

DIARY

Book 611

February 22 - 24, 1943

- A -

	Book	Page
Administrative Policy, Treasury		
See Treasury Administrative Policy		
American Federation of Labor		
See Financing, Government: War Savings Bonds (Payroll Savings Plan)		
American Red Cross		
Membership as shown in June 30, 1942, report - 2/23/43...	611	202
Appointments and Resignations		
Cash, Truman: Appointment as Collector of Internal Revenue, Maryland, suggested by FDR and discussed by HMJr and Gaston - 2/22/43.....		30
a) Miss Tully--HMJr conversation.....		33

- B -

Bell, D. W.		
See Treasury Administrative Policy		
Bruce, James (Vice President, National Dairy)		
See Financing, Government: War Savings Bonds (Reorganization)		
Bullitt, Harry (President, General Mills)		
See Financing, Government: War Savings Bonds		
Business Conditions		
Haas memorandum on situation, week ending February 20, 1943 - 2/22/43.....		91

- C -

Cash, Truman		
See Appointments and Resignations		
China		
Madame Chiang Kai-shek - HMJr's meeting with: Report on economic, military, political, etc., conditions - 2/23/43.....		215
Cuba		
See Latin America		

- D -

Davis, Donald (General Mills)		
See Financing, Government: War Savings Bonds		

- F -

Federal Reserve Bank of San Francisco		
See Japanese in United States		
Financing, Government		
Debt limitation discussed by Rayburn and HMJr, Cooper and HMJr - 2/24/43.....		222, 229

Financing, Government (Continued)

War Savings Bonds:

Reorganization:

Conference; present: HMJr, Bell, Graves, Buffington, and Gamble - 2/22/43.....	611	1
a) Rejection of Thomas plan announced by HMJr; only usable suggestion is list of names suggested for "National Manager for Advertising and Promotion"		
1) Lists.....		10
a) Helvering-HMJr discussion.....		16
Bathrick-HMJr conversation - 2/22/43.....		19
Gardner Cowles--HMJr conversation - 2/22/43.....		23
a) Raymond Rubicam discussed.....		23,183,185
b) Don Francisco discussed.....		26
Conference; present: HMJr, Bell, Buffington, Gaston, Gamble, Graves, Odegard, and Miss Elliott - 2/22/43..		36
HMJr outlines new program for State Administrators, Presidents of Federal Reserve Banks, Victory Fund Committees, etc. - 2/22/43.....		46
Conference; present: HMJr, Graves, Buffington, Grant, Bathrick, Robbins, Howard, Mitchell, Schumann, Bratton, LaRoche, Thomas, Stevens, and Wood - 2/22/43..		56,63
a) Grant reports on his committee's recommendations		
Robbins, W. M. (Vice-President, General Foods):		
a) Irey and HMJr discuss - 2/23/43.....		113
b) Gilbert Hyatt and HMJr discuss - 2/23/43.....		115,170,173
c) Clarence Francis-HMJr conversation - 2/25/43:		
See Book 612, pages 55 and 114		
1) Robbins told of conversation: Book 612, page 63		
Conference; present: HMJr, Grant, Bathrick, Thomas, Stevens, Wood, Robbins, Howard, Schumann, and LaRoche - 2/23/43.....		143
a) Agreement between Thomas's committee and Grant's committee discussed		
Bullitt, Harry (President, General Mills): Hyatt, HMJr, and Gaston discuss - 2/23/43.....		175
a) Cowles-HMJr conversation.....		180
(Kinney, Gilbert		
(Palmer, Chesley Robert		
(Rubicam, Raymond		
Durning memorandum concerning - 2/23/43.....		184
Conference; present: HMJr, Gaston, Cowles, Eisenhower, and Hettlinger - 2/24/43.....		231
a) Newspaper backing for program discussed		
1) List of newspapers.....		253
Davis, Donald (General Mills): HMJr-Davis conversation concerning approaching Donald Nelson for release - 2/24/43.....		254
a) Harriet Elliott memorandum.....		256
b) Gamble memorandum.....		257
c) Davis-HMJr further conversation: See Book 612, page 1		
1) Nelson-HMJr conversation: Book 612, pages 7 and 12		
d) Nelson suggests James Bruce (Vice-President of National Dairy) instead: Book 612, page 51		

- F - (Continued)

	Book	Page
Financing, Government (Continued)		
War Savings Bonds: (Continued)		
Payroll Savings Plan: American Federation of Labor endorsement at Miami meeting acknowledged - 2/24/43...	611	259

- H -

Hall, Perry		
Attitude toward FDR and HMJr discussed by Eccles and HMJr - 2/22/43.....		78
Home Owners' Loan Corporation		
Liquidation amendment introduced by Dirksen (Congressman, Illinois) discussed by Fahey and HMJr - 2/24/43.....		224

- J -

Japanese in United States		
Federal Reserve Bank of San Francisco report (not attached) on activities in evacuation operations - discussion of - 2/23/43.....		207

- K -

Kinney, Gilbert		
See Financing, Government: War Savings Bonds		

- L -

Latin America		
Cuba: Traffic with United States - report from Collector of Customs at Tampa, Florida - 2/24/43.....		267
Lend-Lease		
Report for week ending February 20, 1943 - 2/23/43.....		212
U.S.S.R.: Status of Soviet Aid Program as of January 31, 1943 - 2/22/43.....		108

- M -

Military Reports		
British operations - 2/22/43, 2/24/43.....		110,278
Office of War Information report (2/19/43).....		112
Monnet, Jean		
Tax liability discussed in view of expected immediate departure from United States - 2/23/43.....		159
a) Sullivan-Gaston memorandum on amount - 2/23/43....		166
b) Waiver.....		169

- H -

Newspapers

See Financing, Government: War Savings Bonds

North Africa

North African Interdepartmental Committee discussed in

Treasury-State correspondence - 2/23/43..... 611 210

- P -

Palmer, Chesley Robert

See Financing, Government: War Savings Bonds

Patterson, Richard

Attitude toward FDR and HMJr discussed by Eccles and

HMJr - 2/22/43..... 76

a) Discussion by Treasury group - 2/23/43..... 135

- R -

Robbins, W. M. (Vice-President, General Foods)

See Financing, Government: War Savings Bonds

- S -

Sproul, Allan (President, Federal Reserve Bank of New York)

Attitude toward FDR and HMJr discussed by Eccles and HMJr -

2/22/43..... 73

a) Discussion by Treasury group - 2/23/43..... 135

- T -

Treasury Administrative Policy

Bell's duties to be confined to financing principally;

White to take over much of the work in connection with
occupied countries, foreign funds, etc. - 2/22/43.....

a) Directive to White - 2/25/43: See Book 612, page 68 50

- U -

U.S.S.R.

See Lend-Lease

- W -

War Savings Bonds

See Financing, Government

White, Harry D.

See Treasury Administrative Policy

February 22, 1943
9:20 a.m.

FINANCING

Present: Mr. Bell
Mr. Graves
Mr. Buffington
Mr. Gamble

H.M.JR: I left word that when Harold Thomas and Bathrick come I want to see them. I want to see them before their meeting because there is no use in their going into the meeting and discussing the Thomas' plan at great length when I have rejected it.

Right?

MR. BELL: Yes.

H.M.JR: So that is my first order.

I thought the thing I would do is just tell these fellows what I want to do and ask them what they can do to help me.

Now, I have gotten their lists of suggestions, and the only one I can make any use of at the moment is what they call "National Manager for Advertising and Promotion." (Copy of lists of names attached.)

They suggest Raymond Rubicam, chairman of executive committee of Young & Rubicam; Neil McElroy of Proctor & Gamble - I don't know him - and James Gamble Rodgers of OWI.

Do you know him?

MR. GAMBLE: No.

- 2 -

H.M.JR: He was former executive vice president of Benton & Bowles.

What was running through my old bean was this: If we are going to take an advertising agency, why not take one that has had some financial experience. There are those two - what are they?

MR. BUFFINGTON: Doremus, and Albert Frank.

H.M.JR: Yes, those are the two, aren't they?

MR. BUFFINGTON: Yes. There is J. Walter Thompson, who have an excellent financial department.

MR. BELL: They are not on the list, are they?

H.M.JR: No. Maybe they are not on the list because the vice president of J. Walter Thompson has been working on the thing.

But if I decide that is what I want, then I would much rather take somebody who has written financial copy than to take somebody like that.

They suggest for National Director of Sales for War Financing: Clarence Frances, president of General Foods; Will Dodge, vice president of Texas Company; C. R. Palmer, president of Clewett Peabody; Robert W. Woodruff, chairman of Coca-Cola. I couldn't take Woodruff.

MR. GRAVES: Is he the one you met at Atlanta?

H.M.JR: No. The one I wanted in Atlanta is Harrison Jones. He has family difficulties; I got a telegram from him.

Woodruff is very anti-Roosevelt.

They also suggest: Alexander Patterson; Dwight Armstrong of Armstrong Cork; Harry Bullitt, president of General Mills; William O'Neill of General Tire and

- 3 -

Rubber; and John Stevenson, president of Penn Mutual Life.

MR. GRAVES: Stevenson is our chairman in Pennsylvania. He is very fine, but relatively inactive as far as our work is concerned.

MR. BELL: He is getting along in years.

MR. GRAVES: No, only about fifty-three or fifty-four.

H.M.JR: Getting along--

MR. BELL: I agree with you since I have found out his age. (Laughter) He called on me, and as I recalled he was rather elderly.

MR. GAMBLE: He is a very energetic man.

H.M.JR: Would you say he is the man that stands out in a crowd?

MR. GAMBLE: He stands out in a crowd. They tried to get him to run for governor of Pennsylvania. He turned it down. He has been very seriously talked about in local circles in Pennsylvania as even Presidential timber.

H.M.JR: On which ticket?

MR. GRAVES: Republican, I would guess.

MR. GAMBLE: I suspect a good many of those people are.

MR. BUFFINGTON: Alexander Patterson of Mutual Life is awfully good. I don't think he could leave what he is doing.

H.M.JR: Well, the way I feel at the moment is like this. Right at the moment I haven't made up my mind what I want to do, but I could get some fellow to tie

- 4 -

up the advertising and promotion right now and then I could sail along for a while.

Dan?

MR. BELL: Yes.

H.M.JR: And then keep looking. If I had somebody on that level he could do an awful lot. That has to be done this week.

Do you gentlemen agree?

(Affirmative response.)

H.M.JR: I have to check with OWI, and I want somebody who will click with them.

If my memory serves me right, I read that Mr. Rubicam was down here advising Paul McNutt.

MR. GAMBLE: That is right. I think he resigned a month or six weeks ago and went back to the company. He was down here.

H.M.JR: I thought he was here as advisor to McNutt.

MR. GAMBLE: I have forgotten whether it was McNutt or the War Production Board, but he was with one or the other and went back about a month or six weeks ago.

H.M.JR: He is a young fellow. He was born in '92.

(Reading from Who's Who) "Left East Denver High Sch., Denver, during 1st yr. Began as shipping clerk, Denver Dry Goods Co., 1907; clerk and salesman for coal mining, ins., mining supply and printing cos., Denver, 1907-12; successively clerk, automobile salesman and newspaper reporter, Phila., 1912-15; copy writer F. Wallis Armstrong Co., Phila., 1916-19; copy writer and supervisor N.W. Ayer & Son, 1919-23; co-founder, 1923, Young and Rubicam, advertising, Phila. (hqs. moved to

- 5 -

N.Y. City, 1926); pres. Young & Rubicam, Inc., 1927-34, chmn. bd. since 1934; chmn. bd. Tide Publishing Co., Inc., since 1931; Audience Research Institute, Inc., since 1939; dir. Brewster Aeronautical Corp. Awarded gold medal for distinguished services to advertising, 1938. Dir. Nat. Better Business Bur.; mem. nat. council Nat. Civil Service Reform League - "that sounds good, doesn't it?"

MR. GRAVES: Yes.

H.M.JR: "mem. exec. com. Greater New York Fund, 1939; director, American Arbitration Assn.; me. exec. bd. (chmn. 1935) Am. Assn. Advertising Agencies - "that is four A's. That is the big power. "mem. S.R.; hon mem. Alpha Delta Sigma. Breeder of Aberdeen-Augus beef cattle and Berkshire hogs at Rolling Ridge Farms, Danboro, Penna. Clubs: Union League - "that makes him a Republican - "Siwanoy Country (New York); Pine Valley Golf (Clementon, N.J.); Huntingdon Valley Country (Phila.). Author numerous articles and addresses on advertising and pub. relations. Pioneer in use of Gallup research methods in advertising practice. Home: 795 Fifth Av. Office: 285 Madison Av., New York, N.Y."

I guess it is Young and Rubicam that Gallup works for.

MR. GAMBLE: He is the head of their research department. I know that to be a fact.

H.M.JR: It would seem so.

MR. BELL: He came up the hard way, didn't he?

H.M.JR: Yes. He only had one year of high school.

(The Secretary held a telephone conversation with Miss Diamond.)

H.M.JR: There goes my grapevine. She said things went on behind the scenes, not to his discredit, but it made life difficult for him.

- 6 -

MR. GRAVES: I think it would be very much to a man's credit that he would leave McNutt.

H.M.JR: Do you think so? What is your interest in McNutt, Mr. Graves?

MR. GRAVES: I do; I don't like him.

H.M.JR: Neither do I. (Laughter) Anyway, this fellow doesn't sound too bad, does he? Of course, there is one thing I have to remember; a fellow can't entirely choose. I mean, there are so many businessmen down here, and there are so many that don't like us, and so forth, and so on, but we will see.

MR. GAMBLE: There is one thing to our advantage--

MR. BELL: Many haven't done so well.

MR. GAMBLE: We have nearly this whole organization now available for this job.

H.M.JR: Well, the main thing for the time being that I would like this executive committee to do - you will recognize yourselves as such - is to get me out a letter.

MR. BELL: Telegram, you mean?

H.M.JR: A telegram. I would like to see it after lunch.

Bell and I were talking, and Bell made the suggestion something like this, we go to the - those go to the forty-eight - incidentally, these go to the State chairmen or the administrators.

MR. GRAVES: In some cases one, and sometimes the other, depending on the local situation.

H.M.JR: You would know?

MR. GRAVES: Yes, we would know.

- 7 -

H.M.JR: I think that - anyway, get it ready so I can see it. Bell, you tell them your ideas.

MR. BELL: The Secretary had in mind - at least he told those that were here that they would get a chance to look at this order that he would sign, and I suggested that we address the State administrators, or the chairmen, as the case may be, and the presidents of the Federal Reserve Banks, and say to them that the Secretary plans to make the following statement public on Monday, March 1, I think it is. Then quote the telegram that will go out to the State administrators and the presidents of the Federal Reserve Banks, and ask them for their comments and suggestions.

One other thing that I had in mind was - I am not so sure about it now - to say that we had these conferences on Thursday, Friday, and Saturday with the administrators of certain States, and the presidents of the Federal Reserve Banks, and we have agreed upon the following setup for the April drive.

Buffington raised the question - and I think it is a good one - as to whether or not the others wouldn't feel kind of funny about certain ones being in here for consultation - and the others left out - deciding and making decisions for them. I think there is something to that.

H.M.JR: Well now, how can we do this? Couldn't the three of you get together and save Bell and me a little something?

MR. BELL: Have you drafted anything at all?

MR. GAMBLE: Yes.

MR. BELL: Here is something that Hap Young and Patton and Collins left.

- 8 -

H.M.JR: Have you copies of the various memos they left behind?

MR. GRAVES: Yes.

H.M.JR: Why don't the three of you go to work and save Bell and me - how about that, Graves?

MR. GRAVES: Suppose we prepare a draft; and when we have it we will call George in, and we will go over that.

H.M.JR: All right, he can prepare it. But, let's keep this moving, and I would like to have something. As soon as you people are ready, let's see it, that is all.

MR. BELL: I will be available any time you want me.

H.M.JR: There are two other people that I would like to have see this. I want Miss Elliott to see it, and I want Houghteling to see it.

MR. GRAVES: He is not here.

MR. GAMBLE: He is out on the Coast.

H.M.JR: Is there anybody who has the labor angle?

MR. GRAVES: Yes, Mr. Hyatt is in Mr. Houghteling's place now.

H.M.JR: Hyatt? I thought he was the fellow everybody kicked so about.

MR. GRAVES: You are thinking about Goodman.

H.M.JR: Wasn't Gardner Jackson on the warpath on Hyatt?

MR. GRAVES: No, as I recall, Jackson recommended Hyatt to us.

H.M.JR: Is he a labor fellow?

MR. GRAVES: Yes.

H.M.JR: Let Miss Elliott take a look at it.

The thing on my mind is, I would like to say that we want to continue to interest the women and organized labor as much in the future as we have in the past, something like that. Think about it.

I would like to get it in there at the first shot, that I want to continue to interest the women and organized labor in our effort - something - I want them as much a part of it in the future as they have been in the past. In other words, I want to stress those two things: The women and the organized labor. I want to get that over to the presidents of the Federal Reserve right at the first shot.

NATIONAL DIRECTOR OF SALES FOR WAR FINANCING

Clarence Frances,
President,
General Foods, New York.
(Up through sales to President)

Will Dodge,
Marketing Vice President,
Texas Company,
New York.

C. R. Palmer,
President,
Clewett Peabody.
(Up through sales to President)

Robert W. Woodruff,
Chairman,
Coca-Cola,
Former President White Motors.

Alexander Patterson,
Executive Vice President of Mutual Life.

Night Armstrong,
Vice President of Armstrong Cork.

Harry Bullitt,
President of General Mills.

William O'Neill,
President of General Tire and Rubber

John Stevenson,
President of Penn Mutual Life.

NATIONAL SALES MANAGER FOR LARGE INVESTORS' MARKET

Joseph Ripley,
Harriman, Ripley & Co., New York.
(Averill Harriman's firm)

Charles McCain,
Dillon Reed,
New York.

B. A. Tompkins,
Vice President of Bankers Trust.

NATIONAL SALES MANAGER FOR GENERAL MARKET

Robert Strickland,
President of Trust Company of Georgia,
Atlanta, Georgia.

Thomas K. Smith,
President,
Bostman's National Bank, St. Louis.

James Kemper,
President,
Commerce Trust Company,
Kansas City

NATIONAL SALES MANAGER FOR MASS MARKET

William A. Packer,
Vice President and General Sales Manager,
Packard Company.

Roy Peed,
Vice President of DeSoto Division,
Chrysler Company.
(Former sales manager)

George Mason,
President of Nash Kelvinator,
(Former top sales executive of Chrysler)

Mervin Cotes,
Vice President,
Motor Wheel Corporation, Detroit.

Thomas McCabe,
President, Scott Paper Company,
Philadelphia.

NATIONAL SALES MANAGER FOR FARM MARKET

J. L. McCaffrey,
Vice President and Sales Manager,
International Harvester Company,
Chicago.

J. Y. Williams,
Vice President and Sales Manager,
American Agricultural Chemical Company,
New York.

A. F. McGraw,
General Sales Manager,
Tractor Division,
Allis Chalmers,
Milwaukee.

C. L. Reisner,
Sales Manager,
DeLaval Separator,
New York.

NATIONAL MANAGER FOR ADVERTISING AND PROMOTION

Raymond Rubicam,
Chairman of Executive Committee,
Young & Rubicam,
New York.

Neil McKelroy,
Member of Executive Committee,
Proctor & Gamble

James Gamble Rodgers,
O.W.I.,
Washington, D.C.
(Former Executive Vice President of
Benton & Bowles, New York)

NATIONAL SALES MANAGER FOR PAYROLL MARKET

Theodore Gamble,
War Savings Staff,
Washington, D.C.

John A. Stevenson,
President of Penn Mutual Life,
Philadelphia.

ADMINISTRATIVE ASSISTANT

Harold Graves,
War Savings Staff,
Washington, D. C.

NATIONAL MANAGER OF WOMEN'S DEPARTMENT

Miss Harriet Elliott,
War Savings Staff,
Washington, D.C.

February 22, 1943
9:39 a.m.

Operator: Go ahead.

HMJr: Hello.

Guy
Helvering: Hello. Mr. Secretary?

HMJr: Speaking.

H: On Lou Holland.

HMJr: Right.

H: Holland is a man about sixty-five years old.

HMJr: Yes.

H: He started out as a young man as an apprentice mechanic....

HMJr: Yeah.

H:finished his apprenticeship and became a machinist. Eventually, after working several years as a machinist, he got into this....

HMJr: Just a minute. (Talks aside) Go ahead. I'm just letting - I didn't want to tie up this crowd.

H: Yeah.

HMJr: Go ahead.

H: After working several years as a machinist, he organized the Holland Engraving Company at Kansas City.

HMJr: Yeah.

H: He - it's a very substantial company, that is, in a - in a small way, not a great big company.

HMJr: Yeah.

H: And he has made a fairly good success of it.

- 2 -

HMJr: Yeah.

H: In fact, quite a good success of this company.

HMJr: Yeah.

H: He's never made a great deal of money. His returns for 13 - 1939 and '40 - report for '39, \$8,183.00.

HMJr: How much?

H: \$8,183....

HMJr: Yes.

H:and for '40, \$8,416 on his....

HMJr: That's what his company made?

H: No, that's what he made as officer of the company.

HMJr: I see.

H: And I don't know - that was - let's see - his salary from the company was \$6,800....

HMJr: \$6,800?

H:in '39....

HMJr: Yeah.

H:and \$8,000 in '40.

HMJr: Yeah.

H: Then he added just a few little items that didn't amount to much outside.

HMJr: Yeah.

H: He's a rather methodical working fellow. That is, he seems to apply his knowledge he gained as a machinist, having everything worked out and tried before he puts it in effect....

HMJr: Yeah.

- 3 -

H:and seems to -- everybody that I could learn from -- has very good judgment, very - he's very positive in his decisions and rather -- not to say, stubborn, but stays with 'em and don't change very easy.

HMJr: Well, he doesn't sound like what I want.

H: Uh huh. He's all right politically.

HMJr: He is?

H: Yeah.

HMJr: Well, that's something but - but he doesn't sound like what I want.

H: Well, I just thought maybe you wanted somebody who could make decisions and make them quick, and act....

HMJr: I do.

H: I think he's a rather methodical sort of a fellow....

HMJr: Yeah.

H:and he's beyond the age where he'd be very snappy.

HMJr: Yeah, yeah.

H: He's getting as old - like I am.

HMJr: (Laughs) And me.

H: (Laughs)

HMJr: Well, thank you very much, Guy.

H: Yeah.

HMJr: I hope I didn't trouble you too much.

H: No, no, it was all right.

HMJr: Thank you.

February 22, 1943
10:11 a.m.

HMJr: Yes.

Operator: Mr. Bathrick.

HMJr: Hello.

Donald Bathrick: Good morning, sir.

HMJr: Good morning.

B: Mr. Secretary, trains are running a little late this morning, so No. 1, I don't believe he'll be able to keep that tentative morning appointment.

HMJr: Well, let me say this, Mr. Bathrick - hello?

B: Yes, sir.

HMJr: In order to save you time....

B: Yes.

HMJr:and to make progress, there's no use in Harold Thomas giving you people a sales talk on his program.....

B: Uh huh.

HMJr:because I can't - I haven't been able to sit still. I've had to be moving, and I've worked like hell all last week....

B: Yeah.

HMJr:and we've arrived at a program which we worked out with the Federal Reserve presidents, and State Administrators of the Victory Fund.

B: Oh, yes.

HMJr: And we've got to the point where we've got agreement....

B: Uh huh.

- 2 -

HMJr:and what I'd like to do is explain it to you people, and then say, "Now from now on what can you do to help us?"

B: Oh, well, I think that's fine. That's a definite approach which we welcome.

HMJr: So that....

B: But inasmuch, Mr. Secretary, as Harold is down here with his committee, and inasmuch as we're kind of marking time until we get our committee assembled due to these late trains....

HMJr: Yes.

B:don't you feel that we should discuss it with him?

HMJr: It's - it's all right, but I wanted you to know - I wanted - I didn't want you to say this afternoon, "Well, why didn't Mr. Morgenthau tell us this? We could have saved a half a day."

B: Well, I knew - I knew you would arrive at something like that anyway, because, frankly, after reading Harold Thomas' report I knew because of the set-up over there it would be impossible to accept it....

HMJr: And I....

B:so I've been proceeding on that basis, at least in my mind.

HMJr: Yeah, and I just couldn't sit still, because I - I've got to keep moving, and....

B: Yes, I can understand that. Did you get the top man?

HMJr: No.

B: Uh huh. Have you pursued McDonald any further, if I may ask? Metropolitan Life....

HMJr: Well, Mr. Ecker - no, he was so insistent that I don't touch him....

- 3 -

B: Uh huh, uh huh.

HMJr:that - and it would be such a tragedy to the company....

B: Yes.

HMJr:that I thought, in fairness to him, I'd wait until I get other names.

B: Yes.

