victory to an admission that fierce fighting with United States Marines is still going on. In home broadcasts, the Japanese people are prepared for news of a set-back by a broadcast asserting that, while the first American offensive has been turned into a disastrous defeat, "we.... must tighten our helmet strings against their plans to carry out a second and third offensive, which they boast will be supported by reinforcements of warships and air power."

German Home Front

There are evidences of Nazi concern over German morale. The German press and radio now give a more prominent place to the contributions of Germany's allies on the Russian front. An effort is evidently being made to convince the German people that they are not fighting alone against the United Nations. The Nazis are seeking also to persuade the German people that this war is not like the last one. The latest issue of Das Schwarze Korps states: "Today we are thoroughly prepared for war. We have adapted ourselves and stored peace in a mothproof cupboard. To make comparisons with the last war would mean doing the enemy a favor."

A recent speaking tour by Dr. Goebbels through western Europe reflects particular concern for the population of this bombed area. Goebbels stressed that the war is not being fought for ideals, but for more grain fields and oil wells. "We want bread and do not care how we get it. The war is not being waged for certain privileged classes but for the masses; for a well-laden breakfast, lunch and dinner table; for better living accommodations; for people's cars and tractors; cinemas and theatres in every village; for raw materials, oil and iron; in short, for a dignified existence. The past

winter was critical but," said Goebbels quoting Nietzsche, "What does not kill us makes us stronger."

It is also noteworthy that a particular effort is being made to disparage the United States. The Berliner Boersen Zeitung of August 12 says that Anglo-Saxon morale is nearing collapse. Goebbels devotes an entire article to "God's Own Country", in which he describes Americans with savage irony as a people without culture and originality.

Appeals for Listeners

For the first time Radio Roma has devoted as much as five per cent of her broadcast time, employing prominent Fascist party speakers, to strengthen Fascist ties with Italian-Americans. The talks, in Italian, are directed to the more recent Italian immigrants. Italians are urged to resent Anglo-Saxon discrimination and to avoid naturalization.

The German propaganda ministry, in its efforts to build up an American radio audience, has broadcast for the first time a series of messages allegedly from American seamen, captured from a Murmansk convoy, and a casualty list of American airmen, allegedly shot down on July 13.



AUTHORITATIVE STATEMENTS

Beginning with the recent OWI release on the progress of the war, there has been a new tone of clarity and precision in official statements. Outstanding have been Secretary Stimson's announcement that he will eliminate three quarters of the Army's publicity officers; Secretary Wickard's address of August 19 calling on farmers to lead the anti-inflation front and flatly favoring repeal of the 110 per cent parity provision; Mr. Henderson's speech at Norfolk on August 20

calling for a new offensive against inflation; and Mr. Nelson's statement of August 19 that "from now on anyone who crosses my path is going to have his head taken off... I'm going to get tough enough to get this job done... There'll be no more alibis."