HMJr: And Harold Thomas' names only arrived Saturday, and then I only got them by calling him up on the phone.

B: Uh huh, uh huh.

HMJr: And I told him - I said, "You fellows expect me to act in one day and it takes you nine days to give me a list."

B: Uh huh, uh huh.

HMJr: And I just couldn't sit here all last week and do nothing.

B: Well, no, I can understand that.

HMJr: So I brought in New York, Chicago, Cleveland, and Philadelphia....

B: Uh huh.

HMJr:and I got an agreement amongst them.

B: Uh huh.

HMJr: And they went home late Saturday night contented.

B: Uh huh. Well, that's fine.

HMJr: So we're drawing up an order now which is to go out to them for their comments....

B: Uh huh.

- 4 -

HMJr:so I think we've made real progress in that we got them together.

B: Oh, I do too. I do too. Well, then as I understand it this afternoon we'll have an opportunity to look at your program.

HMJr: That's right.

B: Well, that'll be fine. Well, then can we leave it on that basis, Mr. Secretary?

HMJr: Absolutely.

B: We'll be there this afternoon at - what time do you - is your com..

HMJr: Well, I've got you down for three o'clock.

B: We'll be there at three o'clock this afternoon.

HMJr: But I just didn't want you to feel that all morning you were working on something which was useless.

B: Well, I - I - I'd - I suspected that you were going to do just exactly what you did, and I frankly admit had I been in your place I would have done that, so I understand that....

HMJr: But you - I couldn't just sit here and twiddle my thumbs....

B: No, no, I can understand that perfectly.

HMJr:for ten days.

B: I can understand that perfectly, Mr. Secretary.

HMJr: Right.

B: We'll be there at three o'clock.

HMJr: Thank you.

February 22, 1943
11:05 a.m.

HMJr: Hello.

Operator: Gardner Cowles.

HMJr: Hello.

Gardner Cowles: Good morning, Mr. Secretary.

HMJr: How are you? Morgenthau.

C: Yes, sir.

HMJr: Look, this Advertising Council has come through with a recommendation for a man who is to head up our promotion....

C: Yes.

HMJr:and they've recommended - wait a second - the - Rubicam.... hello?

C: Yes.

HMJr: The head of the Rubicam Agency.

C: Yeah.

HMJr: I guess you know him.

C: Yeah.

HMJr: Now I wanted to know, very much between ourselves, what you thought of him.

C: I think very well of him.

HMJr: Yeah. You do?

C: I do, yeah.

HMJr: He was down here helping front McNutt, I know.

C: Yeah.

HMJr: Did you people bring him down?

- 2 -

C: No, no, he came under his own steam.

HMJr: I see.

C: He was acquainted with Paul, and came down and didn't hit it off too well, I think, with Fowler Harper and some of the other people there.

HMJr: I see. Well....

C: I would think he'd be worth your having a talk with.

HMJr: Yes. Well, the - you do think so?

C: Yeah, uh huh.

HMJr: How - how does a man like that feel towards the Administration?

C: Well, I'd state it this way, that he - he's a Republican, but I would say tremendously worked up about winning the war.

HMJr: I see. Now I - this agency, Doremus and Company, helped us last time....

C: Yeah.

HMJr:and, of course, they're much more of a financial agency.

C: Yeah.

HMJr: Do you know anything about them?

C: Not much. What I do know I think well of.

HMJr: Yeah - because they have almost all financial accounts....

C: Yes.

HMJr:and they did an awfully good job for us.

C: Yes. Well, that - that might present a complication bringing a different agency into the picture.

HMJr: How - how do you mean?

- 3 -

C: Well, if you brought Rubicam....

HMJr: Yes.

C:I'm assuming that Doremus might be a little - their nose might be out of joint a little bit.

HMJr: Yeah. Well, I take it if Rubicam came in his agency couldn't take any of the work, and....

C: That's true, but I just don't know how he might get along with Doremus.

HMJr: Yes.

C: But you couldn't tell that without talking with him.

HMJr: No. Well, LaRoche is on his way over. He's here in town today.

C: Yes.

HMJr: And I gather he's chairman of this Advertising Council.

C: That's right. He's going to devote his full time to it.

HMJr: And, of course, he's with Rubicam also.

C: That's right.

HMJr: I didn't know whether it's getting to be a little bit too close a circle, is it?

C: Well, there's - there're some people who feel that it is, yes.

HMJr: Yeah. Well, what do you think of taking a head of an advertising agency to tie up our promotion here?

C: I think it's all right. I'd say the ideal thing would be to get a fellow who'd been an advertising manager and something of a sales manager. I'd rather get that type, I think, than I would the head of an agency.

- 4 -

HMJr: Yes. Well, I don't mean as No. 1 man.

C: No, I understand.

HMJr: Yeah. I see.

C: I've - I've got a few suggestions I'd like to bring over to you Wednesday.

HMJr: Well, I - I hate to wait so long, because I want to move.

C: Well, let me throw one in the hopper right now.

HMJr: Yes.

C: He's primarily an agency man as well.

HMJr: Yes.

C: Don Francisco, who is down here with Nelson Rockefeller.

HMJr: Oh, yeah, Don Fran....

C:cisco.

HMJr: Yes.

C: Now he was head of Lord & Thomas out on the Pacific Coast....

HMJr: Yes.

C:and then Al Lasker brought him east....

HMJr: Yeah.

C:to head Lord & Thomas in New York.

HMJr: Yes.

C: And then it didn't quite work out, and Nelson Rockefeller took him. Now I hear by the grapevine -- I haven't talked to him directly....

HMJr: Yes.

- 5 -

C:that he's not too happy. He doesn't feel that what he's doing with Rockefeller is quite important enough.

HMJr: I see.

C: And that he might be available.

HMJr: Is he able?

C: Very able.

HMJr: Very able?

C: Yeah, and he's been in the Government now long enough so that he knows his way thoroughly around here, which is quite an advantage.

HMJr: Oh, I'll say so. Well, could you get a little closer line as to - because I don't know how Nelson would feel if we robbed him. I know how I feel when you take Ferdie Kuhn away from me.

C: (Laughs) If you wanted me to I could talk to Francisco and just see whether he was interested at all or not.

HMJr: Will you do that?

C: Yeah.

HMJr: Will you do that?

C: I'm not certain I can do it today. I can do it tomorrow....

HMJr: That's all right.

C:if he's in town.

HMJr: Supposing - and then give me a ring?

C: Yes, sir, I'll do that.

HMJr: Because - the way I feel is - we've gotten - over the week-end now we're straightened out. We've gotten the War Bonds and the Victory Fund together.....

- 6 -

C: Yeah.

HMJr:under - in each district under the president of the Federal Reserve Bank.

C: Yeah.

HMJr: Now we've accomplished that during the past week, you see?

C: Swell.

HMJr: And the next thing, I feel, is to get me a fellow who can tie up the promotion.

C: Yeah.

HMJr: Yeah, and - and because we sort of set the date now for April 12.

C: Good.

HMJr: So I'd like this week, if it's possible, to get a man who'd be - well, my promotion publicity manager on these drives.

C: Yeah. Now have you had any further definite thoughts on your No. 1 man?

HMJr: Well, the suggestions that I've got so far haven't clicked.

C: Uh huh, uh huh.

HMJr: So I'm open to suggestions on that.

C: Yeah.

HMJr: But I don't feel there's such a hurry on that as there is to get this advertising promotion started.

C: Yeah.

HMJr: Because we've got to get it in the works and all that.

C: Yeah. All right, let me....

- 7 -

HMJr: But I'm - I'm open to suggestions for No. 1 also.

C: Swell. All right, let me go ahead and just feel out Francisco without any commitment on anybody's part, and if he would like to talk, why, I'll tip you off.

HMJr: Yeah. How old a man is he?

C: He's about forty-four, I would guess.

HMJr: And you - you feel he's able?

C: Oh, very able. You bet.

HMJr: Well, supposing you do that, and I'll hear from you tomorrow?

C: That's right.

HMJr: I thank you.

C: Thank you very much. Goodbye.

February 22, 1943
2:19 p.m.

Herbert
Gaston: Hello.

Operator: Just a minute. He'll be right on.

HMJr: Herbert?

G: Yes.

HMJr: Miss Tully called up with a kind of a "brrrr" in her voice, and that she wanted - the President wanted to know why we hadn't appointed Mr. Cash.

G: Well, we have to make an investigation before we make an appointment. I - we had a start of an investigation - I sent the - a report on the preliminary investigation over to Frank Walker, and I talked to him about it this morning. The man - he thinks we ought to go ahead with the investigation and send the name over. The man has paid no taxes in the last six-seven years. He's quite heavily in debt; he's borrowed on his life insurance and borrowed on the general - he borrowed personally from the general agent of the life insurance company....

HMJr: He's done what?

G: He's - he has produced - he's a life insurance - in the life insurance and real estate business.

HMJr: I see.

G: He has been a pretty good life insurance solicitor, but for the last five or six years he's had scarcely any income at all because of being active in politics. He hasn't paid any taxes for half a dozen years. He owes about \$5,000 which he used for living expenses, which he's borrowed on his own policies and borrowed personally from the - against future premiums from the general agent of the company in the state, and he's a small-time man. He's not the kind of a man whom we'd normally appoint, and for that reason I sent this preliminary investigation over to Frank Walker to ask his opinion. Frank thinks that because of the very critical situation in Maryland we ought to take a chance on him. Consequently, I told him that we would go ahead and complete the investigation of Cash.

- 2 -

HMJr: How - how long will it take to complete it?

G: Oh, it ought not to take very long now that we've gone this far.

HMJr: What is the critical situation in Maryland?

G: Oh, he thinks that - Tydings and Radcliffe - that we need their help and that they're both insisting that this man be given a job.

HMJr: Okay. Supposing I tell him - I'll give you a week, one week?

G: Oh, that's plenty of time. What do - what do you think about appointing such a man? He's....

HMJr: Well, if it was left to me I wouldn't do it....

G: But - but we don't seem to have much option. The man seems to be honest, but he's a small-timer, an insurance agent in a little town who used to do pretty well, and has put in most of his time in politics for the last half - half-dozen years and has been borrowing money to live on and has paid no taxes.

HMJr: Well, if he was Collector of Internal Revenue he'd learn how other people pay their taxes.

G: He'd what?

HMJr: He'd learn how the other people pay their taxes.

G: Yes, that's right.

HMJr: After all, you've got to educate people.

G: Oh, yes, indeed, yes.

HMJr: That's - that's democracy.

G: That's right, that's right. We're very democratic.

HMJr: (Laughs)

- 3 -

G: Yeah. (Laughs)

HMJr: I'll tell this to Grace Tully.

G: Okay.

February 22, 1943
2:23 p.m.

HMJr: Hello.

Operator: Miss Tully.

HMJr: Hello.

Grace Tully: Yes.

HMJr: Morgenthau reporting.

T: Yes, sir. Very quickly too. (Laughs)

HMJr: We have a preliminary report on one Cash....

T: Yeah.

HMJr:and he has not paid any income tax in six or seven years.

T: Oh, that's nice. (Laughs)

HMJr: And he - and he's heavily in debt. He borrows money to pay his living expenses.

T: Yeah.

HMJr: They sent that preliminary report over to Frank Walker, and Frank Walker said we - nevertheless and notwithstanding, we should complete the investigation....

T: Yeah.

HMJr:which we can do within a week.

T: Yes.

HMJr: But I would say....

T: Well, that looks very bad, doesn't it?

HMJr: It does to me.

T: Yes, (laughs) I don't see how you can appoint him when he hasn't paid any income tax. (Laughs) That's a little bit difficult to ask you to do, I would think.

- 2 -

HMJr: (Laughs) Yeah, well, of course, he didn't earn anything, you see?

T: Oh.

HMJr: I mean it....

T: Oh, I see. He hasn't had a job.

HMJr: He hasn't had - he's had a - he's a small-time life insurance agent. He doesn't make enough so he borrows money to pay his living expenses.

T: I see.

HMJr: And for over seven years he hasn't earned enough to have any income tax.

T: I see.

HMJr: But as I told Herbert Gaston, after all we got to teach him, and I suppose the best way to teach him is to let him see other people pay.

T: (Laughs) That's one way of doing it.

HMJr: Well, anyway - within a week.....

T: All right.

HMJr:we'll have a report for you.

T: Good. Fine, Mr. Secretary. Thank you very much.

HMJr: If it was left to me, you know, I wouldn't - he's not the kind of fellow that you or I'd pick.

T: No.

HMJr: No.

T: He may be helpful over there. I don't know.

HMJr: I don't know either.

T: I mean he may not - he may devote more of his time to helping out on other things than trying to do a job.

- 3 -

HMJr: That's right.

T: Yeah.

HMJr: Well, we'll see.

T: All right, fine, Mr. Secretary. Thanks a lot.

HMJr: Goodbye.

T: Goodbye.

February 22, 1943
2:45 p.m.

FINANCING

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

(Telegram handed to the Secretary by Mr. Bell,
copy attached.)

H.M.JR: Do you think this is clear? "Both the Victory Fund organization and the War Savings organization are to be represented on this committee and the forces of each will be integrated in every desirable and productive activity for the period of preparation and during the actual drive."

MR. BELL: I should think so.

H.M.JR: All right.

What does this mean? "All national promotion, including press, radio, outdoor advertising, posters, motion picture and miscellaneous activities will be pointed to this joint endeavor."

MR. BELL: I started to put in "...brought together for this," but they thought it better to leave it that way.

H.M.JR: "...be pointed," I don't think that is English.

- 2 -

MR. BELL: They had some reason for putting that in so that they could, down below the district levels, use them or not use them as they wanted to, rather than giving them directions.

H.M.JR: Has Miss Elliott seen this?

MR. BELL: Yes.

I don't know whether Peter saw it or not.

There is one thing that worries me.

H.M.JR: There are several things I wouldn't put this way, but I am not going to fuss with it.

(Mr. Buffington, Mr. Gaston, Mr. Gamble, Mr. Odegard, Mr. Graves, and Miss Elliott entered the conference.)

H.M.JR: Herbert, take a quick glance at this so we have some kind of cohesion, or whatever you want to call the word, between public relations of the Treasury and the rest of this stuff. There are several words I wouldn't use in here. I don't know what they mean.

Peter, have you seen this telegram?

MR. ODEGARD: Yes.

H.M.JR: Have you approved it?

MR. ODEGARD: Yes, if it hasn't been changed since I saw it.

MR. BUFFINGTON: Nothing basic has been changed.

H.M.JR: "All promotion ... will be pointed to this joint endeavor" - what does that mean? Whose language is that?

MR. GAMBLE: Mine. (Laughter)

- 3 -

H.M.JR: "...pointed to this joint endeavor" - is that all right?

MR. GAMBLE: Actually what it means, Mr. Secretary, is that it isn't as though we had full control of all of it so that we could say, "All national promotion would sponsor this activity," but it is hoped that we can get everything that is going on tied in and pointed to this.

H.M.JR: Somebody might do it on their own.

MR. GAMBLE: That is right, so we can regulate it.

H.M.JR: That is a good explanation.

MR. GASTON: Are they going to have any State subdivisions on this?

MR. BELL: There will be.

MR. GAMBLE: Presumably they all will be, Mr. Gaston, but we have left the manner in which the State will be coordinated pretty much up to the committee.

MR. GASTON: You can work quota things on a State basis much better than on a district basis.

MR. GAMBLE: Actually, in some States, the Federal Reserve president will conceivably depend on that State organization entirely to do the job.

MR. GASTON: You will have more than one administrator in the district, there?

MR. GAMBLE: Yes, a number of administrators. It will be his job to knit them together.

H.M.JR: Have you seen this, Miss Elliott?

MISS ELLIOTT: Yes, sir. I don't know whether I have seen that.

- 4 -

H.M.JR: You people are the most suspicious people.
(Laughter)

MISS ELLIOTT: I saw one.

MR. GRAVES: It hasn't been changed, Miss Elliott.

H.M.JR: I got in one sentence - "Especially we will want to retain the full support of organized Labor and women's groups."

I thought we would point to that end of it. I had a reason - I want these presidents of the Federal Reserve Banks to know that right from the beginning. We can't function without the women and the organized Labor. I think this is all right. What do you think?

MR. GRAVES: I think it is good.

H.M.JR: And you?

MR. ODEGARD: Yes.

H.M.JR: If this is the one you saw-- (Laughter)

MR. ODEGARD: Yes, from what you say it is the one I saw.

H.M.JR: Ted?

MR. GAMBLE: Yes, sir.

H.M.JR: That takes care of what you were worrying about - the Victory Fund joining the War Savings?

MR. GAMBLE: Yes, this recognizes both in just the way I think they must be recognized.

H.MJR: Miss Elliott?

MISS ELLIOTT: As I read it, it seems very necessary to do - unite both groups for a united effort, on a united program. And it is what, Mr. Secretary, I

- 5 -

found was done in some States - Kentucky, for example, couldn't work through the Victory drive as separate units. I had a long talk with Mr. Phillips about it. This never worked as separate units. They worked as a unit. He used both the divisions.

H.M.JR: But from your visit in the seven States, you think this is all right?

MISS ELLIOTT: Yes; I have one question about it - only one - in the way it is stated. Will it tend to confuse State administrators the way it is stated? Do you think they will understand that it does not break down their internal organization - their State organization?

MR. GRAVES: I think, Miss Elliott, that there is going to be a need for us to do a little further explaining to our own people.

MISS ELLIOTT: I think State administrators might misunderstand it. I think that could be handled very well.

MR. GAMBLE: There will be a fear of going any further without tying the hands of the committee.

H.M.JR: Do you think a telegram should go from you tonight?

MR. GRAVES: Not necessarily tonight. I should think that perhaps the telegram should not go from us until after next Monday when the final instructions go out.

H.M.JR: I disagree with you. I don't say it should go tonight, but I think it should go--

MR. ODEGARD: Isn't it contemplated, Mr. Secretary, that the pattern in which this will function may vary from one district to another?

- 6 -

MR. GRAVES: That is intended.

MR. ODEGARD: It will not be uniform.

H.M. JR: An example which I use is that in New York City they have fifteen banks operating as teams. It didn't happen in any other city. Well, I don't say every community has to have a bank team. It will vary.

MR. ODEGARD: It will vary also in the fact that the Federal Reserve districts overlap in certain areas - the State lines, and the administrators of those States will have to work it out some way on that level.

H.M. JR: I think if something could go out now--

MR. GRAVES: If you think so, it should go out now.

MR. GAMBLE: I would like to suggest that Graves' and Buffington's wire to their organizations point to this as a very distinct accomplishment, with some pride, that these forces have been brought together so that neither feel they have been subordinated to one another, or to any other group. But this is a very distinct step forward for both the Victory Fund and the War Savings people.

H.M. JR: I think something ought to go out tonight if you have a couple of hours, and before they go I would like you to show them to each other.

MR. GAMBLE: You should see them, too, I think.

MR. BELL: I think Eccles should see this.

H.M. JR: Yes, definitely. How can we get it over to him?

MR. BELL: He said he would come over - that he would hold himself in readiness any time we were ready.

- 7 -

I think he will probably have some questions to raise about it. I am not so sure when those gentlemen left here Saturday it was clear in their minds there would be a committee set up in each Federal Reserve district, but only on an informal basis. Now, this formalizes it.

H.M.JR: The only one was what's-his-name - New York - Sproul--

MR. BUFFINGTON: Fleek raised that same question.

MR. BELL: Also Philadelphia.

H.M.JR: How are they going to operate if not as a committee?

MR. BELL: Just an informal understanding that they get together. I think they would have the same thing if you didn't have the name here.

H.M.JR: You have to give the thing a name. If they don't want it as a committee - I don't care what they call it - they have to get together around a table.

MR. GAMBLE: That is right. You have to give them each a responsibility, Mr. Secretary, and they have got to understand the responsibility; and if you don't put them together they will never understand it.

MR. GASTON: I think it is better to have the name.

MR. BELL: And I think Eccles will raise the question as to imposing another name or another committee on this whole structure, which will make it more confusing. He thinks maybe it is better to wait until the August drive before you impose a name.

H.M.JR: Then what is it going to be?

MR. BELL: I am just telling you what--

- 8 -

H.M.JR: I tell you what we do, why don't you let me take on this Grant committee and that group, and you take on Eccles?

MR. BELL: That is one horse and one rabbit. (Laughter)

H.M.JR: He gets the rabbit. I get Harold Thomas with a recommendation-- (Laughter)

MR. BELL: That is all right. I will take him on.

H.M.JR: I was just thinking, we can't both keep doing the same thing.

MR. BELL: I can get him to come over here on his way home.

H.M.JR: I want this to go out tonight.

MR. BELL: It will go out tonight. The Federal Reserve Banks are closed. It should get there in the morning at nine o'clock. We can send the State administrators a night letter.

H.M.JR: It ought to go out tonight. I said it would go out tonight.

MR. BELL: My point is there isn't--

H.M.JR: Let's take New York; Sproul calls in four or five fellows to sit around the table - that is a committee.

MR. BELL: It is a committee without a name.

MR. ODEGARD: I think it contemplates something more than just an informal meeting. It contemplates more or less of a continuing understanding and collaboration.

MR. GASTON: I think this is the minimum of what you have to do to get them together.

- 9 -

H.M.JR: I don't think - I know what's-his-name doesn't want - Sproul, I think, wants to stay as chairman of the Victory Fund and have these people - he has to sort of disassociate himself and as fiscal agent become chairman of this new thing which is combined.

MR. GASTON: You have given them the chairmanship?

H.M.JR: Who?

MR. GASTON: The Fed people.

H.M.JR: Yes. They are going to have to do it this way, Dan.

MR. BELL: I think that George's telegram might go to the executive managers along about the same time that yours goes to the presidents, and that sort of separates that group.

H.M.JR: Tonight. I think it is a good idea to send word out that you people here think it is good and they should get together, but I think you should each show each other these telegrams that are going tonight. I don't have to see them - I mean, we have arrived at a state where I would like Dan to see them, if he has the time.

MR. BELL: I have got the time.

H.M.JR: Do you want to follow through - how much do you want to follow through on this, Herbert, on account of overseeing the general Treasury public relations?

MR. GASTON: I don't want to do much following through on this thing. I would rather just come in.

H.M.JR: Like this, for instance.

MR. GASTON: On the high spots. This is too much of a job.

- 10 -

H.M. JR: You know about this, and if there is something else important I will keep you posted. But like this afternoon, I don't think you need that.

MR. GASTON: No. In other words, I don't want to take the responsibility for it.

H.M. JR: I didn't want you to.

If you don't mind, if the people here, excluding Gaston and myself - you people write a telegram and show it to each other. When you get together - to save Bell's time - walk into Bell's office. How is that?

Now, so there can be no misunderstanding, I want Harold and George to go in with me when I see this other group, so that you people know what I am doing.

I am going in to this Grant committee.

Bray

46

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT PAPERS

February 22, 1943

TO: ALL STATE ADMINISTRATORS; CHAIRMEN, WAR SAVINGS STAFF; ALL PRESIDENTS OF
FEDERAL RESERVE BANKS; ALL EXECUTIVE MANAGERS, VICTORY FUND COMMITTEE

On March 1, I propose to make substantially the following announcement to the War Savings Staff, to Presidents of the Federal Reserve Banks and to Executive Managers of the Victory Fund Committees QUOTE Contemplating for early April the biggest Treasury borrowing program yet undertaken it is essential for the successful prosecution of this job that the Treasury secure the combined services of all persons and organizations now working for it in the promotion of the sale of government securities. Therefore, I have this day requested the Presidents of each of the 12 Federal Reserve Banks in their capacity as Treasury fiscal agents to serve as Chairmen of a United States Treasury War Finance Committee in their respective districts to direct this drive.

Both the Victory Fund Organization and the War Savings Organization are to be represented on this committee and the forces of each will be integrated in every desirable and productive activity for the period of preparation and during the April drive. The entire basket of Treasury securities including E Bonds will be available to all forces taking part in this drive. Details of the respective tanks of each organization at the State, County and community level shall be worked out by the Treasury War Finance Committee in your district on which you will serve. However, it shall be your responsibility once your plans are complete to see that your workers are welded into this combined effort under the direction of the Presidents of the Federal Reserve Banks. The War Savings organizations will continue as usual during this period its Payroll Savings

FROM

BUREAU

CHG. APPROPRIATION EXPENSES OF LOANS

U. S. GOVERNMENT PRINTING OFFICE: 1933

- 2 -

activity and any stamp promotions. A United States Treasury War Finance Committee will be set up here in Washington including War Savings Staff and Victory Fund representatives. All national promotion, including Press, Radio, Outdoor Advertising, Posters, Motion Picture and miscellaneous activities will be pointed to this joint endeavor. Due to the continuous work of the War Savings Staff we fortunately have many local projects moving forward constantly through all media. In every possible instance these should with the approval of the Treasury War Finance Committee be tied into this unprecedented campaign. Especially we will want to retain the full support of organized labor and womens groups. UNQUOTE. Please wire acknowledgment within 48 hours with any suggestions which you may care to make. Contents this wire strictly confidential until released from here.

HENRY MORGENTHAU, JR.
SECRETARY OF THE TREASURY

February 23, 1943

To: ALL STATE ADMINISTRATORS and/or CHAIRMEN, WAR SAVINGS STAFF

ON MARCH ONE, I PROPOSE TO MAKE SUBSTANTIALLY THE FOLLOWING ANNOUNCEMENT TO THE WAR SAVINGS STAFF, TO PRESIDENTS OF THE FEDERAL RESERVE BANKS AND TO EXECUTIVE MANAGERS OF THE VICTORY FUND COMMITTEES QUOTE CONTEMPLATING FOR EARLY APRIL A LARGE TREASURY BORROWING PROGRAM IT IS ESSENTIAL FOR THE SUCCESSFUL PROSECUTION OF THIS JOB THAT THE TREASURY SECURE THE COMBINED SERVICES OF ALL PERSONS AND ORGANIZATIONS NOW WORKING FOR IT IN THE PROMOTION OF THE SALE OF GOVERNMENT SECURITIES. THEREFORE, I HAVE THIS DAY REQUESTED THE PRESIDENTS OF EACH OF THE TWELVE FEDERAL RESERVE BANKS, TREASURY FISCAL AGENTS, TO SERVE AS CHAIRMEN OF A UNITED STATES TREASURY WAR FINANCE COMMITTEE IN THEIR RESPECTIVE DISTRICTS TO DIRECT THE APRIL DRIVE. BOTH THE VICTORY FUND ORGANIZATION AND THE WAR SAVINGS ORGANIZATION ARE TO BE REPRESENTED ON THIS COMMITTEE AND THE FORCES OF EACH WILL BE INTEGRATED IN EVERY DESIRABLE AND PRODUCTIVE ACTIVITY FOR THE PERIOD OF PREPARATION AND DURING THE ACTUAL DRIVE. THE ENTIRE BASKET OF TREASURY SECURITIES INCLUDING E BONDS WILL BE AVAILABLE TO ALL FORCES TAKING PART IN THE DRIVE. DETAILS OF THE RESPECTIVE TASKS OF EACH ORGANIZATION AT THE STATE, COUNTY AND COMMUNITY LEVEL SHALL BE WORKED OUT BY THE TREASURY WAR FINANCE COMMITTEE IN YOUR DISTRICT ON WHICH YOU WILL SERVE. HOWEVER, IT SHALL BE YOUR RESPONSIBILITY ONCE PLANS ARE COMPLETE TO SEE THAT YOUR WORKERS ARE WELDED INTO THIS COMBINED EFFORT UNDER THE DIRECTION OF THE PRESIDENTS OF THE FEDERAL RESERVE BANKS. THE WAR SAVINGS ORGANIZATIONS WILL CONTINUE AS USUAL DURING THIS PERIOD ITS PAYROLL SAVINGS ACTIVITY AND ANY STAMP PROMOTIONS. A UNITED STATES TREASURY WAR FINANCE COMMITTEE WILL BE SET UP HERE IN WASHINGTON INCLUDING WAR SAVINGS STAFF AND VICTORY FUND REPRESENTATIVES. ALL NATIONAL PROMOTION, INCLUDING PRESS, RADIO OUTDOOR ADVERTISING, POSTERS, MOTION PICTURE AND MISCELLANEOUS ACTIVITIES WILL BE POINTED TO THIS JOINT ENDEAVOR. DUE TO THE CONTINUOUS WORK OF THE WAR SAVINGS STAFF WE FORTUNATELY HAVE MANY LOCAL PROJECTS MOVING FORWARD CONSTANTLY THROUGH ALL MEDIA. IN EVERY POSSIBLE INSTANCE THESE SHOULD WITH THE APPROVAL OF THE TREASURY WAR FINANCE COMMITTEE BE TIED INTO THE FORTHCOMING CAMPAIGN. ESPECIALLY WE WILL WANT TO RETAIN THE FULL SUPPORT OF ORGANIZED LABOR AND WOMEN'S GROUPS UNQUOTE PLEASE WIRE ACKNOWLEDGMENT WITHIN FORTY-EIGHT HOURS WITH ANY SUGGESTIONS WHICH YOU MAY CARE TO MAKE. CENTS THIS WIRE STRICTLY CONFIDENTIAL UNTIL RELEASED FROM HERE.

HENRY MORGENTHAU, JR.
SECRETARY OF THE TREASURY

TRG:DWB:NLE

EXPENSES OF LOANS

FEBRUARY 22, 1943

To Presidents, Federal Reserve Banks, / and Executive Managers
Victory Fund Committees

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

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

On March 1, I propose to make substantially the following announcement to the War Savings Staff, to Presidents of the Federal Reserve Banks and to Executive Managers of the Victory Fund Committees QUOTE Contemplating for early April a large Treasury borrowing program it is essential for the successful prosecution of this job that the Treasury secure the combined services of all persons and organizations now working for it in the promotion of the sale of government securities. Therefore, I have this day requested the Presidents of each of the 12 Federal Reserve Banks, Treasury fiscal agents, to serve as Chairmen of a United States Treasury War Finance Committee in their respective districts to direct this drive. Both the Victory Fund Organization and the War Savings Organization are to be represented on this committee and the forces of each will be integrated in every desirable and productive activity for the period of preparation and during the actual drive. The entire basket of Treasury securities including E Bonds will be available to all forces taking part in the drive. Details of the respective tasks of each organization at the State, County and community level shall be worked out by the Treasury War Finance Committee in your district on which you will serve. However, it shall be your responsibility once plans are complete to see that your workers are welded into this combined effort under the direction of the Presidents of the Federal Reserve Banks. The War Savings organizations will continue as usual during this period its payroll savings activity and any stamp promotions. A United States Treasury War Finance Committee will be set up here in Washington including War Savings Staff and Victory Fund representatives. All national promotion, including Press, Radio, Outdoor Advertising, Posters, Motion Picture and miscellaneous activities will be pointed to this joint endeavor. Due to the continuous work of the War Savings Staff we fortunately have many local projects moving forward constantly through all media. In every possible instance these should with the approval of the Treasury War Finance Committee be tied into this important campaign. Especially we will want to retain the full support of organized labor and womens groups. UNQUOTE. Please wire acknowledgment within 48 hours with any suggestions which you may care to make. Contents this wire strictly confidential until released from here.

HENRY MORGENTHAU, JR.
SECRETARY OF THE TREASURY

February 22, 1943
3:25 p.m.

ADMINISTRATIVE POLICY

Present: Mr. Bell
 Mr. White
 Mr. Thompson

H.M.JR: On Saturday Bell talked to me. On this financing and everything he is doing he thinks it is just too much - too many committees, and so forth and so on, seeing General Carter and Foreign Funds and the State Department.

He and I have just been talking here and have sort of come to an agreement, that Dan drop out of that part of it so as to give more time to the financing, except, he said, where it touches the dollar--

MR. BELL: Where it touches the transfer of funds - dollars. I would have to know about that.

H.M.JR: That would be through Heffelfinger?

MR. BELL: Yes.

H.M.JR: What we would like to do, if you think you could take it, is just turn the whole thing, lock, stock, and barrel, over to you.

MR. WHITE: I think so. I was feeling that Dan was having more of this - as a matter of fact, I am having a meeting right now in the office, at which we were going to get a preliminary recommendation for him, to save some time.

But I think that a good deal of the expansion of that came while you were away and Dan was taking your place, in addition to his regular duties. That is why

- 2 -

a good many of these meetings took place there.

MR. BELL: It is getting bigger, too, Harry, all the time.

MR. WHITE: I think I can definitely handle it. I think we also ought to have, if there is going to be that kind of an informal-formal setup - not formal in the sense of anything in writing but formal in the sense of a definite understanding - then I will want to organize it in such a way that what will emerge from it and what will come before your attention will be just the final decisions upon which there is agreement on important matters. I will keep you informed about all the conferences.

H.M.JR.: That is the thing that Bell is worried about. He said it would throw too much on me. But I think you should get this thing down so that it is just a yes or no for me.

MR. WHITE: I think so, and particularly if it is confined to the important decisions. Some of them are merely a question of agreement on principles, and once that is done then other things follow.

I think definitely that that could be facilitated if it were clarified. Where the definite responsibility is not indicated there are always a good many who are not sure just what they have to do. I have never been wholly sure just how much I should initiate.

The same thing is true of the Legal Division. The same thing is true of John Pehle in this thing.

I think that if there were a statement by you indicating that all matters of occupation I was in charge of - responsible to you - it would work out without disturbing either one of you. At the same time you would be completely informed and no decision of any importance would go out without approval.

- 3 -

H.M.JR: As I understand the thing, Dan is not going to attempt to keep up with it. He isn't going to attempt to keep up with it any more.

MR. WHITE: Well, I think in general he ought to be informed. I know approximately - I think I ought to know approximately what Dan's views on many of these things are.

I think that irrespective of his responsibility, there are getting to be too few men around the Treasury not to ask or get the advice of the few men that are around.

It isn't like it used to be where there were a half a dozen men so that you could have a meeting. After all, I call a meeting on many of these matters, and the only ones, aside from people in my own staff, are Pehle on some problems that touch at all Foreign Funds - and a great many of these do - and Luxford. Occasionally the matter may be important enough to clear through Paul.

So there are some items that I can feel free to call on Dan to ask his advice, but the responsibility I think should be mine to you. That would leave me the judge as to what is important enough to take up with you and also what I want to take up with anybody else, including Dan.

If that were announced I would proceed with a little more formal organization within the Treasury of a committee, to see that we handle everything expeditiously.

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

MR. BELL: I don't want to deprive anybody of coming into my office, and Harry is at liberty to come any time he wants to on any of these problems if I can give him a moment. I think that is all right.

The thing that is worrying me is that there are so many of these meetings that I call and then have to go

- 4 -

out and miss half of the conference, like I did on Saturday. There is another one for tomorrow, and whether I will be able to stay or not I don't know.

I know it is going to be that way until the end of April.

MR. WHITE: I don't think you ought to concern yourself with those problems, frankly. You have good technical men down below, and I think that it does mean - well, it is expanding.

MR. BELL: It is expanding very fast. The problems are growing, and they are going to get bigger.

MR. WHITE: They get bigger. If you get out of that area they will increase ten-fold, and I think that the only things that ought to come up to the top are decisions of important policy.

H.M.JR: As I say, in this way I get more of Dan's help for me on my financing. He can concentrate on the thing.

I wouldn't have brought it up because I have felt in talking here that Dan liked to keep his fingers on it.

MR. BELL: I do, but there is a limit.

H.M.JR: There is a limit. We have reached the limit, and I think it is sensible.

Now, his only worry is that this is too much for me. It won't be too much for me if Harry holds the thing right down.

The thing is that I will be out of this in another week or so. We will get our new men. This thing of sitting around and having four presidents of the Federal Reserve banks and the Victory Fund, and eight or ten State chairmen of War Bonds, and every one of them

- 5 -

prima donnas - every one thinks what this means to him. I listened to these fifteen or twenty people until I got - I listened, and I was very patient through all of it. I amazed myself, as well as Dan, but I had to do it, because these people are going to be shoved around and they will take it from the Secretary of the Treasury and won't take it from anybody else.

So, Norman, why don't you and Harry draw up something on a piece of paper so I can just look at it? I don't necessarily have to sign it, or I can sign it. I don't know what difference it makes. But at least I would like to have something I can look at. For instance, where is Pehle, who does Pehle look to. You see what I mean?

MR. WHITE: I am not suggesting and don't think there should be any change in Pehle's status.

H.M.JR: Well, it never does any harm to have a fresh look at something. I think that Norman, as my administrative assistant, ought to have a fresh look at the thing in the next day or two, and let Bell and me take a look at it.

MR. WHITE: I think it is fair to say that although it has been true it has been expanding, that everybody within the Treasury has been cooperating a hundred percent.

MR. BELL: We couldn't have had better. I am not kicking on that. I am kicking on the limitations of my physical endurance, that is all. You fellows have been swell so far as cooperation is concerned, and I have had no trouble on that score.

I feel I am no help to a committee by just being in and out, and everybody gets nervous when they come because I am up and answering the phone, in and out, and I have to call off conferences. It doesn't leave a very good taste in anybody's mouth.

- 6 -

When Phillips comes over, if I have to rush him out - he is on my neck now about these things.

MR. WHITE: Phillips shou'dn't go to you on these things. He raises a lot of questions which shouldn't come to your attention at all.

H.M.JR: At home, for instance, in ^{England}, Phillips is fourth or fifth down the line. We treat him as under secretary over here, which of course he isn't.

MR. BELL: He has been advertised here as some under secretary - I don't know whether first, second, or what.

H.M.JR: It is probably my fault.

Well, anyway, have a look at it, and that is that.

February 22, 1943
3:45 p.m.

FINANCING

Present: Mr. Graves
Mr. Buffington
Mr. Grant
Mr. Bathrick
Mr. Robbins
Mr. Howard
Mr. Mitchell
Mr. Schumann
Mr. Bratton
Mr. LaRoche
Mr. Thomas
Mr. Stevens
Mr. Wood

MR. GRANT: Would you like me to give you the suggestion I have?

H.M.JR: If you please.

MR. GRANT: Our committee spent some time this morning with Mr. Thomas. Consequently, we are reasonably familiar with the plan. Unfortunately my train was late so I got the gist of the plan from them instead of hearing Mr. Thomas explain it.

We have been discussing that plan versus what Mr. Bathrick picked up from you as to what you might feel you should do, and out of it all I have something that I think so conforms to good selling practice that it is almost self-evident.

Of course, number one, we can't do anything without a man heading it up. We have to have a sales manager. Under that sales manager the War Savings activity has to come, and the Victory Loan activity, and the promotion and advertising of the two plans to get any line authority.

- 2 -

If you go the route of the twelve Federal Reserve Districts being the geographical line-up, which I hope the decision may be, and if you go the route of having a man out there, a competent man who can really be the sales manager of that outfit, then we have got to have proper contact with those twelve Federal Reserve Districts to actuate them, lead them, and help them.

Here, in my opinion, is the way to do it. This head man in here would need four men to contact those places and line authority. They would be his assistants. They would see that his plans were thoroughly understood by the man who is to execute them out there. They would not have to be of the same caliber as this head man. They would have to have some selling experience and understand that type of organization, but they would not need to be nearly the same type of man that he is.

Then, I feel that, just as Mr. Robbins has to have a man on coffee in his business, and in my business I have to have a man on sales promotion and another one on service promotion, we need in here four specialists, and probably six. But I think out in the Federal Reserve District we only need four: a woman on women's activities, a man that knows the farm organization on farm work, and a man that knows how to pick up the mass stuff that isn't ordinarily garnered in by the pay-rolls, and this, that, and the other thing.

Then an advertising and sales and promotion man is needed. Now, you would have him under this scheme anyway, and, of course that would mean that out of the Federal Reserve Districts they would have a similar man that he would contact.

Now, if we were setting up to sell the largest amount of food or the largest amount of automobiles, we would have exactly what we are saying here. First of all, we would have a sales manager who controlled everything. Under him would come not only the selling, but the advertising and the promotion. Then we would have a number of assistants for him who could carry his word into the selling divisions in the field, which in this case are twelve. We say four are needed, but maybe only three are needed. You couldn't

- 3 -

tell that without experience. Then you have to have a certain number of idea men to make up the ideas as to how to handle farmers, how to handle the women, how to handle the mass that you don't pick up through pay-roll savings. They need to generate the plans, and they need to go out to the Federal Reserve Districts to inculcate those plans as fast as they can get around.

These line authority men - these four assistants - will help these idea men; and if a district is particularly weak on the farm end of it, that man in that district who supervises that district will immediately call upon the farm man to render assistance at that particular point.

So as to procedure, if we could get the sales manager and get him to agree that this type of set-up is the real type of set-up, and he was heartily for it - and I think a good sales manager would be, because nearly all good sales organizations are set up that way - then I think we have the thing licked as to organization.

H.M.JR: Let me just, so to speak, put this to one side for a minute, without getting into a discussion, and let me read a telegram which we are thinking of sending out tonight. This in no way would cross up what you are saying, but this is the result of eight or nine days of very hard work.

The four presidents of the Federal Reserve have agreed to it, New York, Philadelphia, Chicago, and Cleveland. We have had in the State administrators and the Victory Fund managers. We took those four, and they have all, as far as I know, agreed to this. The others haven't. I have felt here - well, this is my job. You all have something else to do, and I have had to keep moving.

Let me read this thing to you. This is addressed to the State administrators and the presidents of the Federal Reserve Banks.

MR. GRANT: Mr. Secretary, could I ask who the president of the Federal Reserve Bank is? Is he the actual working man, or is he this top administrative officer?

- 4 -

H.M.JR: The president of the Federal Reserve Bank is the working man.

MR. GRANT: He isn't the man who holds the office?

H.M.JR: No, that is the chairman. He is not Mr. Ruml in New York, if that is what you are thinking about. (Laughter)

MR. GRANT: He is Mr. Ruml's worker.

H.M.JR: Mr. Ruml is the chairman of the Federal Reserve Bank who spends his time in Washington, and Mr. Sproul is the man who does the work. (Laughter)

MR. GRANT: The man you refer to--

H.M.JR: Allan Sproul is the man. He is a good example. He also has the position as fiscal agent of the Treasury, in which he is my direct representative - directly responsible to me. In that capacity he spends seventy-five percent of his time with me and gets seventy-five percent of his revenue from me. But, this is directed to Mr. Allan Sproul of the Federal Reserve, and not to Mr. Beardsley Ruml. I am glad you asked me. (Laughter) We will not take a vote here; the Ways and Means Committee will clear that up. (Laughter)

(Draft of telegram read by the Secretary, copy attached.)

Now, that in no way would cross up anything, but it just gets the thing started.

MR. GRANT: Might I make a comment on it?

H.M.JR: If you please. That is the purpose of this.

MR. GRANT: That would be exactly like we appointed twelve regional managers in the automobile business and said, "It is your job to sell automobiles." We know by

- 5 -

experience that that is not an effective method of selling them. We need these four contact men, or the proper number, from headquarters to interpret to those men and get as good uniformity as is possible across the country, and to be sure they understand the ideas that are put forth. Then on top of that we need a few specialists who are particularly good at particular types of organization, because the president of one of these Federal Reserve Districts might not be a very good farm organizer, but he might be very, very good at the market end, and vice-versa. It is by having this combination of this line authority that you are sure your ideas go across and are properly interpreted; and by having these few specialists, you are sure that they know exactly how to organize for the special activities.

So, if you have done that much, the imposing of what I have suggested to you would be merely expanding the organization.

H.M.JR: Well, the reason I am not commenting on it is because I want to digest it, but I understand fully the impact of what you are saying about forming this so-called United States War Finance Committee here, and the people that you are suggesting would fit into that structure. I mean, whether there are four experts or one expert, or whatever it is, they would fit into that structure. I think, after having worked extremely hard for ten days, this is the kind of steel framework that we would have to have anyway.

MR. GRANT: We would have to have that anyway.

H.M.JR: The kind of face bricks, the kind of plumbing, or the kind of furniture is something else, but at least the steel structure would have to be along those lines. I mean, that is my belief.

MR. GRANT: If people would read letters and understand them, there would be no need of the men I am suggesting. But, unfortunately the human mind isn't so constructed that instructions can be just given or bulletins sent out whereupon the men know what you are talking about. One interprets them one way; another, another.

- 6 -

H.M.JR: What I would like to do is excuse myself for fifteen or twenty minutes. I would like you all to take a look at this thing. I am coming back here, but I will leave Mr. Graves and Mr. Buffington to interpret my letter if there is any question. After looking at this, see if any of you have any doubts that this should go out tonight. Could I just leave it here, and leave these two gentlemen to interpret it? We are pointing up towards the 12th of April, and--

MR. GRANT: Mr. Secretary, on first reading, and if you should come around to my way of thinking as to what is an organization, this would be perfect to go out right now.

H.M.JR: Well, I am not making any comments; because if I took your suggestion lock, stock, and barrel, you wouldn't think very much of me.

MR. GRANT: Not if you took it too quickly, no sir.

H.M.JR: That is the point. I mean, smell it, taste it, and look at it, and so forth, and so on. I would like to be excused.

February 23, 1943

To: ALL STATE ADMINISTRATORS and/or CHAIRMEN, WAR SAVINGS STAFF

ON MARCH ONE, I PROPOSE TO MAKE SUBSTANTIALLY THE FOLLOWING ANNOUNCEMENT TO THE WAR SAVINGS STAFF, TO PRESIDENTS OF THE FEDERAL RESERVE BANKS AND TO EXECUTIVE MANAGERS OF THE VICTORY FUND COMMITTEES QUOTE CONTEMPLATING FOR EARLY APRIL A LARGE TREASURY BORROWING PROGRAM IT IS ESSENTIAL FOR THE SUCCESSFUL PROSECUTION OF THIS JOB THAT THE TREASURY SECURE THE COMBINED SERVICES OF ALL PERSONS AND ORGANIZATIONS NOW WORKING FOR IT IN THE PROMOTION OF THE SALE OF GOVERNMENT SECURITIES. THEREFORE, I HAVE THIS DAY REQUESTED THE PRESIDENTS OF EACH OF THE TWELVE FEDERAL RESERVE BANKS, TREASURY FISCAL AGENTS, TO SERVE AS CHAIRMEN OF A UNITED STATES TREASURY WAR FINANCE COMMITTEE IN THEIR RESPECTIVE DISTRICTS TO DIRECT THE APRIL DRIVE. BOTH THE VICTORY FUND ORGANIZATION AND THE WAR SAVINGS ORGANIZATION ARE TO BE REPRESENTED ON THIS COMMITTEE AND THE FORCES OF EACH WILL BE INTEGRATED IN EVERY DESIRABLE AND PRODUCTIVE ACTIVITY FOR THE PERIOD OF PREPARATION AND DURING THE ACTUAL DRIVE. THE ENTIRE BASKET OF TREASURY SECURITIES INCLUDING E BONDS WILL BE AVAILABLE TO ALL FORCES TAKING PART IN THE DRIVE. DETAILS OF THE RESPECTIVE TASKS OF EACH ORGANIZATION AT THE STATE, COUNTY AND COMMUNITY LEVEL SHALL BE WORKED OUT BY THE TREASURY WAR FINANCE COMMITTEE IN YOUR DISTRICT ON WHICH YOU WILL SERVE. HOWEVER, IT SHALL BE YOUR RESPONSIBILITY ONCE PLANS ARE COMPLETE TO SEE THAT YOUR WORKERS ARE WELDED INTO THIS COMBINED EFFORT UNDER THE DIRECTION OF THE PRESIDENTS OF THE FEDERAL RESERVE BANKS. THE WAR SAVINGS ORGANIZATIONS WILL CONTINUE AS USUAL DURING THIS PERIOD ITS PAYROLL SAVINGS ACTIVITY AND ANY STAMP PROMOTIONS. A UNITED STATES TREASURY WAR FINANCE COMMITTEE WILL BE SET UP HERE IN WASHINGTON INCLUDING WAR SAVINGS STAFF AND VICTORY FUND REPRESENTATIVES. ALL NATIONAL PROMOTION, INCLUDING PRESS, RADIO OUTDOOR ADVERTISING, POSTERS, MOTION PICTURE AND MISCELLANEOUS ACTIVITIES WILL BE POINTED TO THIS JOINT ENDEAVOR. DUE TO THE CONTINUOUS WORK OF THE WAR SAVINGS STAFF WE FORTUNATELY HAVE MANY LOCAL PROJECTS MOVING FORWARD CONSTANTLY THROUGH ALL MEDIA. IN EVERY POSSIBLE INSTANCE THESE SHOULD WITH THE APPROVAL OF THE TREASURY WAR FINANCE COMMITTEE BE TIED INTO THE FORTHCOMING CAMPAIGN. ESPECIALLY WE WILL WANT TO RETAIN THE FULL SUPPORT OF ORGANIZED LABOR AND WOMEN'S GROUPS UNQUOTE PLEASE WIRE ACKNOWLEDGMENT WITHIN FORTY-EIGHT HOURS WITH ANY SUGGESTIONS WHICH YOU MAY CARE TO MAKE. QUOTE THIS WIRE STRICTLY CONFIDENTIAL UNTIL RELEASED FROM HERE.

HENRY MORGENTHAU, JR.
SECRETARY OF THE TREASURY

THG:DWB:NLE

February 22, 1943
4:20 p.m.

FINANCING

Present: Mr. Graves
Mr. Buffington
Mr. Grant
Mr. Bathrick
Mr. Robbins
Mr. Howard
Mr. Mitchell
Mr. Schumann
Mr. Bratton
Mr. LaRoche
Mr. Thomas
Mr. Stevens
Mr. Wood

H.M.JR: Have you all had a chance to look at the telegram? Are there any suggestions?

MR. GRANT: There is no indication in that telegram that further plans will be made. We were wondering whether it might not be a good idea to inject a sentence to the effect that the over-all plans in the Treasury Department would be developed further, and announced as they develop.

H.M.JR: Well, I would rather do it as an accomplished fact - not go out on the end of a limb. I would rather wait until I have the people and that is time enough to do it. I just don't want to say I am going to do this or not. Maybe I can't get something.

MR. GRANT: A question I would like to ask - in the case of making this president responsible for this activity out there, if he isn't a merchandising man, I presume he would have to get one.

- 2 -

H.M.JR: I should think so.

MR. GRANT: Like in New York, Mr. Schumann was saying Mr. Sproul has Perry Hall, for instance, on one end of it, and Patterson on the other, and he probably has a couple of good merchandising men in their specific bailiwicks. So, while he carries the responsibility, they really carry the plans out for him.

Now, if you were supervising from here, which I think is quite necessary, then it wouldn't be a matter of upsetting Mr. Sproul if his merchandising was incompetently done. It would be a matter of suggesting to him that he get another merchandising man, which is quite different than suggesting to him that he make way for somebody else.

I can conceive of a man being very good, you might say, in an over-all way - looking at the thing - but not very much good if he himself has to execute along merchandising lines. So I presume, in many of the cases they will have to get a merchandising man.

H.M.JR: I don't know - I should think they would.

MR. GRANT: Certainly in New York they have.

MR. SCHUMANN: You have these two strong men, Patterson and Hall, but they represent two separate things.

MR. GRANT: That, of course, gets down to the fundamental question of the War Savings and this other effort. Now, of course, to my way of thinking they should be absolutely and entirely separate. Now, I recognize that when the Victory Loan drive takes place there is more or less discussion and criticism on account of the fact that there are two sets of people at work. But where the one effort has to be continuous and the other spasmodic, you certainly have to have two efforts.

- 3 -

The only question of policy involved is whether the sensible thing is to lock them up together while the drive is on, or whether it would be better to keep them separate all the time. I happen to be one of a mind that would keep them separate all of the time, and stand for squawking rather than try to coordinate them. But I can see where, through this committee, the attempt is made to coordinate them. Consequently, I have no particular objections on that plan, but whether it will work or not, I don't know.

But you certainly have to have a War Savings man and a Victory Loan man if you are going to carry on a spasmodic activity on the one hand, and a constant activity on the other hand.

MR. THOMAS: Let me point out to you, Mr. Grant, that in the War Savings Staff you also have drives. You have bomber campaigns and you have farm drives. That is in the War Savings, itself.

MR. GRANT: I realize that, and to me there have to be two activities, even though there are two drives taking place at the various times.

H.M.JR: You have said that right along.

MR. GRANT: That is right.

MR. MITCHELL: I was sort of convinced otherwise in going out through the country.

MR. GRANT: What I am afraid of is that what you pick up there is the annoyance that takes place while the Victory Loan is on.

Now, I am not so sure but what a little expert coordinating can take place during that time, but it is fundamental that they have got to be two separate and distinct activities because I can't conceive of this Victory Loan outfit, or the Federal Reserve Banks,

- 4 -

carrying that activity on during the time when they are not carrying their regular activity on.

MR. SCHUMANN: But you have had no reservation, on the other hand, about - call him a regional manager or a Federal Reserve district manager - he is there to integrate the activities all the time of both.

MR. GRANT: And all the coordination and all the smoothing out I could do through that man, I would do through him.

MR. SCHUMANN: And in most cases the president of the Federal Reserve Bank is not apt to be that guy. He is not apt to be. So it looks as though you will inject - or require - a third person, shall we say.

MR. THOMAS: Gentlemen, even under the third person, basically you have three areas of conflict. One is a broad conflict. At the present time the War Savings Staff handles only K Bonds, and the Victory Fund handles everything else but E Bonds.

In order to properly service those markets we were told time and time again that the War Savings Staff would have to sell some of the products now being sold by the Victory Fund Committee.

We were told also that the Victory Fund Committee would have to be able to sell K Bonds, and you have a broad conflict right there. Suppose it were solved, who is going to get the credit for what? That will always be present. You have got a quota. Is it going to the War Savings Staff or is it going to the Victory Fund Committee? That is a broad situation.

Secondly, you have got a geographical conflict. So as long as one organization is set up on State lines and the other on Federal Reserve district lines, I think you have an insuperable conflict. That is my opinion.

- 5 -

Third, you have the human conflict. You have emotions that run deep throughout this whole operation, and I don't think you are going to solve them just by having some one committee trying to pull them together under the Federal Reserve Bank. That is my opinion.

MR. GRANT: Mr. Thomas, what would you think of keeping them entirely separate? In other words, while the drive is on, the War Savings people still go ahead selling their E Bonds, and you simply tell the other people they have nothing to do with selling E Bonds - tell the Victory Loan people they have nothing to do with the selling of E Bonds at all.

In other words, I have no difficulty telling a Cadillac man, who sells Cadillacs, that he doesn't sell Chevrolets, because we own the Chevrolets. We have framed our organization that way. I can't understand how you can coordinate a spasmodic activity with a continuous one.

MR. THOMAS: You are doing it in the War Savings Staff right now.

H.M.JR: I don't agree with Mr. Thomas in what he said about these running so deep and all the rest of that. What I did was, I got these four regions together on a regional basis and, figuratively, I locked them up in a room. Then they came out moderately happy. But every one agreed that whatever I decided, they would do, and it didn't run so deep in any case. They said, "If this is what you want, all right, we will do it."

MR. GRANT: And the thing you did decide that you would do would be to attempt the best coordination possible during the time the Victory Loan runs, and then they would go back to their regular organization afterwards.

H.M.JR: I didn't say anything about afterwards. I didn't say whether I would disentangle them or not.

- 6 -

MR. GRANT: I presume you would have to, wouldn't you?

H.M.JR: Not necessarily. I don't imagine that in this drive any twelve districts will organize exactly alike, which is all right.

Also I don't agree with Mr. Thomas that the State thing is insurmountable in comparison with the Federal Reserve districts. They took the man from the State of New Jersey and he is perfectly satisfied. He is going to work out his problems in New Jersey, which falls in both New York and Philadelphia.

Now, the thing is this. We sit here and I have these very loyal people, each one fighting for his own organization - they are loyal people, as they should be, but when you get this fellow in the same town and the same State, you find in many cases they get along.

It is just like this F and G business. When I went into Kansas City and St. Louis and talked about all this conflict between F and G's they didn't know what I was talking about.

I have lived with these people, now, for a week - the four regions, - and when I got through I found they could live together and they have all agreed, and there isn't a sorehead amongst them. I didn't even have a murmur of a resignation.

MR. GRANT: Mr. Secretary, I would like to ask Mr. Bratton a question.

H.M.JR: May I just say one thing? What I told them was this: "Henry Morgenthau, Jr. doesn't make any difference, or a man by the name of Dick Patterson, or any of these fellows. The people on the firing lines are doing this thing because they want to win the war, and all the names don't mean a damn."

- 7 -

When I put it up to them about the people in the community that we have got to rely on to do this work on a volunteer basis - would they do it - those people would do it who want to help finance and win the war.

I am repeating myself. When we stuck them in a room for a couple of days and let them sweat, they came out all right.

It is a question of human people rubbing each other, gradually getting together and making a chart and saying, "This is the way it is going to be done."

MR. ROBBINS: My worry, as I see this - and I am strongly leaning towards Mr. Thomas - is that I believe ultimately the size of the task that faces us is so gigantic that we shouldn't plant any seed now - some suggestions in that telegram would seem to plant that seed which will make it difficult to have an ideal, finished, perfect organization. I am afraid that is what we will be doing.

H.M.JR: Here is the trouble, Mr. Robbins. You can't have a finished product here because, in the first place we haven't got the money; and if we had the money we haven't got the men.

Now, it is a difference between Government and private business, and you may sit down and chart a private business organization and say, "I am going to start a national organization to do" - so and so, and you can do it along the best practical lines. We can't do it. We have got to improvise.

Now, we had an appropriation of twelve million dollars from Congress for War Bonds. They cut us down to nine. We estimated--

MR. GRAVES: Seven, seven, to be exact.

H.M.JR: We estimated it would take twenty-eight thousand people and a hundred million dollars for Mr. Thomas' plan. It is just impossible.

- 8 -

MR. THOMAS: Mr. Secretary, we didn't have an opportunity to discuss that phase of the plan with you. We deliberately left it up in the air, hoping we would have an opportunity to discuss it with you.

H.M.JR: But we took the plan and said that if we followed that thing down, just taking your suggestion - let's cut it in half, and let's say it was fifty million dollars - but the boys figured twenty-eight thousand people, a hundred million.

MR. THOMAS: Yes, but let's don't do that. I don't know what your budget is; I have never known. I don't know how much money you have. You have to cut your cloth to fit. Now then, you can have an organization in Washington such as we have outlined here and you can have an organization in each Federal Reserve district such as we have outlined, and it won't cost you much money. You might even get one in the regions of the Federal Reserve district that would cost you more, because there are probably sixty or seventy of those. How much further you get than that depends upon how much money you have got and how many people you can get. In other words, you would be realistic about building the thing.

If you haven't the money, you can't go all the way down, but at least the number of people we are talking about is less than one percent of all the people working for you right now.

We are just talking about the top management group, and those fellows give direction and purpose and plan to this thing. So you wouldn't be meeting emergencies; you would be working on down the line three or four or five months ahead. That is what we see in it.

MR. GRANT: Speaking about realistic - being realistic, Mr. Secretary, I think this is what is realistic. If you get a sales manager here, the top man, to coordinate these two efforts and the publicity for the two efforts, and you could get him four assistants and four specialists, I think with that much organization you can make it according to the budget that you may want to set up.

- 9 -

MR. ROBBINS: I agree.

H.M.JR: But that is quite different than this (indicating the Thomas report).

MR. GRANT: Yes, this is my approach.

H.M.JR: Let me ask you this, because they have sprung something on me. Mrs. Roosevelt has asked us all to come over to meet Madame Chiang Kai-shek at five o'clock.

Thomas, you are figuring on being here tomorrow with your two associates, aren't you?

MR. THOMAS: Yes, sir.

H.M.JR: We will continue this.

Are any of you gentlemen going to be here tomorrow or not?

MR. GRANT: I will have to be in Detroit for the opening of the Red Cross drive on Wednesday. Now, what I could do would be, instead of going home, which I intended to do, I could stay here tomorrow and go directly to Detroit, assuming I can get a reservation. I suppose you can drag one out somehow. So I am perfectly willing to do that.

H.M.JR: Because I am not satisfied with this conversation. I don't think you people are, either. I would like to talk some more tomorrow.

MR. GRANT: I will cancel my reservation.

H.M.JR: If any of you can be here tomorrow--

MR. GRANT: We will be at your disposal tomorrow.

February 22, 1943
6:10 p.m.

HMJr: Hello.

Operator: Chairman Eccles.

HMJr: Hello.

Marriner
Eccles: Hello, Henry.

HMJr: Marriner, are you alone?

E: I've got Mr. Thurston in here and Mr. Clayton.

HMJr: Oh.

E: Do you want to talk to me alone?

HMJr: I would like to.

E: All right, sir.

HMJr: Do you - do you want me to call you back?

E: Well, let me - let me go into a booth I've got here.

HMJr: All right.

E: Okay.

Operator: Operator.

HMJr: Mr. Eccles went into a booth.

Operator: All right.

HMJr: I don't know what's happened. Shall I hang up?

Operator: Yes, I'll call you back.

February 22, 1943
6:13 p.m.

HMJr: Hello.

Marriner
Eccles: Hello.

HMJr: Marriner?

E: Yeah.

HMJr: I wanted to talk to you again. Somebody has just come in here and has just been raising hell with me because I'm going to have Allen Sproul in New York, and they say he hates the President and he hates me and all the rest of this stuff. Now I went all over this with you once before, and I just wanted to reassure myself or have you reassure me that I'm not making any mistake.

E: Well, if that's true there has never been the slightest evidence of it....

HMJr: Yeah.

E:so long as I've known Allen Sproul.

HMJr: I see.

E: Now that was not true of Harrison.

HMJr: Yeah.

E: But I have never heard Allen Sproul say anything at any time against either you or the President or - or any - anyone connected with the Administration. In fact, Allen Sproul, so far as I have ever been able to detect, takes no part whatever in the pure political aspect. Now - and I'm - I'm sure that you could check Ronald Ransom, and you'd get exactly the same view or I'd be surprised.

HMJr: No, I'm....

E: And....

HMJr: In this case, I've got to put my money on you.

- 2 -

E: Yeah, well, I mean it may be somebody else has and I haven't.

HMJr: No, but I meant if something went wrong that I'd have to get you to correct the situation.

E: Well, that's - well, that's right. Now - now so far as - so far as Sproul is concerned, I - I have had disagreements with Sproul....

HMJr: Yes.

E:on - on questions of policy and I have had to put him to a vote on the Open Market Committee and I have voted Sproul down, see? I've never - I've never been turned down when an issue has come, but I've always voted Sproul down, and - and - so - but the fact that he has disagreed with - with me with reference to certain policies, there's never been the slightest personal feeling enter into it. I mean I - I have figured that he has been intellectually honest, that he's stated his view and I respect it, and if I disagree then it's a question of - of determining the issue and that's that. And - and I - I've got great respect for his judgment. I like to get it, because I - I feel that I - my judgment is better if I've had a chance to go up against Sproul. Now that's the way I feel about it, and I think he has respect for mine.

HMJr: Well, let me ask you something. If - in - if we got into a tight corner, the president of a Federal Reserve Bank can be - could be - I mean in an extreme case -- removed by the Board of Governors, couldn't he?

E: Well, you can only remove him for cause.

HMJr: Yeah. But I mean....

E: Now that - that cause would - it'd be very difficult. It would be very difficult to prove. Now you'd have to have - you see, the president of a Reserve Bank is elected....

HMJr: Yeah.

- 3 -

E:by the presidents of - I mean by the members of the Board of the Federal Reserve Bank.

HMJr: I see.

E: They're elected, and we have the approval of the presidents only. We have to ratify it....

HMJr: I see. Well....

E:their appointment, and we have to approve of their salaries. Now I - I can assure you this that if you should appoint Allen Sproul to a position and you didn't feel that he was functioning and you asked Allen Sproul to resign, he'd resign in a minute.

HMJr: Yeah.

E: Allen Sproul is....

HMJr: Well, this is the thing -- this is strictly between us -- now the fight was this, you see - he just left here - Dick just - don't ever repeat this....

E: Yeah.

HMJr:because I don't want it....

E: Yes.

HMJr: Dick Patterson comes in here, see? It was Dick Patterson.

E: Yeah, well, I can tell you something about Dick.

HMJr: And - and he said, "You got to make me co-chairman in New York to look after the New Deal interests."

E: Well, now listen, Dick - Dick - I would - if I was voting on the two of them....

HMJr: Yeah.

- 4 -

E:as a New Dealer, I'd take Sproul.

HMJr: Yeah.

E: Now I can tell you that as far as Dick Patterson is concerned....

HMJr: Yeah.

E:Dick Patterson is more anti-Mr. Roosevelt. When it gets right down to the question of issues, Dick Patterson is on both sides of the fence depending on the company he's in.

HMJr: Yeah.

E: Now I've been with Dick Patterson, and I know Dick very well, and if it come to the question of - of depending upon Dick Patterson vs. Allen Sproul....

HMJr: Yes.

E:as a supporter of you or Mr. Roosevelt, I would take Mr. - I would take Allen Sproul because Allen Sproul - you could depend 100% on what he said.

HMJr: Yes.

E: Now you can't do that on Dick Patterson.

HMJr: Yeah.

E: Now I - I've known Dick Patterson for a long while. Used to play golf with him. And Dick Patterson has been trying to get appointed on the New York Federal Reserve Bank Board as a Class-C Director.

HMJr: Yeah.

E: The methods he used to bring pressure on - to get that appointment would make your hair stand up. I never saw anything like it in my life.

HMJr: Really?

E: Now I - I just personally wouldn't bank on Dick Patterson for one minute.

- 5 -

HMJr: Well....

E: Dick - Dick Patterson is - Dick Patterson is a - is very close to - to the - to the boys of the Street up there.

HMJr: Is he?

E: Oh, yes!

HMJr: You mean Wall Street?

E: Sure he is! Dick Patterson is the head of the R.K.O.

HMJr: I know.

E: And he's a director of a half a dozen Wall Street companies.

HMJr: Yeah.

E: My gosh, Dick Patterson is a hired fellow up there and a big salary from the - from the interests that Floyd Odium, for instance, one of them....

HMJr: Yeah.

E: Now Dick Patterson is going to take his directions from the fellows on the Street that are hiring him.

HMJr: Yeah. Of course, I told him this -- he was talking so about my selling out the bankers -- so I said, "Well, you've got three important bankers on your committee." Now what the hell's the difference between Bayard Pope and those other fellows than - than the fellows who are on the Victory Fund?

E: Listen, Bayard Pope is the First National Corporation, and that's one of the Government bond dealers.

HMJr: No, he....

E: That's Aubrey Lanston, and that's Government....

HMJr: No, it's....

- 6 -

E:bonds....

HMJr: No, it's his brother.

E: Well, my god....

HMJr: No, no, the one I mean is the brother. He's at Marine Midland.

E: Oh, yes. Oh, I was thinking - he's the brother of Allen Pope.

HMJr: Yeah, it's Bayard who's with the Marine Midland.

E: Yeah. Well, I mean after all he's a banker. I know Bayard very well.

HMJr: I mean what's the difference? One works for Dick Patterson and the other works for Sproul.

E: There's this - that's right - there's this thing about Sproul, Sproul has never been a private banker. Now Sproul started with the Federal Reserve Bank in San Francisco. He came out of the University of California as a student of - he's a - he understands economics. He's an economist, and Sproul has worked his way up right from start in the Federal Reserve System. That's - he's been here all of his life.

HMJr: Well, now what about this other fellow who's from Morgan Stanley that he talks so against?

E: Perry....

HMJr: Hall.

E:Perry Hall?

HMJr: Yeah, what about....

E: I don't know Perry as well as I do Allen, but from what I know of him, I have - I have great regard for him. I've only known him since he's been on the committee.

HMJr: He's done all right, hasn't he?

- 7 -

E: Excellent, very able.

HMJr: Well, I think I'm going to....

E: He's very able.

HMJr:let the telegram go, and....

E: As far as I'm concerned, I - I'll - I'll stand back of Allen Sproul....

HMJr: Okay. Well, then....

E:100%.

HMJr: Well, I'm going to hold you to it.

E: Well, I'll stand back of Allen Sproul, and if - and - and to this extent, that you'll find 100% integrity in Allen Sproul.

HMJr: And I think that they should have a committee up there, and not have it so loose, you know? But we can talk about that tomorrow.

E: Yeah.

HMJr: But you saw the telegram?

E: Well, Dan read it to me on the phone.

HMJr: That's all right....

E: And I made - I made two or three suggestions.

HMJr: Well, you've got forty-eight hours....

E: And - and I don't know whether he said he'd - that he accepted....

HMJr: I haven't seen it since then, but I'm sending for him now. But I wanted to talk to you first, because I got all upset over this.

E: Well, I'm - I'm just - I'm - coming from where it does, the source that you got it from....

HMJr: That's where it came.

- 8 -

E:it - it - it really doesn't concern me at all.
I mean I - I....

HMJr: Because Dick - you know, R.K.O. would - would -
they couldn't get any money - any more money from
the banks. Did you know that?

E: Oh, yes.

HMJr: And then the English came across with that money
and that's put R.K.O. on its feet again. It's a
busted concern.

E: Well, I know it was - it was - it was owned by....

HMJr: Odium.

E: There were three interests. There was Odium's
interest, the Rockefeller's, and I think the Chase
Bank....

HMJr: Yes.

E:who were the three that were into the thing.
But Dick Patterson is a director of - of two or
three other big outfits down there....

HMJr: Yeah, and you think....

E:and I....

HMJr: And he's no cleaner than anybody else?

E: Oh, hell, I - I don't think he's a - don't think
he's a bit cleaner. As a matter of fact, I think
he's - he's less so in that he'd - he - he tries
to be, when he's with Odium and that crowd, one
thing, and he tries to be down here something
else.

HMJr: Okay.

E: Now that's - now Allen Sproul....

HMJr: Well....

E:you know where he is.

- 9 -

HMJr: Well, in this whole thing....

E: He's not a New Dealer. He don't profess to be one....

HMJr: No.

E:and - and he's not very - he's not - he's not a politician, and he doesn't try to be one.

HMJr: Well, Marriner, in this set-up I've got to look to you to hold up my hand, and....

E: Yeah.

HMJr:I'm going to, that's all.

E: Well, I....

HMJr: You're emphatic, and you can be wrong and I can be wrong, but we'll give you....

E: I'm telling you my experience with Allen Sproul in the nine years I've known him....

HMJr: Okay. Well, that's enough.

E:and you can't judge other than that.

HMJr: I'll take your word.

E: Okay.

HMJr: Thank you very much.

E: Goodbye.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau
FROM Randolph Paul

February 22, 1948

Saturday afternoon Mr. Jere Cooper came to my office at the Treasury to discuss the Ruml situation with me. He confirmed what he had previously reported over the telephone and what I had reported in a previous memorandum with respect to the voting on the four measures put up last Friday to the Committee. I am not sure that the vote of five on the Carlson plan is correct. Possibly the vote was somewhat higher. In any event the Doughton No. 2 plan secured the least votes and the Doughton No. 1 plan was just two votes short of winning.

It was, therefore, thought advisable to continue further along the line of a plan resembling Doughton's No. 1 plan. After some discussion with reference to the Congressional Record the time Dewey spoke on the Ruml plan and Mr. Anderson interpolated a \$200 credit idea it was thought best to add two features to Doughton's No. 1 plan - a discount of 10% and a flat dollar discount in the low brackets. I promised to analyze this sort of plan further and to present Cooper with an exact statement thereof.

On Sunday afternoon Cooper came to my house and I presented him, after conference the previous day with Blough and Surrey and on Sunday with Milton Friedman, with a plan a copy of which is attached hereto. The plan departs in two respects from the Doughton No. 1 plan - the \$50 provision and the discount provision (although our Doughton No. 1 plan did contemplate some discount).

Cooper is to present the above plan as his plan before the Subcommittee and we are to act as if we had never heard of it. Cooper believes it is a good plan and wishes a draft of it so he can present it on the floor of the House if it fails in Committee.

Asst

The attached plan would

1. Wipe out 1942 liabilities completely for approximately 26 million out of 39 million taxpayers. The 26 million include roughly:

Single persons with net incomes up to \$1400

Married persons with no dependents with net incomes up to \$2100

Married persons with one dependent with net incomes up to \$2450

Married persons with two dependents with net incomes up to \$2800

Married persons with three dependents with net incomes up to \$3150

2. Defer and reduce 1942 liabilities for all other taxpayers.
3. Forgive on the order of \$5 billion to \$6 billion of 1942 liabilities.

February 22, 1943

Differences between attached plan and Robertson
plan

1. Achieves full currency with respect to each year's liabilities as it accrues instead of currency with respect to only basic liabilities.
2. Forgives about \$2 billion less than Robertson plan.
3. Wipes out 1942 tax liability completely for about two-thirds of all taxpayers instead of 90 percent.
4. Raises additional revenue during coming few years, whereas Robertson plan does not.

February 22, 1943.

Examples of forgiveness and discount under proposal

1. Married man - no dependents; 1942 net income, \$2,000

a. 1942 tax, present law	\$ 140
b. Amount forgiven (formula computation)	100
c. Balance payable before discount	40
d. Discount, March 15, 1944	40
e. Balance to be paid March 15, 1944	0

2. Married man - no dependents; 1942 net income, \$10,000

a. 1942 tax, present law	2,152
b. Amount forgiven (formula computation)	848
c. Balance payable before discount	1,304
d. Discount, March 15, 1944 (10 percent)	130
e. Balance to be paid March 15, 1944	1,174
f. Amount payable in each of five years if discount is not taken	261

3. Married man - no dependents; 1942 net income, \$25,000

a. 1942 tax, present law	9,220
b. Amount forgiven (exact computation)	2,356
c. Balance payable before discount	6,864
d. Discount, March 15, 1944 (10 percent)	686
e. Balance to be paid March 15, 1944	6,178
f. Amount payable in each of five years if discount is not taken	1,373

February 22, 1943

Pay-as-you-go proposal involving (1) forgiveness of difference between 1942 tax and tax at 1941 rates and exemptions; (2) payment of balance over a five-year period; (3) discount for prompt payment; (4) full current collection

1. Forgive difference between 1942 tax and tax computed at 1941 rates and exemptions. 1/
2. Spread payment of balance of 1942 liabilities over a five-year period. 2/
3. Give a discount for prompt payment of balance of 1942 liabilities. If these are all paid by March 15, 1944, discount would be 10 percent of unpaid balance, or \$50, whichever is larger. If paid by March 15, 1945, discount would be 8 percent; by March 15, 1946, 6 percent; by March 15, 1947, 4 percent; by March 15, 1948, 2 percent. The \$50 allowance not only provides a convenient method of discount for small incomes, but, together with the use of 1941 exemptions, will eliminate all unpaid liabilities for approximately two-thirds of all persons who would be taxable on their 1942 income under present law.
4. Require March 15, and June 15, 1943, installments on 1942 tax liabilities to be paid as provided under present law and treat as advance payments of 1943 liabilities.
5. Discontinue September 15 and December 15 installments required under present law.
6. Begin collection at source from wages and salaries, and possibly dividends, July 1, 1943, at a rate sufficient to cover normal tax and surtax at first bracket rate.

-
- 1/ To simplify administration, the amount forgiven would be computed on the basis of a simple formula giving approximately the same results as the exact computation.
 - 2/ Special provision might be made for a longer period of amortization for persons whose combined payments in any year would exceed a specified percentage of net income (say 95 percent) and whose earned income exceeds a specified percentage of net income (say 75 percent).

7. For liabilities not collected at source^{3/} begin current payment of liabilities with the third quarter of 1943 on the basis of simple quarterly statements of income, permitting the use of 1942 income as a presumptive basis where desired. Impose a penalty in the following March where the total tax paid on the basis of quarterly statements falls short of the actual liability as finally determined by more than 20 percent and by more than \$50.

^{3/} All liabilities on income not subject to collection at source, and liabilities above normal tax and surtax at first bracket rate for income subject to collection at source.

February 22, 1943.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau
FROM Frances McCathran

February 22, 1943

CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Tax: Pay-As-You-Go - In an effort to break the stalemate on Tax legislation reached in the House Ways and Means Committee, Representative Knutson, a member of the subcommittee appointed to draft a completely new bill, said he was going to propose in subcommittee meetings that the problem of collecting 1942 taxes be divorced from the issue of putting 1943 taxes on a current basis. "The question of deferment of all or part of the 1942 tax liability," he added, "shall be dealt with in connection with the general tax bill".
2. The Farm Issue - Congress begins another week of debate on "the farm problem" today with the main points of controversy clearly drawn. According to Mark Sullivan this morning, the question boils down to "how to provide more labor for farms - and how to provide this labor in some way which will appear not to justify an increase in the prices of farm crops". The "main cause of scarcity" of farm labor, he claims, "is the high wages paid in industry as a result of Administration policy" which lure the farm worker to higher paid jobs. Agreeing with this viewpoint is Representative Pace who has reintroduced a bill which would include farm labor costs in the parity formula. By this method of including all the farmer's expenses in the price of his product, the "farm bloc" would equalize the wages received in agriculture with the higher ones now being paid in industry. In opposition to this method is the Administration policy of making subsidies or incentive payments to stimulate agricultural production and at the same time prevent an inflation spiral by pegging consumer prices. Although this policy has been used rather effectively in England, farm leaders claim it would result in virtual government dictatorship of agriculture. However, Congress tacitly admits the problem of securing farm labor involves more than the issue of revised parity vs. subsidies to peg the

cost-of-living, in proposals they are now considering to prevent further drafting of farm workers, to furlough soldiers who had previously done agricultural work, and to permit present army units to help with the harvesting of crops. Thus the problem is inescapably tied up with the manpower question. Even further complicating the farm issue is the question of farm loans, i.e., whether they shall be handled through rural banks or through some government agency such as Secretary Wickard's proposal for a revised RACO.

3. Manpower - Criticism of WMC Chairman McNutt is growing on Capitol Hill as Congress debates such related manpower questions as farm labor, placing fathers at the bottom of the induction list (the Kilday Bill), and considers clamping down on the "work or fight" policy already formulated by the Administration, to stop "absenteeism" in war plants. High army officials also have come in for their share of criticism as the opposition of farm state senators to increasing the size of the army appears to be crystalizing.
4. McKellar Bill - Another major battle threatens today in Congress on Senator McKellar's bill to require presidential nomination and senate confirmation of all federal employees of the executive branch earning more than \$4,500 a year. In a letter to Vice President Wallace, President Roosevelt has already voiced his "unqualified opposition", saying, "I do not have the time personally to examine the qualifications of individuals" seeking the more than 33,000 jobs affected by the proposed legislation, and "it is equally evident that Congress does not have the time". Consequently, he added, "Senate confirmation would either become a rubber stamp process or a task of such magnitude as to leave little time for the conduct of legislative business and to delay appointments to essential war jobs." Nevertheless, there were indications that the Senate Judiciary Subcommittee, which is considering the measure, may report it favorably, as McKellar said he hoped the President would "reconsider and sign the bill" if passed and Chairman Van Nuys declared himself "100% for its passage".

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE February 22, 1943.

TO Secretary Morgenthau

FROM Mr. Thompson

Referring to your instructions to Mr. Charles Bell that Congressman Ludlow be advised of your interest in the restoration of certain reductions made in Treasury appropriation items now pending before the Senate:

Mr. Schoeneman called on Congressman Ludlow Saturday afternoon about 5:00 p.m., and was assured by Mr. Ludlow that he would do everything possible to obtain restoration of the amounts in question.

JH

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE February 22, 1943

TO Secretary Morgenthau
FROM Mr. Hagg
Subject: The Business Situation,
Week ending February 20, 1943.

Summary

Another wave of "scare" buying: The heavy retail buying touched off by the recent surprise rationing of shoes carried department store sales 45 percent above year-earlier levels in the week ended February 13. Even this large increase was greatly exceeded in the Dallas and Kansas City Districts, where sales ran 107 percent and 85 percent above the corresponding week last year.

Clothing stocks high: Consumer fears that rationing will be extended to clothing apparently has motivated much of the recent scare buying. However, retail stocks of clothing and textiles, expressed in linear yards, on January 1 stood at the highest levels for any corresponding date in the last 5 years.

Commodity prices continue upward: Featured by strength in grains and other farm products, basic commodity price indexes advanced to new war-time peaks last week. The BLS index of 28 basic commodities rose 0.3 percent to 175.3 (August 1939=100). Congressional developments have contributed to buoyant price tendencies for farm products, notably the defeat by a House subcommittee of the incentive payment plan for strategic farm products.

East Coast oil supplies: Despite a slight easing in the oil supply situation in the past 2 weeks and the completion of the Texas-Illinois segment of the new emergency pipeline, no relaxation in rationing of petroleum products is in prospect. Stocks available for civilians in the East Coast area are only a little over one-third as large as two years ago.

- 2 -

Scare buying boosts retail trade

Stimulated by fears of clothing rationing, another heavy wave of consumer buying has been under way recently. Reports of a sharp jump in department store sales following the recent shoe rationing order have been fully confirmed by the Federal Reserve Board's sales figures, which show that sales in the week ended February 13 soared 45 percent above year-earlier levels. This sharp sales gain contrasts markedly with a comparable gain of 19 percent in the previous week and only 5 percent in the 4 weeks ended February 6. (See Chart 1.)

Increases in some areas ran far ahead of the nation-wide figure. Especially sharp gains in the week ended February 13 occurred in the Dallas and Kansas City Districts, where sales were 107 percent and 85 percent above year-earlier levels. The narrowest gain, amounting to 22 percent, occurred in the New York District. (See Chart 2.) The buying rush is reported to have tapered off somewhat last week, but the retail sales volume still was unseasonably high with the Southwest and Pacific Coast making the strongest showing.

Clothing and textile stocks large

Despite the attempts of the OPA and the WPB to reassure the public that clothing rationing is not in the offing, the heaviest demand has centered on clothing items. Fortunately, stocks of clothing are still relatively high. The WPB's Director of Civilian Supply recently reported that retail stocks of clothing and textiles on January 1 were at the highest levels for that date in the last 5 years. Inventories in linear yards were about 2 percent higher than a year earlier, and 49 percent higher than at the beginning of 1939.

As a further step toward assuring the public that adequate supplies of wool clothing will be available for civilians next fall and winter, the WPB last week doubled the quotas of wool allocated to the production of essential civilian goods. The extent to which this action will contribute to quieting down the recent wave of scare buying remains to be seen. Considerable criticism has been directed at the Government's handling of rationing announcements, with some merchants contending that much of the recent scare buying would have been averted if strong assurances regarding the clothing situation had accompanied the surprise order on shoe rationing.

Although department stores still had fairly large stocks of goods at the beginning of the year, preliminary reports from the New York area indicate that the gain over year-earlier levels

- 3 -

continued to narrow in January. Thus department store stocks in the New York area at the end of January were only 11 percent above the corresponding date a year ago, as compared with comparable gains of 14 percent at the end of December and 88 percent last July.

Higher farm prices continue farm bloc aim

Agitation for measures to insure adequate food supplies increased last week. A number of Congressional proposals for the solution of the problem envision further increases in farm prices as a means of stimulating production. A new bill to amend the Price Control Act, about to be introduced in Congress at the request of dairy organizations, for example, would prohibit the fixing of ceiling prices below production costs.

Proposals for higher support prices for farm products are also being considered. Such support might take the form of Government loans at parity, as against the generally existing practice of loans at 90 percent of parity. An important measure to increase the production of strategic crops was rejected last week, when the Department of Agriculture's incentive payment plan was voted down by the House Appropriations Subcommittee.

Farm products again lift price indexes

Wholesale commodity markets have responded bullishly to the various Congressional proposals regarding prices of farm products. Despite a firm stand taken by Price Administrator Brown against the Congressional measures which would render control of farm product prices ineffective, last week the Dow-Jones and Moody's indexes of commodity prices exceeded their previous war-time records attained early this year.

Carried to new levels by the 7 uncontrolled commodities, the BLS index of 28 basic commodities made its sharpest rise since early January. (See Chart 3, upper section.) Grain prices led the rise, strengthened by a strong demand for feed. (See lower section of Chart 3.) Livestock prices generally were unchanged at their high levels of a week before, with hog prices up slightly. Cotton prices averaged their highest in 14 years. Among the commodities subject to control, prices for wool tops increased on rumors of plans for Government acquisition of the 1943 domestic wool clip.

- 4 -

In the week ended February 13, the BLS all-commodity index of wholesale prices increased slightly (0.1 percent), and at 102.1 stands 36.1 percent above the pre-war level of August 1939.

Dairy situation continues difficult

In response to protests by dairy farmers that the recent order for a ceiling on fluid milk will lead to a serious milk shortage, the OPA has comprised. Farmers charged that the price ceiling operates in many markets to fix prices one or two cents a quart below production costs. The OPA will make upward adjustments in producer prices where the distributors' margin is adequate to absorb the increases; and will provide for a system of equitable prices in adjacent areas, so that there will not be an unnatural drain of milk from one milkshed to another.

There is some doubt about the need for a ceiling on milk prices at this time, when the seasonal increase in milk production is beginning. The established prices might, in fact, serve as a floor during the next few months. The real test of the ceiling will come in the late summer when production starts to decline.

Dairy farmers point out that grain concentrates and hay are items among their production costs over which adequate control has not been instituted. This has aggravated the relatively unfavorable competitive position of dairying in comparison with the raising of hogs and beef cattle, which has prevailed for more than a year. Chart 4 indicates the relative profitability of each of these three types of feeding operations. When the indexes of livestock-feed price ratios are above 100, remunerative feeding operations are normally indicated.

Disappearance of feeds and wheat increasing

In recognition of the growing tightness in feed supplies for this year and next, the Department of Agriculture continues to take measures to make more supplies available. Last week a ceiling was placed on another basic farm product, soybeans. In addition the Department of Agriculture has issued an order to increase the production of soybean oil and cake from the 1942 soybean crop, which would prevent the wasting of oil through the use of whole soybeans for fertilizer or feed. Another provision of the order seeks to prevent the purchase and holding of soybeans for speculative purposes.

- 5 -

The rush to purchase Government wheat for feed has recently become even more pronounced, and Secretary Wickard has asked Congress to increase by 100 million bushels the 125 million bushels which the GOC may sell for feed in the current fiscal year. Practically all of the original stock has now been sold.

Disappearance of wheat for other than feed uses has increased also, and the total disappearance may be as much as 900 million bushels this season, according to a Department of Agriculture forecast. This represents an increase of 150 million bushels over the Department's forecast issued several months ago, and is perhaps the first official indication that our surplus wheat stocks may be reduced to manageable proportions in the not too distant future.

Prices for soft winter wheat have risen to above \$1.60 a bushel at Chicago. Mills are reported to have asked an increase in the ceiling price on soft wheat flour of 60 to 80 cents a barrel, owing to the high cost of wheat. If the legislation forbidding the use of benefit and other payments in computing ceiling and parity prices should be enacted, as seems possible, the ceiling on flour prices will have to be raised.

Price control for fresh vegetables

While the interest of consumers this week is centered on the new point-rationing plan for canned goods, the OPA is directing its efforts toward the difficult problem of placing fresh vegetables under price control. This action is deemed necessary because of recent sharp price advances and indications that further advances may result from the recent freeze in Florida as well as from the rationing of canned vegetables. The freeze is reported by the Department of Agriculture to have seriously damaged the Florida crops of various vegetables and fruits.

Shortage in East Coast gasoline and fuel oil supplies

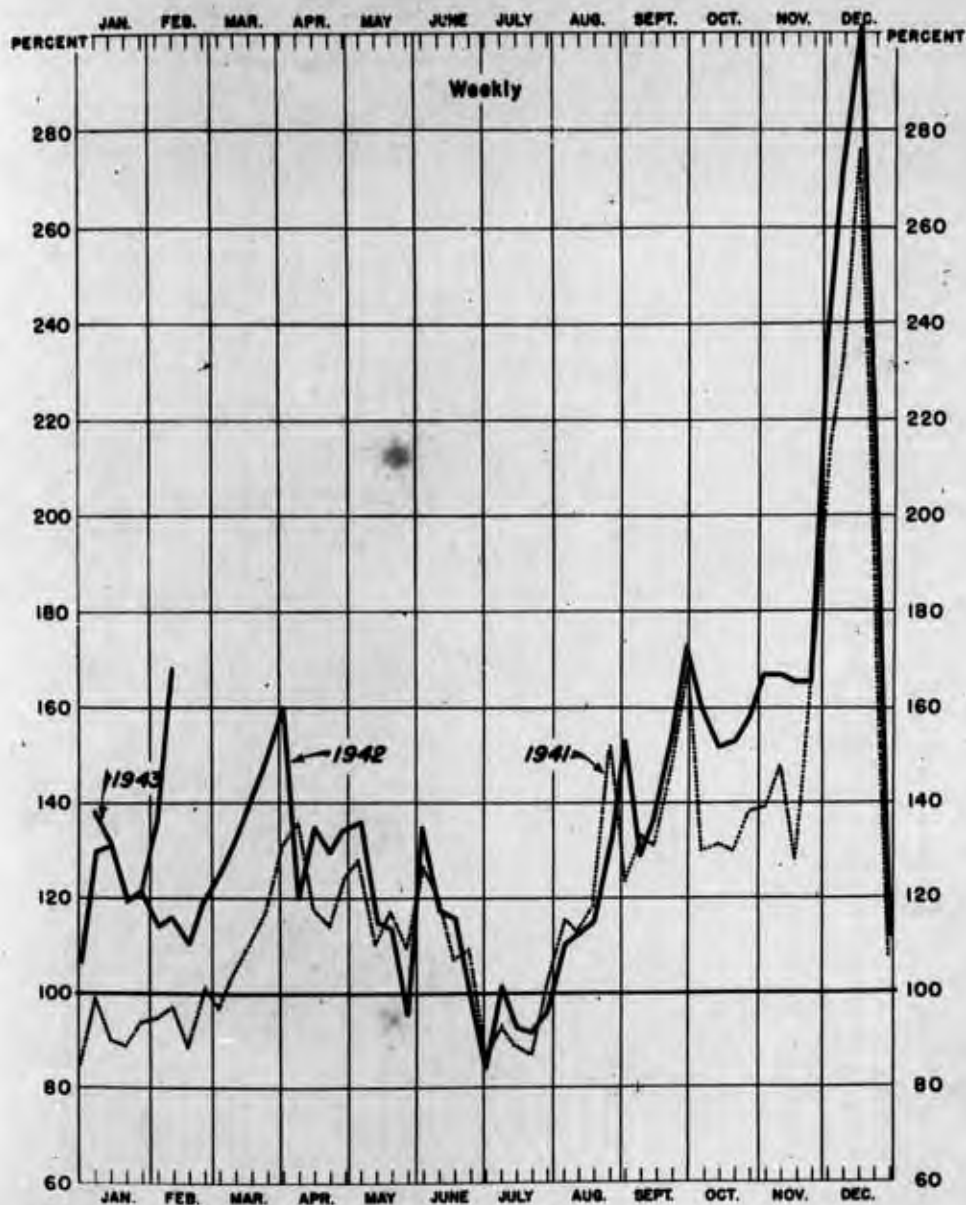
Although the critical situation in East Coast fuel oil and gasoline supplies is reported to have eased slightly in the past 2 weeks, no near-term alleviation in the stringent restrictions on consumption appear in prospect. Petroleum Administration officials have indicated that oil shortages constitute a continued threat to operations of war industries in the northeastern states. In fact, the Petroleum Administration for War is reported of the opinion that next winter's civilian oil supply situation on the East Coast may be even worse than this winter. The recent completion of the Texas-Illinois segment of the 24-inch oil pipeline to the East will not permit any relaxation of rationing, according to the Petroleum Administrator.

- 6 -

Due to censorship requirements, accurate data on East Coast stocks of petroleum products have not been published since early last spring. However, the American Petroleum Institute with the approval of the Petroleum Administration for War has begun to compile a weekly index showing the volume of petroleum products available for civilian use on the East Coast. All Government-owned stocks are excluded, and current stocks are reported as a percentage of stocks available in the corresponding week two years earlier, regarded as the last available "normal" period. The resulting index is shown in Chart 5. The rapid decline from 57.3 near the end of November to 35.3 in the week ended January 23, followed by a slight upturn to 36.5 in the week ended February 13, clearly shows the deterioration in the supply situation since last fall. Any decline below 50 is held to indicate a serious condition of shortage.

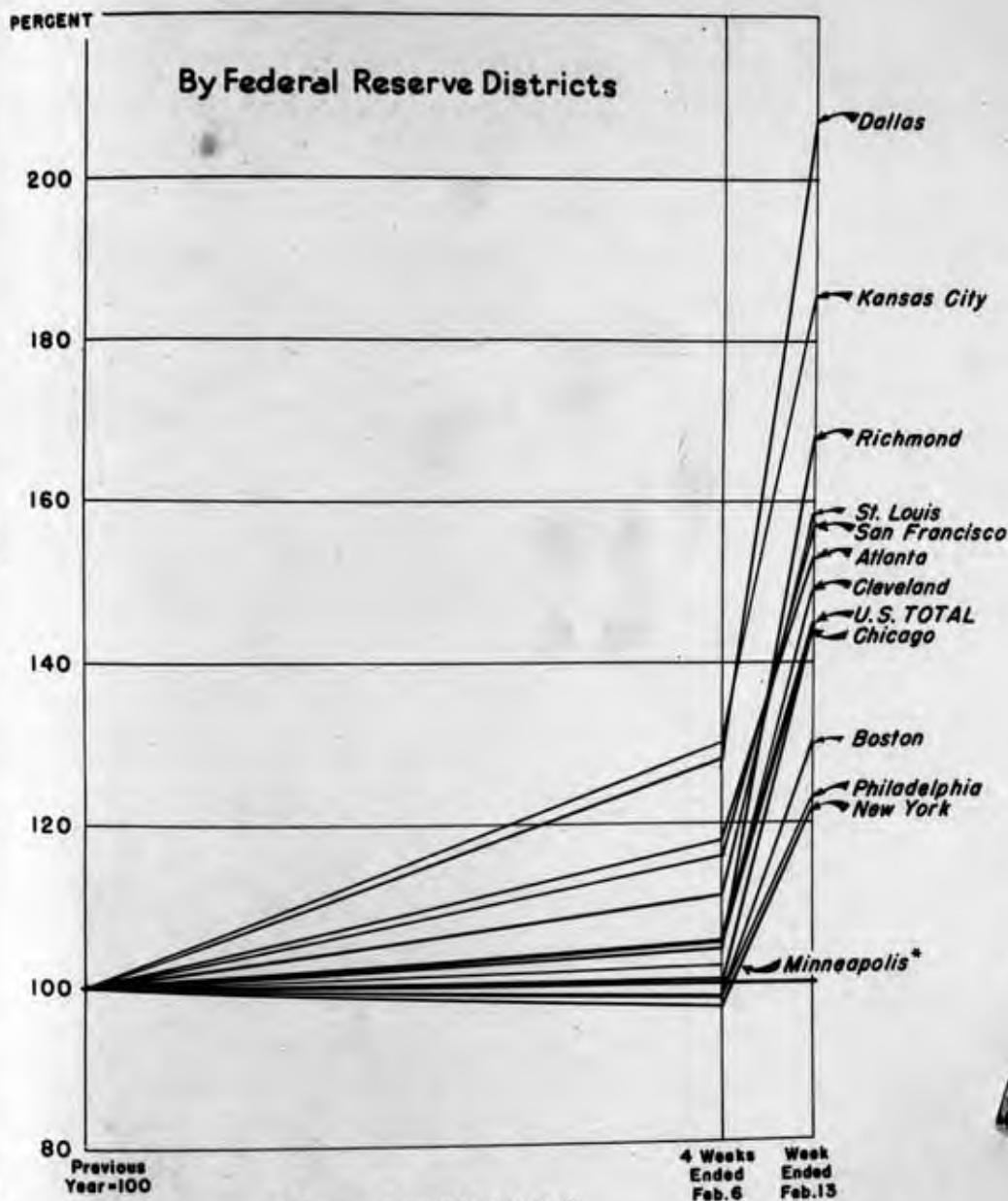
DEPARTMENT STORE SALES

1935 - '39 = 100, Unadjusted

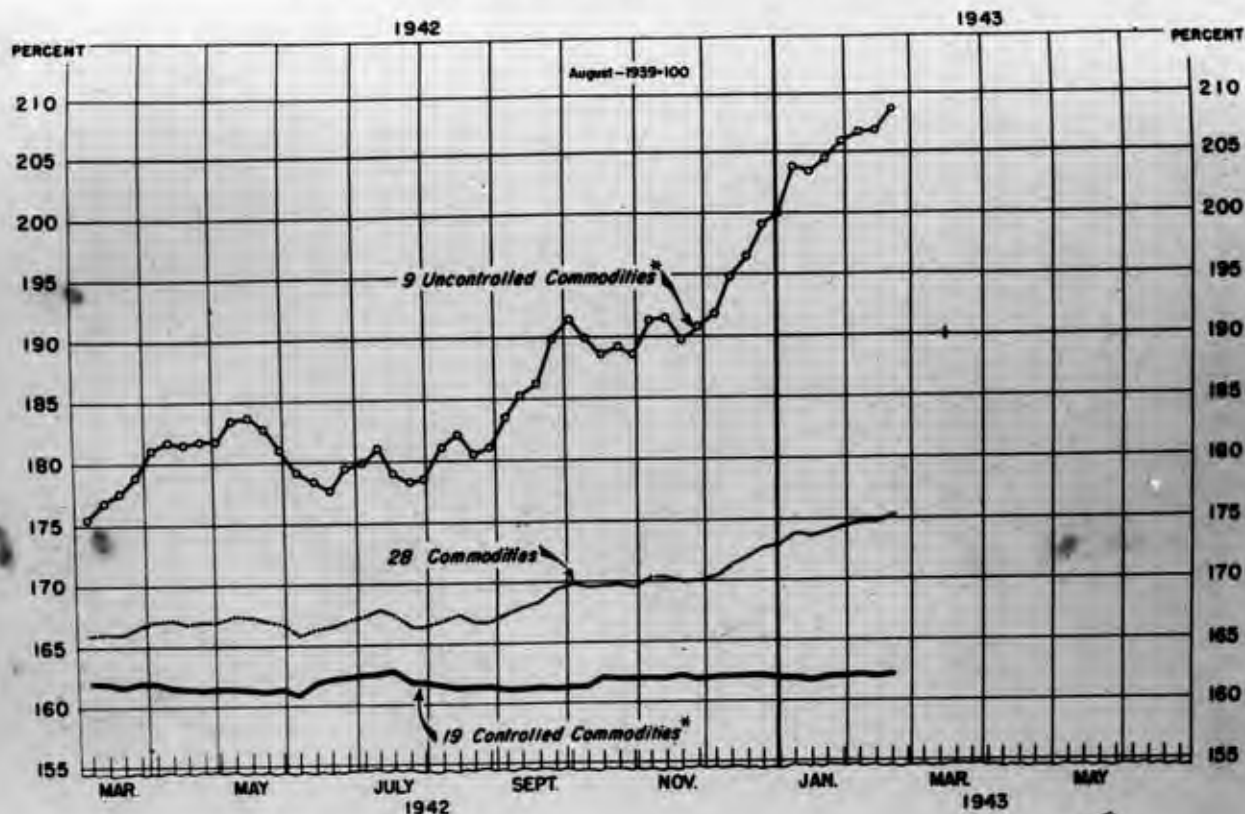


DEPARTMENT STORE SALES

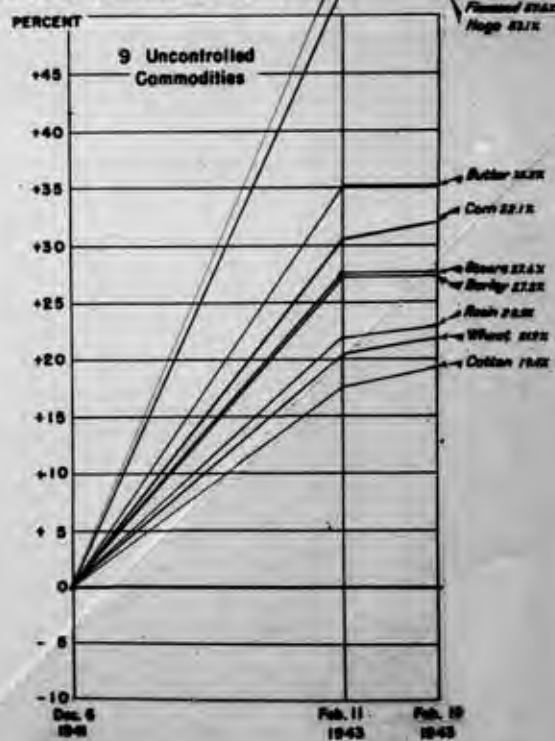
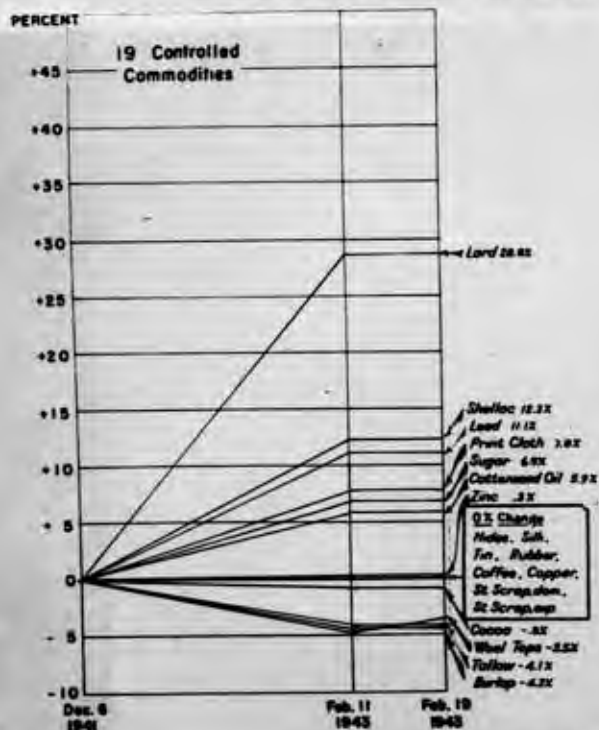
Change From Year Earlier Levels, 4 Weeks Ended
Feb. 6, 1943 and Week Ended Feb. 13, 1943



MOVEMENT OF BASIC COMMODITY PRICES



PERCENTAGE CHANGE DEC. 6, 1941 TO FEB. 11 AND FEB. 19, 1943

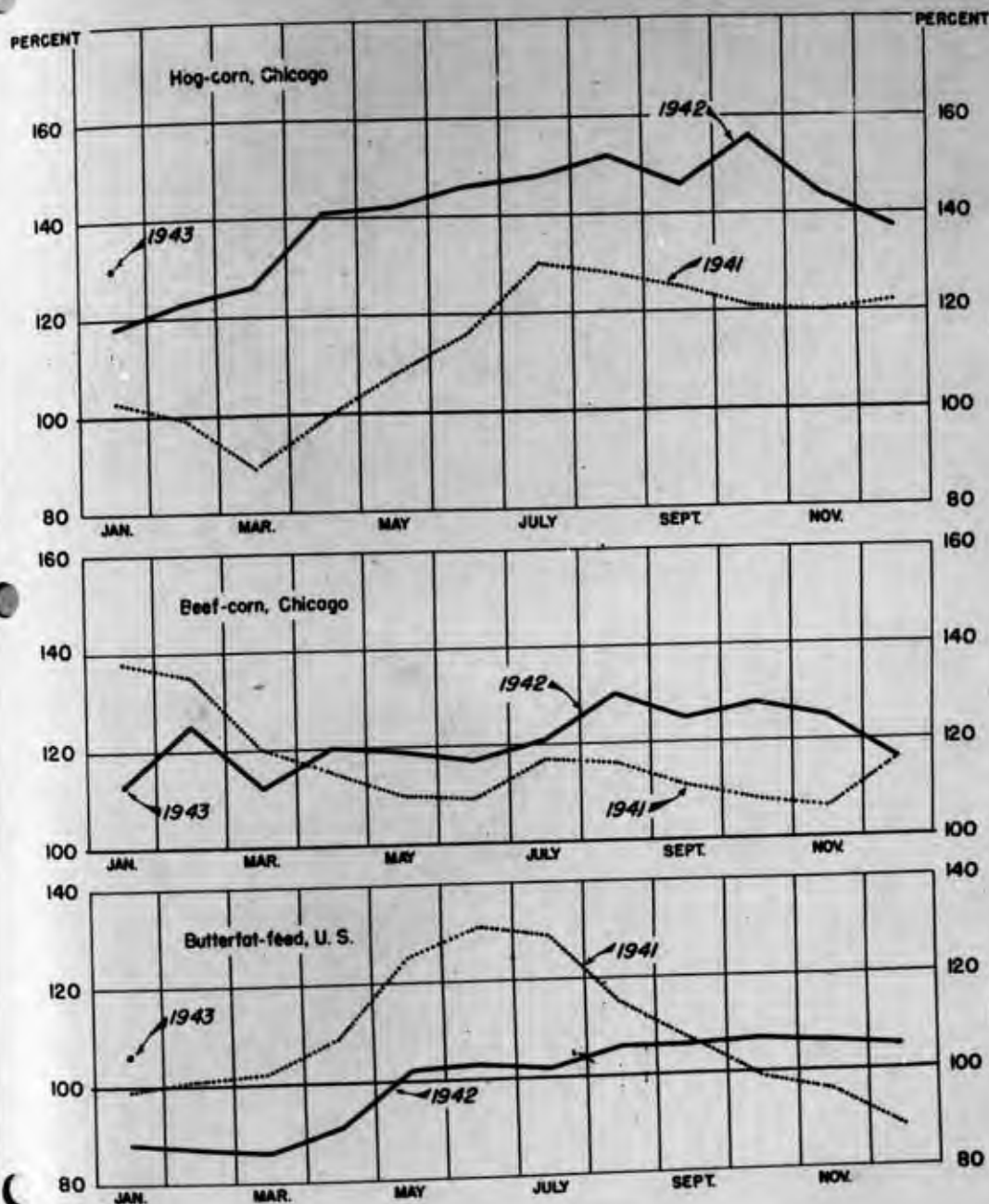


*20 Controlled and 9 Uncontrolled previous to June 26

LIVESTOCK-FEED PRICE RATIOS

As Indexes, 1920-'39=100, Seasonally Adjusted

100



Source: Dept. of Agriculture

PETROLEUM PRODUCTS SUPPLY

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



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

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

C-474

Chart 5
101

Regraded Unclassified

UNITED STATES SAVINGS BONDS - SERIES B

Comparison of February sales to date with sales during the
same number of business days in January 1943 and December 1942

(At issue price in thousands of dollars)

Date	February daily sales	Cumulative sales by business days				February as percent of January
		February	January	December		
February 1943						
1	\$ 6,746	\$ 6,746	\$ 12,810	\$ 4,116		52.7 ⁴
2	15,068	21,814	15,621	8,605		139.6
3	5,470	27,284	31,021	18,647		88.0
4	25,646	52,930	47,128	58,337		112.3
5	31,917	84,847	69,173	74,984		122.7
6	31,665	116,513	101,696	121,408		114.6
8	34,296	150,809	137,214	133,295		109.9
9	27,345	178,154	174,074	151,152		102.3
10	23,033	201,187	219,267	164,759		91.8
11	21,784	222,972	275,292	203,423		81.0
12	24,713	247,684	299,033	220,903		82.8
13	22,325	270,009	334,496	272,959		80.7
15	28,187	298,196	368,901	288,488		80.8
16	27,345	325,541	399,974	311,252		81.4
17	19,160	344,701	442,974	336,100		77.8
18	37,181	381,882	467,638	361,359		81.7
19	21,249	403,131	482,446	379,266		83.6
20	28,709	431,840	521,869	424,982		82.7

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

February 22, 1943.

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 February sales to date with sales during the same number of business days in January 1943 and December 1942

(At issue price in thousands of dollars)

Date	February		Cumulative sales by business days			
	daily sales		February	January	December	February as percent of January
February 1943						
1	\$ 806	\$ 806	\$ 2,716	\$ 197	29.7	
2	8,915	9,720	3,036	527	320.2	
3	1,570	11,290	6,137	3,214	184.0	
4	16,907	28,198	14,820	17,161	190.3	
5	20,067	48,264	18,428	29,464	261.9	
6	16,842	65,106	29,726	46,986	219.0	
8	10,420	75,526	47,612	49,858	158.6	
9	16,629	92,154	63,556	59,434	145.0	
10	8,698	100,852	91,679	65,083	110.0	
11	9,579	110,431	115,896	79,359	95.3	
12	12,654	123,086	129,017	86,495	95.4	
13	8,371	131,457	149,603	101,924	87.9	
15	8,928	140,385	167,385	109,644	83.9	
16	8,604	148,989	181,245	114,789	82.2	
17	7,932	156,921	198,750	126,443	79.0	
18	7,909	164,831	220,263	132,909	74.8	
19	6,470	171,301	227,892	140,901	75.2	
20	10,795	182,096	248,246	154,352	73.4	

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

February 22, 1943.

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.



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

February 22, 1943

SECRET

MEMORANDUM TO THE SECRETARY:

Supplementing my report to you of February 15, 1943, the purchases against the North African Rehabilitation Program from February 15, 1943, to February 21, 1943, totaled \$433,017.54, or a total of purchases for the program thus far of \$19,735,328.88.

Attached is report giving status of shipping against these purchases.


Clifton E. Mack
Director of Procurement



SECRET

SHIPPING REPORT AS OF FEBRUARY 22, 1943

<u>Commodity</u>	<u>Tonnage Shipped to Date From U. S. A.</u>	<u>Tonnage Under Load At Port</u>	<u>Tonnage On Hand at Port Waiting Vessels</u>	<u>Tonnage En Route To Port</u>
New & used clothing	1654	54	347	70
Cotton piece goods	3398	902.25	925	213
Shoes	150	64	61	70
Refined sugar	4196.5			
Raw sugar	1545			
Powdered milk	119.5			
Tea	171.5			
Matches	191.75		198	
Copper sulphate	3913	200	1604	451
Drugs	6.067			40
Books & booklets	2			
Nails	100	5		22
Lamp Chimneys			17	
Newsprint	305	57	100	210
Printers ink	.045	.044		
Mach. finished book paper		2		
Cordage & twine	225	5	75	
Cotton thread	19	12	81	
Chemicals	1	96	7	407.2
Cotton hose	15.25	3	29.75	
Nipples, bottles, eye cups			9	
Phonograph records			1000 each	
Tooth brushes			.75	
Wash basins			7	
Spark plugs			2	
Storage batteries		47		
Tires & tubes	65	44		
Parts for autos, tractors, & harvesters	28		52	320
Tin plate			946	
Coal cutters		12		

109 SECRET

-2-

<u>Commodity</u>	<u>Tonnage Shipped to Date From U. S. A.</u>	<u>Tonnage Under Load At Port</u>	<u>Tonnage On Hand at Port Waiting Vessels</u>	<u>Tonnage En Route To Port</u>
Fullers earth				71
Wire rope				89
Pig tin				60
Shoe tacks				15
Babbitt metal				60
Steel plates, plain carbon				94
Rubber soling			20	
Horse shoes			86	
Gelatin			1	
Paint pigments				10.5
Totals	16,105.612	1,503.294	4,568.5	2,202.7

February 22, 1943.

My dear Mr. Stettinius:

The Secretary has asked me to acknowledge your note of February 19, and thank you for sending him the personal and private copy of the report on the status of the Soviet Aid Program, as of January 21, 1943. Mr. Houghton is very glad to have this current data.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Mr. H. S. Stettinius, Jr.,
Assistant Secretary of War,
Washington, D. C.

GHF/als

SECRET

OFFICE OF LEND-LEASE ADMINISTRATION
FIVE-FIFTEEN 22d STREET NW.

108

WASHINGTON, D. C.

E. R. Stettinius, Jr.
Administrator

February 19, 1943

The Honorable Henry Morgenthau
Secretary of the Treasury
Room 280, Treasury Department
Washington, D. C.

Dear Mr. Secretary,

Attached hereto is your personal and
private copy of the report on the status of
the Soviet Aid Program, as of January 31,
1943.

Sincerely yours,


E. R. Stettinius, Jr.

Attachment

Report on status of Soviet Aid Program
as of 1/31/43: Returned to Stettinius
at his request, 8/24/43

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRET
U.S. SECRETOPTAL No. 60

Information received up to 7 A.M., 22nd February, 1943

1. NAVAL

During air raids on MUIRMANSE on 19th superficial damage was caused to three British and one U.S. ships and some damage to cargo and sheds on shore. One of H.M. Submarines yesterday torpedoed and probably sunk a medium sized ship off East TUNISIA.

2. MILITARY

TUNISIA. 20th. First Army. The enemy attacked from KASSERINE and captured the pass northwest of the Village. Both British and U.S. armoured elements are now operating in this area.

Eighth Army. The enemy withdrew along the main road towards MARETH and by last light our forward troops were astride the road 6 miles northwest of MEDENINE.

BURMA. ARAKAN. 18th. Our troops attacked the Japanese positions one mile north of DONBAIK but although initially successful were held up by mortar fire and enemy counter attack.

3. AIR OPERATIONS

WESTERN FRONT. 18th/19th. A belated report from the rescued crew of a Hampden states that a ship of about 4,000 tons was torpedoed off LJMUIDEN.

21st/22nd. 143 bombers including 11 R.A.A.F. attacked BREMEN under complete cloud conditions. All returned safely.

TUNISIA. 19th/20th. 26 Bisleys (1 missing) attacked roads and railways in the GAFSA area. 20th. Air operations restricted by bad weather. U.S. Airacobras (2 missing) attacked vehicles in the KASSERINE area.

SICILIAN CHANNEL. 20th/21st. One ship of 3,000 tons was torpedoed by naval Albacores and a 3,000 ton ship attacked by Beauforts and an Albacore was believed to have been hit.

ITALY. 20th. U.S. Liberators (1 missing) hit two ships at NAPLES and also the chemical works at COTRONE.

ASURY

SECRET

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

February 22, 1943.

TO Secretary Morgenthau

FROM Harold Mager *H.M.*

Intelligence Report 63 (2-19-43) contains matter which should be of interest to you:

Inflation and Manpower. The prevailing judgment was that the President's order establishing a 48-hour week was inflationary. It was felt that the added hours of work would increase the spending power of the individual workman by 30 percent but would not increase the production of consumer goods at all. (Pages 1 and 2)

Confidence versus Complacency. Russian victories, our relatively easy occupation of North Africa, and reassuring reports as to our military mobilization have resulted in a marked rise in the conviction that the United Nations are stronger than the Axis. While the confidence of individuals is high, such confidence taken collectively suggests complacency. General satisfaction, with its overtones of complacency, may manifest itself in a tendency on the part of individuals and groups to seek special advantages. As a result, civilians appear to be less cheerful in facing the economic restrictions which the war imposes; between September and December the number of people believing that the Government ought to ask greater sacrifices of the people, though still an overwhelming majority, declined slightly.

Paradoxically, the sense that things are going well has been accompanied by a decreased satisfaction with the Government responsible for the successful conduct of the war. While public approval of the production program and of business executives, labor leaders and workers was going up, approval of Government officials in Washington diminished. Government officials appear to be victims of a belief that the war is more than half won. It should be noted that this dissatisfaction with Government officials is expressed by only a minority of the public. Its importance, however, lies in the fact that it has increased. (Pages 10, 11 and 12)

This report was prepared before recent American reverses in Tunisia. Our reverses there should arouse people from the complacency into which they have drifted and recreate an understanding that the enemy remains formidable.

2-19-43

INTELLIGENCE REPORT

63

CONFIDENTIAL

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. 7
Harry Morganthau, Jr.

CONTENTS

PRESS AND RADIO COMMENT OF THE WEEK

INFLATION AND MANPOWER

Page

While applauding Economic Director Byrnes' stand against labor and farm demands, most commentators considered the 48-hour week ruling inflationary. With qualifications, they favor a national service act.

INVASIONS

Page 2

The Roosevelt and Churchill speeches evoked fresh speculation on invasion points. There was great satisfaction over the promise of direct assaults against Japan.

PLANNING

Page 3

Liberal commentators assailed Clare Luce's "globaloney" speech as "imperialistic"; conservatives praised it. There was considerable approval of the Tydings and Knox proposals to acquire Atlantic and Pacific bases from Britain.

POPULAR REACTIONS

MANPOWER STABILIZATION IN LOUISVILLE

Page 4

A bare majority of Louisville's war workers approve of the manpower stabilization agreement in operation there. The relatively few who fully understood the plan were much higher in approval than those who did not.

EXPEDIENCY IN NORTH AFRICA

Page 7

Bureau correspondents have spontaneously expressed heated criticism of political arrangements in North Africa. Though they don't represent public opinion, those commenting on this subject assert that many people are dismayed and disillusioned by the Government's policy.

8-9834-P1-of-P18-bu-cps-53

CONTENTS

PRESS AND RADIO COMMENT OF THE WEEK

INFLATION AND MANPOWER

Page

While applauding Economic Director Byrnes' stand against labor and farm demands, most commentators considered the 48-hour week ruling inflationary. With qualifications, they favor a national service act.

INVASIONS

Page 2

The Roosevelt and Churchill speeches evoked fresh speculation on invasion points. There was great satisfaction over the promise of direct assaults against Japan.

PLANNING

Page 3

Liberal commentators assailed Clare Luce's "globaloney" speech as "imperialistic"; conservatives praised it. There was considerable approval of the Tydings and Knox proposals to acquire Atlantic and Pacific bases from Britain.

POPULAR REACTIONS

MANPOWER STABILIZATION IN LOUISVILLE

Page 4

A bare majority of Louisville's war workers approve of the manpower stabilization agreement in operation there. The relatively few who fully understood the plan were much higher in approval than those who did not.

EXPEDIENCY IN NORTH AFRICA

Page 7

Bureau correspondents have spontaneously expressed heated criticism of political arrangements in North Africa. Though they don't represent public opinion, those commenting on this subject assert that many people are dismayed and disillusioned by the Government's policy.

8-9834-P1-07-P18-bu-cas-ws

DEVELOPING SITUATIONS

CONFIDENCE VERSUS COMPLACENCY

Page 10

A group of correlated opinions indicates an increased underlying attitude of satisfaction or complacency with the progress of the war. At the same time, satisfaction with the Government has decreased - perhaps because optimism has diminished awareness of the need for sacrifice.

REACTIONS TO THE RUSSIAN WINTER CAMPAIGN

Page 13

Optimistic interpretations of the Russian offensive have led to some expectations of quick and easy victory and to some fear of communist dominance in post-war Europe. There is need to show the situation in perspective and to counteract distrust of Soviet intentions.

A summary of investigation and analysis conducted for certain OWI officials, issued for OWI and the interest of other members of the Government.

The period covered by this report is the week of February 11 through February 17, except where otherwise specifically stated.

PRESS & RADIO COMMENT OF THE WEEK

INFLATION AND MANPOWER

Economic problems continued to be a major editorial preoccupation. There was sharp division in reactions to the President's order establishing a 48-hour week and to the stabilization program announced by Economic Director Byrnes.

As a sign that the Government genuinely intends to check the trend toward inflation, the new program was widely applauded. Newspapers, in particular, hailed the decision to support the Little Steel formula and to oppose an increase in farm prices. The Wall Street Journal, for example, said, "The Administration thus throws down the gage to those representatives of labor and farm who are seeking to better the respective positions of their constituents at the expense of the rest of the public."

But the prevailing judgment was that the 48-hour order was itself inflationary. The Milwaukee Journal said of it that "added hours of work will increase the spending power of the individual workman... by 30 per cent, but will not increase the production of consumer goods at all... The President's order is definitely and inevitably inflationary." Some newspapers approving the order contended, however, that it would spread the available workers and increase war production, thus outweighing the danger inherent in larger pay checks.

Other manpower moves encountered a mixed reception. Paul McNutt's "work or fight" ruling was widely condemned as an attempt to pursue by indirection a course for which there was no legal authorization. Most commentators gave

support, generally with qualifications, to the Austin-Wadsworth National Service Bill. Some suggested that voluntary means of mobilizing the nation's manpower resources had not yet been exhausted. A few, like the Denver Post, denounced the bill as a "slave act."

INVASIONS

The speeches by Prime Minister Churchill and President Roosevelt renewed editorial hope that great new offensive actions may be imminent. All of the comment about them was ebullient in tone.

A number of invasion points were suggested. Cecil Brown said on the air that, "we're going to invade Southern Europe within the next nine months... Another invasion of Northern Europe probably will start from Britain." Jay Franklin suggested that, "an opportunity exists for a 'second front' in the Balkans."

There was special enthusiasm over the President's promise of vigorous action against Japan and for Mr. Churchill's assurance that Britain would add her strength to ours in the Pacific, once the Nazi menace is overcome.

Commentators saw in the victory on Guadalcanal the end of our island-stepping strategy. There was general agreement with the view expressed by the Omaha World-Herald: "If we invested six months of gallantry and suffering in its recapture, how many years of fighting would be needed to hurl the Japs all the way back to Tokio?... In the future we ought to bypass lesser enemy positions and aim truly massive blows... at the main Japanese bastions." China was seen as the key to future offensives against

Japan, and commentators stressed the importance of keeping her in the war.

PLANNING

Representative Clare Luce's "globaloney" speech evoked a flood of comment on post-war problems. Liberal newspapers, like the New York Post and the Chicago Sun, accused the Congresswoman of "imperialism." More conservative commentators, however, tended to agree with her. The Portland Press Herald, for example, declared that, "There is far too much talk being made about sacrificing America for the benefit of almost everybody else. People of sense are aware that the old isolationism is and should be outmoded... but that does not involve tossing away our old nationalism and permitting other nations to crowd us to the wall or keep us on the ground."

A majority of commentators expressed support of the Tydings and Knox proposals for the acquisition of Atlantic and Pacific bases from Britain. The Scripps-Howard papers said that, "Since Britain depends upon us to protect the western Atlantic and the Pacific, she logically should be willing to give up 'the tools' — which, in this case, are the bases — just as we gave Churchill 'the tools' he asked and more."

The emphasis in current comment about post-war affairs appears to be more upon immediate benefits than upon remote ideals.

PRESS AND RADIO COMMENT OF THE WEEK reports the main currents of editorial opinion because they indicate the ways in which events are being interpreted to the American public. Based on leading metropolitan dailies and major network commentators, it constitutes a qualitative, not a quantitative, evaluation of current editorial influence.

POPULAR REACTIONS

MANPOWER STABILIZATION IN LOUISVILLE

To many war workers in Louisville, as in Detroit, the manpower stabilization plan is just a "job freeze." The plan is designed, of course, to reduce unjustified labor turn-over. However, it gives any worker the right:

- (1) to shift into more skilled employment
- (2) to change his job if he lives too far away from his work
- (3) to change his job if his pay is too low for the work he is doing

But a survey conducted among a cross section of Louisville's workers in January, two months after the stabilization plan went into effect, revealed widespread ignorance of these provisions. So firmly was the plan identified in workers' minds as a "freeze" that most of them did not know what interviewers meant if they referred to it in any other way.

About half of the war workers in the sample approved of the plan:

DO YOU APPROVE OR DISAPPROVE OF THE PLAN THEY HAVE
HERE IN LOUISVILLE FOR KEEPING WAR WORKERS FROM
CHANGING JOBS?

Approve	52%
Disapprove	32
Undecided	12
Don't know of plan	4

About one-sixth of the workers who approved of the plan had some reservations about it, and most of these referred to its restrictive aspects. The workers who approved of the plan without qualification saw it as a restrictive measure, but favored it, nevertheless, as an emergency means of

speeding up production. The reasons most frequently advanced for favoring the plan were that it "keeps workers from shifting about unnecessarily"; "eliminates rapid job turn-over which would slow up production"; "eliminates frequent training periods." One worker expressed himself this way:

You mean the freeze? I think it's a very good idea. In time of war there's no necessity of changin' because he can go some place and get 15 cents more, and the next minute change and get 20 cents. It takes time to teach what he learned there. When they put a new one on, that keeps production back all the time; and it takes time to get him organized like the one who quit.

Those who disapproved of the plan were more concerned with the effect of its restrictive aspects upon them. They complained that it limited their freedom and prevented them from bettering themselves. One worker argued:

If a man can better himself, he ought to be able to go do it. They can fire a man when they want to, why shouldn't he be able to take another job?

Knowledge of the fact that the plan permits job changing under certain circumstances significantly affected attitudes toward it.

78% of those aware of all three of the permissive aspects of the plan

67% of those aware of two of them

58% of those aware of one of them, but only

25% of those who thought the agreement did not permit job changes under any circumstances ... approved of it.

Knowledge of these permissive provisions was disturbingly low. Only 52 per cent of the war workers knew that the plan permitted them to shift into more skilled work. Only 40 per cent knew about the other two provisions.

Only one worker in ten knew that if he was refused a release by his employer or the USES he still had recourse to the Area WMC Committee. Ignorance of this point contributed to the impression that the plan left workers at the mercy of their employers.

Satisfaction with wages also had a notable influence in determining workers' reaction to the plan.

63% of the war workers who felt that their jobs paid well enough, but only

36% of those who did not... approved of the plan.

Disapproval of the plan ran especially high among young war workers dissatisfied with their pay.

Two or three other factors appeared to exert some influence on workers' opinions of the plan. The men who had held their jobs for three years or more tended to be more favorably disposed to it than those with shorter tenure. Job freezing is naturally less of a threat to those who view their work as permanent. The more widespread approval of the plan among workers with long tenure may also be related to the fact that they were older.

Those living far away from their place of work tended to disapprove of the plan more often than those living comparatively nearby. White collar war workers were somewhat more favorably disposed to the plan than industrial workers (65 per cent -- 50 per cent). In part, this may have been due to the fact that they were somewhat better satisfied with their present earnings.

The survey underscored the importance of undertaking an intensive educational campaign among workers in any area where a manpower stabilization plan is introduced. Informing workers about the plan will not be easy: there is some indication that they want reassurance, rather than mere facts. Evidently because they felt threatened by the plan, the war workers interviewed in Louisville were less well acquainted than non-war workers with its permissive provisions, although they understood other aspects of the plan as well as, or better than, the non-war workers.

This finding suggests the importance of continued emphasis on the plan's permissive provisions through channels the workers will trust -- such as speeches at union meetings, union literature and labor publications. Widespread understanding is essential, not only for the smooth functioning of the plan, but for its very continuance.

EXPEDIENCY IN NORTH AFRICA

The North African political tangle continues to trouble a number of the regular correspondents of the Bureau of Intelligence. During late January and early February, the mail has brought spontaneous comments of great intensity from members of all the correspondence panels -- editors, social workers, clergymen, labor editors, businessmen and others. The Bureau solicited no expression of opinion on this topic. None of the letters expresses approval of the North African political arrangements. All of the comments on the subject convey anxiety, distrust and disillusionment. Several refer to the situation as "the North African mess" and one adds "always that is the word used."

These comments from correspondents are not, of course, representative of public opinion and cannot be construed as proof of widespread public concern. They do, however, indicate anxiety on the part of many who are influential in shaping opinion. And they represent, in many cases, sincere efforts to report the trend of popular thought in the area from which the correspondent writes.

Many of these comments come from writers who profess warm sympathy for the Administration and who feel that the handling of political affairs in North Africa has shaken the faith of plain people in the Government's war aims. "I am convinced," one clergyman says, "that the Government is not aware of the intensity of the feeling of vast numbers of the people and more particularly of those people who have supported the war from the beginning and the President from the days of his 'quarantine' speech in Chicago and before."

Most of the criticism is based on a belief that the situation in North Africa represents a discrepancy between our practices and our preachments. The intentions of the President are never impugned. But his words and those of Mr. Wallace are repeatedly contrasted with the actions of the Government. The plea of temporary expediency has not soothed those who feel that expediency is in conflict with fundamental principles.

One correspondent argues that by our North African policy "with simultaneous appeasement of Vichy and attack on Vichy territory, we forfeited a good part of our right to accuse Japan of treachery in its simultaneous appeasement of Washington and attack on Pearl Harbor. Instead of accusing

Japan, we might better acknowledge the fact that both moves were intelligent militarism." The term "appeasement" occurs rather frequently in the letters received by the Bureau.

Objections to the North African policy are not necessarily moral or ethical in tone. The prevailing feeling seems to be that we are sacrificing our objectives in an attempt to gain them cheaply. One correspondent described the suspicion of our foreign policy-makers as "part of a general trend that, in order to win the war, we are already pusillanimously 'losing the peace'."

Specific phases of the North African situation were cited by some of the writers. A number mentioned political prisoners, expressing a belief that many anti-Fascists are still interned in North African concentration camps. There is concern, too, about the way in which the situation has been played up as revealing lack of unity between England and the United States.

The critics show little inclination to hold fire until more facts can be revealed, despite the State Department's exhortations to reserve judgment and despite the indications that military success in North Africa may demonstrate the wisdom of the course pursued. Nevertheless, there is a strong plea for more information. It is generally assumed that censorship has not been exercised in regard to North Africa solely for reasons of security. "Let me acknowledge," one correspondent wrote, "that there is often a difference between appearances and facts. Let me plead, however, that the OWI, or some department, do a better job than is being done to explain those appearances if the facts belie them."

DEVELOPING SITUATIONS

CONFIDENCE VERSUS COMPLACENCY

The basic task of Government information must be to make the war seem so real, urgent and significant that Americans will devote their full energies to winning it. This task becomes more difficult, but no less important, as the hope of victory grows. It becomes more difficult because optimism lowers the general sense of urgency.

In September and December, the Bureau of Intelligence posed identical questions to comparable national samples. There was a marked rise, as indicated by the answers given to several questions, in the conviction that the United Nations are stronger than the Axis. Increased numbers of people believed that American forces are superior to the enemy, that they are certain to win the war and that they will win it within a short time.

Related to this general attitude was an augmented feeling of satisfaction with the way in which the war effort was progressing on the home front. An increased number of people came to feel between September and December that their fellow citizens were taking the war seriously enough. Similarly, there was a rise in the percentage of the public believing that the United States was doing all it possibly could to win the war. And there was a sharp rise in satisfaction with the war production program. The public was also rather more prone in December than in September to feel that business executives, workers and labor leaders were doing all they could to help win the war.

Such opinions, considered individually, may indicate only healthy confidence.

But taken together they suggest complacency. The important fact about them is that they are highly correlated -- that is to say, people who hold any one of them tend in very considerable proportions to hold the other opinions as well. This group of opinions considered as an underlying attitude make it clear that satisfaction -- or perhaps self-satisfaction -- has risen in accompaniment to the optimism engendered by news from the battle-fronts.

This satisfaction, with its overtones of complacency, may manifest itself in a tendency on the part of individuals and groups to seek special advantages. The insistence that all considerations be subordinated to the national interest may be softened -- may yield to the demands of farm, labor or business lobbies. At the same time, civilians appear to be less cheerful in facing the economic restrictions which the war imposes; between September and December the number of people believing that the Government ought to ask greater sacrifices of the people, though still an overwhelming majority, declined slightly.

Complacency, and the self seeking which seems to stem from it, are matters of degree. No doubt they affect all members of the public in some measure, acting as adulterants to vigorous personal identification with the war effort. In spite of their influence, however, indices of participation in such activities as civilian defense, blood donation and bond buying have increased slightly. Since these activities are found more frequently among those not complacent, it may be conjectured that the increase in participation would have been greater had there been no rise in contentment. The significant fact is that between September and December the cluster of

opinions indicating an attitude of satisfaction or complacency became more widespread.

Paradoxically, the sense that things are going well has been attended by a decreased satisfaction with the Government responsible for the successful conduct of the war. While public approval of the production program and of business executives, labor leaders and workers was going up, approval of Government officials in Washington diminished.

The Government officials appear to be victims of a belief that the war is already more than half won. Because there is a lowered recognition of the need for sacrifice and of governmental controls, the imposition of restrictive measures encounters greater resentment. Again it should be noted that this dissatisfaction with Government officials is expressed by only a minority of the public. Its importance lies in the fact that it has increased.

In an atmosphere of self-satisfaction and of impatience with governmental action, there are rich opportunities for those who seek to create distrust of the Government. Hardships which seem unnecessary become the nuclei of grievances, which may be nurtured into opposition to the Government's basic program for the future.

The tendency can be combatted only by recreating an understanding that the enemy remains formidable, that the job of defeating him is still a tremendous one and that this job has by no means been accomplished. The public must learn anew that there is no way to do this job comfortably -- that it can be done only by the sacrifice of living standards in homes, as well as in the battle areas.

REACTIONS TO THE RUSSIAN WINTER CAMPAIGN

The news of this year's Russian winter offensive has been even more hopeful in character than last year's. There was no parallel in the winter of 1941-42 to the encirclement of Stalingrad, the lifting of the siege of Leningrad or the recapture of Kharkov.

The good news from Russia comes this year, moreover, at a time when American optimism has already been boosted by victories in North Africa and the southwest Pacific. The high hopes engendered by last year's Russian campaign were offset, at least in part, by sobering reverses in other theaters of the war. This year the good news from that country has undoubtedly contributed to the complacency pointed out in the preceding item of this week's Intelligence Report.

Some Americans have leaped to the doubtful conclusion that the Red Army is single-handed more than a match for the Reichswehr. The isolationist press and certain commentators, such as Westbrook Pegler, have seized upon this belief to foster hostility toward Russia at a time when close cooperation with her appears particularly necessary. They have raised the bogie of an uncooperative Russia, powerful enough to dominate the peace conference and to impose communism on the entire continent of Europe.

Other papers and commentators, including many of a conservative hue, have warned against distrust of Russia. They have pointed out that a powerful Russia may be a bastion of peace in the post-war world. They have advocated close cooperation with the Soviet Union after the war and warned that nothing could be more mischievous than to regard her as a possible future

enemy.

Even some of this comment, however, by its emphasis on Russia's strength, has played into the hands of those who seek to foment distrust. Dorothy Thompson, for example, in her column of February 10, argued that "according to all signs and portents (Germany) is going to be defeated this year." She urged that we had better hurry about that second front, not primarily because we are needed to help the Red Army overcome a powerful antagonist, but because if we do not "the peace table will be dominated by Russia."

Analysis of Soviet propaganda indicates that the Russians have expressed no intentions of promoting international communism after the war. Soviet propaganda to Germany and Austria is revolutionary only in the same sense as our own. It is designed to drive a wedge between the German people and the Nazis. There have been few references to plutocrats and finance-capitalists. More significant still is the fact that, in propaganda directed to the Russian people themselves, Stalin specifically disavows territorial ambitions and revolutionary intentions:

"We have not and we cannot have any war aims such as seizure of foreign territory and subjugation of foreign peoples, irrespective of whether they are the peoples and territories of Asia, including Iran... Our aim is to help nations in the struggle of liberation they are waging against Hitler's tyranny, and then, to leave it to them, quite freely, to organize their own lives and their own lands. There must be no interference in the internal affairs of other people."

Efforts to breed suspicion of Russia may fall on fertile soil. Despite Americans' admiration for the heroism of their Russian comrades-in-arms, the heritage of pre-war distrust has been only slowly dissipated. According

to a recent Gallup Poll, only half of the American people are now confident that Russia can be depended upon to cooperate with us after the war:

DO YOU THINK RUSSIA CAN BE TRUSTED TO COOPERATE
WITH US WHEN THE WAR IS OVER?

	<u>March</u> <u>1942</u>	<u>January</u> <u>1943</u>
Yes	39%	46%
No	39	29
Undecided	22	25

Besides leading to a relaxation of effort and increased suspicion of an essential ally, exaggerated estimates of the Red Army's strength vis-a-vis the Reichswehr may also have undesirable consequences which will not be visible until our own troops become more heavily engaged against the Germans. The notion that the Reichswehr is a pushover and already half beaten may leave Americans unprepared for the losses the invasion of Europe and intensified fighting in Africa will probably entail.

A few commentators have warned that the German retreat in Russia may be a planned withdrawal under pressure, rather than a rout. Fletcher Pratt has called attention to the fact that it may be dictated, in part, by the desire to redispense picked German troops to meet the threat of an Anglo-American invasion. George Fielding Eliot, among others, has emphasized the complementary fact that by retreating Germany is shortening her lines of communication and adding to her ability to fight "a protracted defensive war."

Similarly, a few military commentators have called attention to the fact that few pitched battles have been fought in the course of the German

withdrawal and that relatively few prisoners have been taken and few casualties inflicted by the Russians. George Fielding Eliot has suggested that if the object of the Russian offensive be viewed as the destruction of the German army, rather than the recapture of cities which have at least temporarily lost their industrial value, its success cannot yet be gauged.

A number of newspaper and radio commentators have also expressed skepticism about Goebbels' propaganda obligato to the German withdrawal. They have asked whether Germany may not be deliberately exaggerating the extent of her reverses to steel the will of her own people and to breed complacency and suspicion of a too powerful ally in England and the United States. Germany, they warn, may be painting things black to induce us to send less Lend-Lease aid to Russia or to set the stage for a negotiated peace.

But such cautions and reservations have been drowned in the torrent of enthusiastic headlines and commentary. This year there may be even greater need than last for the Government to encourage Americans to see the Russian offensive in perspective. Without minimizing the achievements or discounting the future possibilities of the Red Army's campaign, it should be possible to make the American people realize that the German army remains a formidable fighting machine the defeat of which will require cooperative and determined effort by all the United Nations.

February 23, 1943
9:20 a.m.

HMJr: Hello.

Operator: Mr. Irej.

Elmer
Irej: Hello, Mr. Secretary.

HMJr: Hello, Elmer. Where are you?

I: Down in my office.

HMJr: Elmer, there's a man by the name of W. M. Robbins.

I: W. M. Robbins, yes, sir.

HMJr: He's vice president of General Foods....

I: Yeah.

HMJr:in charge of sales, and they've got a New York office, and his home is Greenwich.

I: Greenwich, Connecticut, yeah.

HMJr: Now I'd like his income tax and his wife's.

I: Yeah.

HMJr: As many of them as possible today.

I: All right, sir. I'll get at them right away.

HMJr: And then I'd like one of your very best men to go up to Greenwich and make some discreet inquiries.

I: Yeah.

HMJr: I'm thinking of him for a very important position.

I: Did you - did you want to determine particularly whether he's active politically, and so forth?

HMJr: Oh, he's told me that part.

- 2 -

I: Yeah.

HMJr: I - I know - I know what his political....

I: All right, I'll find out what his background is then.

HMJr: Yeah, thank you.

I: All right, sir, fine.

HMJr: I know about - I know - I mean I'd like to know - no, I know about his political activities.

I: Well, I won't bother about that. That is - as that's always a ticklish subject, if we can stay....

HMJr: No, no, no....

I:off it, I'd like to.

HMJr: Just how he stands in the community.

I: Fine.

HMJr: He's a man that gets a very high salary.

I: Yeah.

HMJr: And he's down here now with W.P.B.

I: Uh huh. Well, I'll get these returns to you before I get any report from up there, shall I?

HMJr: All right.

I: Fine.

HMJr: But phone up to New York and send somebody up there.

I: Yes, sir, I'll do that right away.

February 23, 1943
9:32 a.m.

HMJr: Hello.

Operator: Mr. Hyatt. Go ahead.

HMJr: Hello....

Gilbert Hyatt: Yes.

HMJr:Mr. Hyatt?

H: Yes, sir.

HMJr: This is Morgenthau speaking.

H: Yes, sir.

HMJr: Mr. Hyatt, could you let me know today what the - how the General Foods Company stands with organized labor?

H: The general food companies?

HMJr: Yeah.

H: You mean manufacturing or retail?

HMJr: No, you know - it's called the General Foods.

H: Oh, the General Foods Company.

HMJr: Yeah, they're - they're....

H: Oh, the corporation.

HMJr: The corporation.

H: Yes, I can do that.

HMJr: Why, there isn't more than one. I think there's just the one General....

H: Well, I misunderstood you. I thought you were referring to the industry rather than the corporation.

HMJr: No, no, no, the corporation.

- 2 -

H: Yes, sir, General Foods Company.

HMJr: Yeah, I understand they have a number of contracts with both A.F. of L. and C.I.O.

H: That's very true, but I don't know the extent and I'll find out to - for you. Now do you want to find out where they are?

HMJr: No, I just want to know how C.I.O. and A.F. of L. feel the General Foods Corporation treats their employees.

H: I see.

HMJr: I want to know what their attitude is and do they feel that they're fair towards labor....

H: I get you.

HMJr:in their treatment with labor.

H: Yes, sir. All right, I'll - and....

HMJr: When you're ready call up Commander Stephens and come over and see me.

H: Commander....

HMJr: Stephens.

H: Stephens.

HMJr: Yes.

H: And I'll bring that over to Mr. - to Commander Stephens, will I?

HMJr: Yeah, you ask - you tell - you call up Commander Stephens and say you're ready to see me, and he'll - he'll let you know when to come over.

H: All right.

HMJr: Try to do - have it by - can you have it by this afternoon?

H: Yes, sir.

February 23, 1943
9:40 a.m.

SPECIAL GROUP

~~Present:~~ Mr. Bell
Mr. White
Mr. Sullivan
Mr. Thompson
Mr. Gaston
Mr. Paul
Mr. Graves
Mr. Haas
Mrs. Klotz

H.M.JR: Paul, what are your plans for today, and what is on the carpet?

MR. PAUL: Yesterday the subcommittee started a meeting. I have to go up with them.

H.M.JR: Today?

MR. PAUL: Yes.

H.M.JR: What has happened?

MR. PAUL: I sent you a memorandum yesterday on the new Cooper plan.

H.M.JR: No, I didn't get that.

MR. PAUL: Well, Saturday afternoon Jere Cooper came down, and we developed another plan.

H.M.JR: When did he come down?

MR. PAUL: Saturday afternoon. Then he came up Sunday, and we worked out the details on it. It is sort of a variation of Doughton's first plan, because that

- 2 -

plan only missed by a very short margin. We thought if we varied it a little bit it might go through.

H.M.JR: What is it?

MR. PAUL: Cooper is sponsoring it, but the Treasury - yesterday when he sprang it I had to act very dumb, and today I am supposed to act smart because I have had the night to look it over.

H.M.JR: Would you explain to us what it is?

MR. PAUL: It forgives the difference between the '41 and '42 rates, and uses the '42 exemptions, but, in addition, it gives the discount of ten percent for payment by March 1944 of the deferred, unforgiven tax.

H.M.JR: You have to go into more detail. Start all over again.

MR. PAUL: You forgive the difference between 1941 and 1942 taxes and the tax is computed on 1942 income at the 1941 rates and exemptions. In other words, you forgive the rise in taxes between '41 and '42.

H.M.JR: You forgive it permanently?

MR. PAUL: Yes. Of course, you will turn right around and impose new rates for '43.

H.M.JR: How do you get current?

MR. BELL: You get current by collection at the source July 1, but everybody has been agreeing on that. That hasn't been the controversial problem. The controversial problem has been the forgiveness.

H.M.JR: What would be collected at the source, twenty percent?

- 3 -

MR. PAUL: About twenty percent, the basic rate.

Then the variation we put in the Cooper plan is that if you pay the certain amount of taxes deferred for five years - the unforgiven part of 1942 taxes - the first year, you get a ten-percent discount. This is the trick variation: Instead of a discount on your taxes below fifty dollars, you take fifty dollars as the discount.

MR. GASTON: Or the amount of the tax.

MR. PAUL: Yes.

H.M.JR: Do you understand it, Dan?

MR. BELL: Not very well, but in a general way I do.

MR. GASTON: What are the further discounts after the first year?

MR. PAUL: Eight percent the second, six, four, and two percent.

MR. WHITE: The only forgiven part is the increase in taxes, plus this fifty dollars or a ten-percent discount.

MR. PAUL: That is right.

MR. GASTON: May I endeavor to explain it as I understand it?

H.M.JR: Yes, because I don't understand it.

MR. GASTON: You will pay your regular installments on your '42 taxes in March and in June. Beginning on July 1 you will pay currently on your 1943 earnings at 1943 rates, either by deduction at the source - pay-roll deduction - or some other plan, and what you owed on account of 1942 is deferred for five years.

MR. BELL: Before you leave that--

- 4 -

MR. GASTON: But this last half that you still owe is reduced back to the rates applicable to the 1941 income. Instead of being at the 1942 rates it will revert back to the 1941 rates, which will reduce the amount you owe.

Then that reduced amount you may further reduce. If you pay it all by March 15, 1944, you will get a ten-percent discount on that amount; if you pay it all by March 15 the next year you will get an eight-percent discount, and so on for the five-year period.

H.M.JR: But this difference is deferred over a period of five years?

MR. GASTON: Five years, with varying discounts if you pay it earlier.

As to the taxes of fifty dollars and less, the whole amount of the tax is forgiven.

MR. WHITE: I thought the difference was completely forgiven.

MR. GASTON: The difference between the '41 and the '42 rates is completely forgiven. The rest of the tax is deferred.

MR. WHITE: How much does that amount to? Can you give us some idea of that difference?

MR. SULLIVAN: It would mean in most cases that they pay the first two installments and have paid their complete tax.

MR. PAUL: That is true as to the small taxpayer.

MR. SULLIVAN: For the majority.

MR. PAUL: Here is the effect of it. It would wipe out--

- 5 -

MR. WHITE: Have you some illustrations?

MR. PAUL: Yes. What salary do you want?

MR. WHITE: Let's take a three thousand, a five, and a twenty-five.

MR. PAUL: Take a - well, I have a two thousand, ten, and twenty-five.

Take a ten thousand, the tax under the present law is twenty-one hundred and fifty-two dollars. Applying the 1941 rates you would have forgiven eight hundred and forty-eight dollars. That would leave a balance payable of thirteen hundred and four dollars. He gets a discount on that of one hundred and thirty, or ten percent.

MR. GASTON: Wait, Randolph, he has already paid half of it by July 1.

MR. PAUL: Yes, sure.

MR. GASTON: So he will only owe about three hundred dollars.

MR. WHITE: But apparently it is retroactive over the first half year.

MR. PAUL: We are counting the discount on the whole '42 taxes, because we are counting the March and June installments as '43 taxes.

MR. GASTON: That is right.

MR. WHITE: Nine hundred on twenty-three hundred dollars if he takes advantage of the discount?

MR. PAUL: If he takes advantage of the ten-percent discount. Then he would have to pay two hundred and sixty-one dollars each five years if he didn't take it.

- 6 -

MR. WHITE: In other words, for a ten thousand dollar income man, he would get about eight hundred dollars, which is forgiven completely.

MR. PAUL: Eight hundred and forty-eight.

MR. WHITE: Then he can earn ten percent if he wants to pay his tax now instead of five years from now - I mean, that deferred portion.

MR. PAUL: That is right. If you take two thousand dollars, his tax under the present law is a hundred and forty dollars. He has been forgiven a hundred dollars of this. That leaves forty dollars. Since that is less than fifty dollars, he has it all forgiven.

MR. SULLIVAN: What happens to the payments made March 15 and June 15 of this year?

MR. PAUL: They become '43 taxes.

MR. BELL: On account of the '43 liability?

MR. PAUL: Yes. After July 1 you collect for the rest of the year - you collect currently. Here is what it does. It wipes out 1942 liabilities completely for twenty-six million out of thirty-nine million. It reduces 1942 liability for other taxes, and forgives between five and six billion dollars.

MR. WHITE: What would it be on a large income of a hundred thousand dollars?

MR. PAUL: I have twenty-five thousand.

It works pretty well, you see, it doesn't do so much for the high incomes.

The tax on twenty-five thousand under the present law is nine thousand two hundred and twenty dollars; the amount forgiven is twenty-three hundred fifty-six dollars. In addition, the man gets a discount of six hundred and eighty-six dollars.

- 7 -

I expect that if this goes through it will raise the revenue maybe as much as two billion a year.

MR. WHITE: I should think it would raise it very substantially. That ten-percent discount will appeal to a lot of people even though they don't invest that money. The high income taxpayers, however, will figure out that they could make more money by investing it. That is why I think it should be raised a little. A man can invest his deferred payment over five years.

MR. PAUL: I know, but they don't want to raise it. Stam will want to raise it.

H.M.JR: What you are saying is that my March 15 and June 15 payment will apply on my '43 earnings, and that of my '42 tax - if it is a ten thousand dollar salary - about two thousand dollars of it is forgiven.

MR. PAUL: Not as much as that - eight hundred and forty-eight.

H.M.JR: And I have five years to pay the balance of thirteen hundred dollars.

MR. PAUL: You have five years to pay it in if you want to take it.

H.M.JR: I know. The discount thing doesn't interest me. But the thirteen hundred dollars is payable over a five-year period?

MR. PAUL: Yes, two hundred and sixty-one a year.

MR. WHITE: Is it payable in annual installments?

MR. PAUL: Yes.

MR. BELL: A man's taxes are increased by about two hundred and sixty dollars a year.

MR. PAUL: That is what it comes to.

- 8 -

H.M.JR: And the forgiveness amounts to five or six billion dollars?

MR. PAUL: Between five and six. We haven't the exact figure.

H.M.JR: How do you pick that up?

MR. PAUL: Because you collect currently in '43.

MR. WHITE: You don't pick that up; that is gone. That is forgiven.

MR. PAUL: On a receipts basis, you more than pick it up.

H.M.JR: But that is gone.

MR. WHITE: The word "forgiveness" means you never collect it.

MR. PAUL: That is right, but since the forgiveness is in the low brackets, you can always reimpose.

MR. WHITE: In other words, it makes possible a higher rate. I take it that is the difference between the use of the words "forgiveness" and "deferring." With forgiveness you never get it back, and with deferring you do.

MR. PAUL: I want to caution you that this is not the Treasury plan. This is the Cooper plan. We worked it out, but it is very much of a secret. We are not supposed to have had a thing to do with it. Nobody but Cooper knows we ever heard of it.

H.M.JR: That doesn't interest me so much. I didn't realize that the Treasury was willing to do this forgiveness business.

MR. PAUL: We said in my statement that we were willing to forgive to the extent of avoiding hardship.

- 9 -

H.M.JR: The only difference between this and the Rum1 thing is Rum1 was willing to forgive the whole '42 tax. Is that right?

MR. PAUL: Yes, that is right.

H.M.JR: The whole '42. We are forgiving about a third of it - forty percent?

MR. PAUL: About fifty percent of it. But, it is not the fifty percent plan that forgives straight across the board. Our fifty percent is more in the low brackets.

MR. WHITE: That is right, it benefits the people with lower incomes more than it does those with higher incomes.

MR. HAAS: A hundred percent in the lower incomes.

H.M.JR: What do you think of it, John?

MR. WHITE: Didn't we agree that the basic rate would be forgiven? I thought that was the way we felt here. So, that is not a very new position. I think it is a better arrangement.

MR. PAUL: This forgives less than the nineteen percent which we go to if necessary. That forgives about seven billion six; this forgives about two billion less.

MR. SULLIVAN: Have you got this written out anywhere, Randolph, so I could give it to Guy?

MR. PAUL: Yes, we just got it yesterday, John. I couldn't send it over, because I wasn't supposed to know anything about it until today.

MR. SULLIVAN: I think I ought to get it over and see how that can be administered.

MR. PAUL: We have had most of this over there.

MR. WHITE: That ten-percent provision will cut into our bond sales rather heavily, I think, to the extent that they take advantage of it.

- 10 -

MR. PAUL: To the extent that it does, it will advance payment.

H.M.JR: Why will it cut into the bond sales?

MR. WHITE: Suppose a man wants to take advantage of that ten percent, he will have to - it is likely to be the very man who would have invested that money, anyhow. There may be some who would not, but in the bulk it would be, because, presumably, everyone is investing in Government bonds up to his limit. He isn't going to curtail his consumption in order to take advantage of a ten percent discount over a five year period. But, he might take advantage of his bond sales.

On the other hand, the thing that offsets that, I think, is he stands a little more to gain, doesn't he, George, if he buys bonds?

MR. GASTON: And the other offset - it is better to get revenue than to get loans.

MR. WHITE: Over a five year period it doesn't matter much.

MR. BELL: I shouldn't think many people would take advantage of the discount; I should think they would wait until after the war and wait for a cancellation outright. They would get a much higher discount.

H.M.JR: Or the taxes will be forgiven entirely.

They will have a party issue in the campaign to forgive the '42 taxes entirely. (Laughter)

MR. BELL: Sure.

MR. PAUL: I want to emphasize this point, Mr. Secretary, that this forgiveness is entirely different from the second Doughton plan, which forgave fifty percent straight across the board, because that favored the upper incomes. The forgiveness is planted mostly in the lower incomes here.

- 11 -

MR. SULLIVAN: What we are knocking out are all the new taxpayers you brought in last year.

MR. PAUL: Plus some of the old to the extent of fifty dollars.

MR. SULLIVAN: Yes. I mean, this is a clear veto of the 1942 Revenue Act.

MR. GASTON: Coupled with--

MR. PAUL: It applies the '42 Revenue Act currently to the '43.

MR. WHITE: I think the Secretary is wholly right. If these are deferred, it may be a good thing; but if it is deferred until the end of the war, that will be the easiest and the most economically justifiable place to cancel what is left. If the war lasts one year, it will be eighty percent; if two years, it will be sixty percent.

The war is certainly not likely to last more than two more years; then you can figure that you are going to collect only forty percent of the hundred percent deferred. I think you have to recognize that.

H.M.JR: Well, I went through what they did on the soldiers' bonus; and after they went all through that thing, they still had that for the soldiers. This thing would be child's play compared to what they did on the soldiers' bonus. This would be a popular move.

MR. WHITE: One party would have to recommend it and force the other party--

MR. GASTON: I am not so sure about that, because the forgiveness - what you could cancel later is nearly all in the upper brackets. It isn't in the lower brackets where you get the popular demand at all.

MR. PAUL: That is right.

- 12 -

MR. WHITE: Unfortunately the upper brackets have influence in shaping legislation.

MR. PAUL: John Hanes has been conducting and still is conducting a very vigorous campaign.

~~MR.~~ WHITE: John who?

MR. PAUL: John Hanes.

H.M.JR: He is your client.

MR. PAUL: He was your Under Secretary. (Laughter)

H.M.JR: As long as you are going to throw it at me, he was your client first. (Laughter)

MR. PAUL: That is right; I cleared him for you when he came in here. (Laughter)

H.M.JR: You had him before I did.

MR. PAUL: The SEC had him before both of us did.

H.M.JR: Well, when are you due on the Hill?

MR. PAUL: I am supposed to be up there at ten.

H.M.JR: Will you please carry a message to Jere Cooper for me, that by gosh and by golly I have to get my debt limit raised. I just have to do it, and they had better quit fooling around up there.

MR. PAUL: I saw your interview yesterday.

H.M.JR: That was helped by this fellow from the "United States Daily." He brought that point up.

MR. SULLIVAN: Helm?

H.M.JR: Yes. Just tell them up there that unless they want us to stop paying all the bills they had better get that thing out, will you please?

- 13 -

MR. BELL: It wasn't reported out?

MR. PAUL: I don't think so. Disney was given authority to put it on the floor, that is right.

H.M.JR: Could you just see where it is?

MR. PAUL: Yes, I will ask Disney. Disney is a pretty tricky guy. I think he is against this one.

H.M.JR: Good luck.

(Mr. Paul left the conference.)

MR. BELL: I don't see why they don't recognize that possibility of cancelling and write it into the legislation now and beat the political cry.

MR. WHITE: Could they commit themselves that way?

MR. BELL: Why not?

MR. WHITE: I don't know.

MR. BELL: They could write in that six months after the war ends - after hostilities cease - any unpaid balance on this liability is cancelled.

MR. WHITE: You mean to cancel it? I thought you meant to write it in that it couldn't be cancelled.

MR. BELL: We could write in some provision.

MR. GRAVES: Then nobody would pay.

MR. BELL: Nobody would pay in full.

MR. SULLIVAN: Wait a minute, we are getting around further than Ruml has gone. (Laughter)

MR. WHITE: George says the danger of doing that is the people will be interested in a quick negotiated peace. (Laughter)

- 14 -

H.M.JR: It doesn't leave me very happy, but anyway - what about those telegrams to go from Graves and Buffington? Have they gone out yet today?

MR. GRAVES: They are going to go this morning. That is, mine are going this morning.

H.M.JR: Let me just talk to you people.

MR. BELL: Do you think it is necessary?

MR. GRAVES: I do, very much so.

MR. BELL: I don't. I think--

H.M.JR: I disagree with you. You can't have a fellow sitting out in California, Oregon, or Nevada and have this telegram hit him and not know what it is all about. I just want to tell you people because you haven't seen very much of me, and I want to let you know what I am doing, and also the decision that I am coming to.

I have been spending all my time in organizing for this April drive. We have made progress. The thing that I am about coming to a decision on is this: I feel that in the next two years we will have about eight more drives, or something like that, and as each drive goes on it is going to get more difficult. Up to now I think we have accomplished what I wanted to accomplish. The War Bond people did a grand job. They are wonderful on the propaganda front, and so forth, and so on. They did as well or better than anybody else could have done.

The Victory Fund people did a good job in December within the limitations, but they didn't begin to scratch the surface.

Now, the thing that I am beginning to come to will be something quite different than I have ever done before. I am thinking of employing technicians in their field, irrespective of their political ideologies. In

- 15 -

other words, what I am thinking of doing is getting the very best national sales manager that I can get.

With him would come the hard-boiled advertising agency people who have made their livelihood out of selling. They will not be bankers or investment people, but they would be people from commercial concerns.

I tried to get the fellow who is at the head of Coca-Cola, who happened to be a New Dealer, but for family reasons he could not come.

Now, this would be - I realize I will be subject to the same kind of criticism that Mr. Ickes is and was when he got the oil people to put down his pipeline, but they did build his twenty-four inch pipeline in two hundred days.

When the Army wants somebody to run their transport service, they take the head of American Airlines and put him in charge.

I am not a sales manager. Bell isn't a sales manager.

We have an accumulation of ten years knowledge as to Treasury finances, but neither of us - do you want to be included in my company?

- 16 -

MR. GRAVES: Delighted.

H.M.JR: Mr. Graves isn't a sales manager, but we have built it the best that we could.

As I say, I realize that this is a real departure for me, but I just don't - with the difficulties ahead, it seems to me that we need professional people to do a professional job.

Now, anybody can question me -cross-examine me. I have got half an hour. I mean, what have I got in mind - you can ask me anything that you want to - but that is the direction I am moving in.

The people have to be honorable people. This one man I am thinking of now - I am checking the Labor record of his company. He will have to have a good Labor record.

MR. WHITE: Was the remuneration on a percentage basis?

H.M.JR: There is no remuneration at present.

MR. WHITE: You mean you are going to get voluntary services?

H.M.JR: No, no, these people will either be paid at the going Treasury rate, or they may be dollar-a-year men. I may, in some instances - now, this one man that I had two hours with last night, with his taxes he has - let me see how it works out - well, he has about ninety percent tax to pay on his salary. So he said, "Well, Mr. Morgenthau, you asked me if I would come down with you. Am I to give up - how am I going to pay my taxes?" So I mean, what are you going to say to a fellow like that?

MR. WHITE: If he doesn't earn anything, why does he have to pay taxes?

- 17 -

MR. HAAS: Last year's.

MR. WHITE: Yes, but if he earns - oh, yes--

H.M.JR: Yes?

MR. WHITE: A man who earns in those brackets who hasn't foreseen the possibilities, is a curious phenomenon.

MR. SULLIVAN: I thought so, too, and you and I are both wrong on that.

H.M.JR: I think - ninety percent of them.

MR. SULLIVAN: More than that.

MR. GASTON: It is a strange thing that those people insist on corporate financing so that the reserves are set up for taxes, and in their personal affairs don't do it at all.

H.M.JR: They don't.

MR. BELL: They have gotten used to paying it as they earn - paying last year's liability out of their current earnings.

MR. GASTON: Just like you and me.

H.M.JR: How many people in this room have made provision? I haven't. I hate to see the day when the family bookkeeper comes down from New York to show me what I have got to pay. I mean, I have no chance to catch up. I want to make it look, in the worst way - I mean, that in order to get this, I am going to do things that I have never done before.

MR. WHITE: I don't quite understand why the relationship between any political views and this job which they have got to do - I can see where a man's ideas

- 18 -

or his political philosophy play a role when you put a man in a position of authority.

H.M.JR: Come closer. I can't hear you or see you.

MR. WHITE: When you put a man in authority or power - OPA makes a man a State administrator, and that gives him a lot of power; the consequences, therefore, are important. But I can't quite see what, aside from some prestige and aside from some possibly greater degree of intimacy with the workings of the Government, what there is that you are giving a man when you hire him for this job.

Presumably, if I understood you correctly, he will either get a Treasury salary or nothing at all, so that is a consideration. You are giving him - presumably he comes either for the prestige and the opportunity to serve, and I don't see anything else. Therefore I don't quite understand what difference it makes whether the man is a hide-bound reactionary, or whether he is a left-wing liberal. But there may be things in this that I don't understand.

H.M.JR: Gaston, give him the argument that you listened to last night.

MR. GASTON: Notwithstanding the fact that it was a hypocritical argument, in my opinion?

H.M.JR: Well, all right.

MR. SULLIVAN: He is giving the verdict before the case is tried. (Laughter)

MR. GASTON: Well, this man thought it was a great mistake to have a president of the Federal Reserve Bank in charge of a district on the consolidated loan, because he said that this man was not a sincere friend of the administration, that he criticized the President,

- 19 -

and that he was really a big-banker man, not an Administration man; while he, himself, was a thorough friend of the Administration and a thorough New Dealer. He thought he ought to be in a seat of at least equal power.

MR. WHITE: What is the power? That is what I don't understand. Are you doing the man a favor or is he doing you a favor?

MR. GASTON: He is doing us a favor, Harry. I should think the only case where the question of the man's political views would come in is if he were directing the character of promotional publicity in such a way that he would slant that against the Administration - it is conceivable. But I think that can be taken care of.

MR. SULLIVAN: It is all being done under the direction of the Secretary. He can stop that the minute it starts.

MR. GASTON: I think that could be watched.

H.M.JR: It has to be cleared with OWI.

MR. WHITE: Moreover, doesn't the Savings Bond campaign go on just the same?

H.M.JR: What we are talking about doing for the April drive is amalgamating them into one. What I am thinking of doing is - and for this drive I appointed the twelve presidents of the Federal Reserve Banks as my fiscal agents, responsible to me, to head the thing up in the twelve districts - with Eccles acting as liaison man and watching it very closely; and besides that I am thinking of bringing here, under Bell and me, a Mr. "X", who will be a national sales manager in a non-banking enterprise. He will take this thing over and direct this sales organization. He will have associated with him professional people who are the best in their field. Then he, in turn, will have a certain amount of counterparts in each of the twelve districts.

- 20 -

MR. SULLIVAN: I think the politics of the situation is that this job is so big and so important that you would be subject to a lot of criticism that would have political repercussions if you didn't get the very best man you could find.

If you picked a man who was a little bit inferior because he was a Democrat, in preference to a Republican, who was a better man, I think then you would get some serious political criticism.

H.M.JR: I think that the smart politics in this situation is to get the very best man we can get, whatever he is. I can get the best man in the country, and who isn't known. I mean, the kind of man that I am thinking of getting is not the head of a corporation, but is sales manager.

MR. SULLIVAN: The fellow who has the "know how."

H.M.JR: Right - the sales manager. Not the president or the executive vice-president, but the man who is director of sales of a national sales organization.

MR. GASTON: Not the man who has done, necessarily, but the man who can do.

H.M.JR: And is doing.

MR. WHITE: I think one element in the situation is that it is true if you are going to have a large organization and if you are going to have drives, you will have to have - it is true that a large number of individuals throughout the country will acquire a good deal of social and thereby political prestige. I am wondering whether this might not be a desirable step before you finally make your mind up; to put on a chart with a - or have whoever is going to do the job for you - have him give you his ideas and put on a chart what the hierarchy of organization will be, how many people will be involved, and how they are going to be spread through. Then, if you could take that merely from the point of

- 21 -

view of advice, and go to some man whose business is just politics, like Postmaster Brown, who is running the next campaign, let's say, and get his view as to the extent to which this is a political factor--

MR. BELL: Brown? It is Walker. (Laughter)

MR. WHITE: There used to be a Brown.

H.M.JR: You don't think I should consult President Lincoln, do you? (Laughter)

MR. WHITE: But you know the story about his mule. (Laughter)

I think something of that kind might be done.

H.M.JR: Well, no, Harry, we have had all that. They have made this survey which we couldn't accept. This group was out for six weeks making this survey - they made a report.

If this thing is going to slip out of my fingers and into the hands of anti-Administration people, you see--

MR. WHITE: You are contracting just for one drive?

H.M.JR: No, no, these people are here to stay.

MR. WHITE: For the duration?

H.M.JR: Of my term.

MR. WHITE: You couldn't try it out once and see whether you want to repeat it?

MR. GASTON: You can always change it.

H.M.JR: Yes, you can do it - I mean, you can say to this particular man, "Come in and try it for one drive." I think for his sake and mine, it would be the best way to do it. But I am just comparing it.

- 22 -

on account of the size of the thing, and so forth, that we have to bring in that kind of people.

I wish Harold Graves would say something, because he is the person who is as much involved in this thing as anybody - I mean, how he feels about it--

MR. GRAVES: I think a great deal depends, Mr. Morgenthau, on the kind of organization that these people would try to create. You know Mr. Thomas came up with a fully paid organization, which I think is very, very wrong.

If, on the other hand, it is to be a volunteer organization, then I would not be so confident that any sales professionals would be the type of people that would be apt to attract the very large mass of volunteer service that you would have to have to make this successful.

This is largely, in my opinion - if it is to be a voluntary organization - a question of putting people in charge here and in the field, who would be apt to have the confidence of the folks, and could get them to serve in this program without compensation. I have not seen, in Mr. Thomas' proposal, anything that would give me any confidence that he could build a voluntary organization. That would always be a question in my mind about any of these professional sales executives. They don't seem to me to be anything in terms of a voluntary effort.

I think, on the other hand, if the decision was to be arrived at that this wasn't to be a huge paid organization such as Mr. Thomas described to us, that they could do a job of building an organization. That would raise all the questions of policy and appropriations, and that would be very difficult to settle in these times.

- 23 -

H.M.JR: These sales people that are advising me realize the great difficulty and I realize the difficulty of trying to get money from the Congress, and all the rest of it. I know how you feel on this thing, but I just wondered if anybody around here would be at all shocked and unpleasantly surprised. They seem surprised that I raised the question at all.

MR. WHITE: What he says - I have a little different angle - I thought you were talking about a top organization to advise you to initiate a campaign and to plan a campaign, but if what you are speaking of is paid bond salesmen--

H.M.JR: No, I have no such idea. Harold is going into this Thomas report which I have rejected.

MR. WHITE: I see.

H.M.JR: What I am talking about is to have people here who can plan sales campaigns; then have counterparts - I mean, maybe half a dozen people here and then their counterpart in each of the twelve Federal Reserve districts to see that the thing is carried out, and the best professional brains that I can get.

MR. GRAVES: In the last analysis, the thing will turn on the kind of activity you can generate in the community. That seems to me to be the test here. Can these people build up an organization in the counties and villages and towns and cities that will do this job on a voluntary basis? There is the question.

MR. WHITE: Hasn't the experience of communities in the past been that they get better results from a professional, paid planning organization on community drives than they do from voluntary organizations? I think that has been the case. Much as they dislike to pay a sum, they get better results when they get a professional group who do it for money. So it would seem to me that if you were confining it to the planning groups, that inasmuch as they can't produce results - and they will

- 24 -

be tested by results, unless they get a voluntary organization, that all you are getting from them is their longer experience and presumably their superior judgment in their professional field on how to get the community enthusiasm.

If you are not going to use paid salesmen, they are not going to produce results, and they can't be successful on qualitative results, because it will show in the amount they sell. That is the test. They either sell, or they don't, and you will know it by the end of the drive. Since they have to produce results, and if they have got to do it through the community, then it would seem to me that your fears would have less basis.

MR. GRAVES: I should think that whoever you might have under consideration ought to be asked to give a plan for the whole operation, going right down to the community level - something that has never been done by any of these people that have discussed the thing.

They all talk in terms of a group here in Washington, and in terms of groups in, we will say, the twelve Federal Reserve districts, and there the talking stops. I have not heard any of these people make any suggestions except very, very general ones, about what is to be done in the communities under that program. I think they ought to be asked for that, because the rest of it, it seems to me, is without any particular meaning unless they round out this thing and put some meat on these bones.

MR. WHITE: That seems very reasonable. In other words, your judgment is that the efficacy of these men lies in their ability not only to put a plan in execution, but to draft a plan.

MR. GRAVES: That is right.

MR. WHITE: You can test them partly by the kind of plan. With your experience already, in knowing these things,

- 25 -

you can tell how good they are partly by the sort of plan they have in mind after they have given it sufficient thought.

MR. GRAVES: That is a job of reaching sixty-five million people, and I don't think generalities will do in thinking about how to reach sixty-five million people. I think folks ought to be asked to give some details as to the techniques that they would use to reach the population of this country on this project. I have heard no one give any.

H.M.JR: Well, I want to let you people know how I am thinking, and in the next day or two, if I have some more thoughts, I will let you know again.

MR. GASTON: It is a question, primarily, of getting one man. That is the way you start.

H.M.JR: That is right.

MR. GASTON: I am all for getting the best man.

H.M.JR: I had a fellow at the house for two hours. I never asked a man so many personal questions in my life and I never had so many frank answers. We spent two hours together. He isn't the kind of man that I want as a general Treasury advisor, but I am not hiring him for that purpose. I wouldn't want to ask his advice on North Africa, and I don't think he would give it. I wouldn't want to know what he thought about farm security - I don't think he would have any opinion.

Anyway, for better or worse, in the next couple of days I am going to have to make up "our" mind.

MR. BELL: That is right. I think when we get the replies to these telegrams we will have a lot to think over.

H.M.JR: We will see. Anyway, thank you all.

February 23, 1943
10:35 a.m.

FINANCING

Present: Mr. Grant
Mr. Bathrick
Mr. Thomas
Mr. Stevens
Mr. Wood
Mr. Robbins
Mr. Howard
Mr. Schumann
Mr. LaRoche

H.M.JR: Where are we at this morning?

MR. GRANT: We have had a conference this morning, Mr. Secretary, and our minds are pretty well crystallized. I would say that Mr. Thomas' committee and our committee are in a position now of pretty good agreement as to the April situation. Beyond that I would have to tell you the story in order to get over to you what I mean. Shall I tell it?

H.M.JR: If you please.

MR. GRANT: We think the matter of prime importance for the April drive is getting the sales manager and getting the organization set up at the top. We know that.

H.M.JR: Where is Thomas? Oh, there you are. (Laughter)

MR. GRANT: We know that that sales manager will want some contact men in the field, so we would like to see accomplished, if possible, the securing of that head man and four assistants to start with - four specialists. We might be able to relieve one of them later.

H.M.JR: Four assistants?

- 2 -

MR. GRANT: Four line assistants who would be his mouthpieces out in contact with the Federal Reserve Districts, and four specialists for the purpose of stimulating the men out in the Federal Reserve Districts to have special activities on subjects that they might not have men at the moment thinking about, like the farm activity, the women's activity, the mass activity. We think those are all places where some money could be picked up if the right plans were laid.

Then as - I believe you have sent your telegram, have you not?

H.M.JR: I did, yes.

MR. GRANT: That being the case, it has been sent, we think that ought to be pitched on the basis that that is for April. There is no commitment in that telegram that it is beyond April.

H.M.JR: You understand that that telegram went out for suggestions from the field? It is not to be released until next Monday, you see, so there is time. I mean, if the field can make suggestions, I can make suggestions, or you people can make suggestions. I mean, this went out and we asked them to have it back on my desk Thursday morning with their suggestions.

MR. GRANT: To the presidents of the Federal Reserve?

H.M.JR: And to the chairmen of the War Bonds and managers of the Victory Fund, so I will get their answers Thursday morning. Heaven only knows what will be in, but the thing won't jell until next Monday.

MR. GRANT: I didn't understand it. That makes it different than if it were an out and out settlement.

H.M.JR: No, no, it will not jell until next Monday, but I had told them they would get the telegram from me Tuesday morning. If you tell your sales managers, "You are going to hear from Grant Tuesday morning," they

- 3 -

expect to hear from you. If they don't hear from you, then they think you don't know your own mind. But, this was simply a proposed telegram to be released next Monday, so there is still time.

MR. GRANT: Well now, in the event that the decision finally is made that the organization will take the form out in the Federal Reserve Districts of this president being what you might call the top man in administering this, even though he has a merchandising man on securities, and another one on War Bonds, we think in getting a sales manager in here that the finality of that should not come until after the April drive, even though it were attempted on the basis of coordination during the April drive.

H.M.JR: I don't understand that; you will have to explain it.

MR. GRANT: We don't know how much coordination is possible. We don't know whether it is best to keep the War Bond activity one hundred percent separate from the other activity, and we don't think anybody can know that sitting in an office. We think somebody would have to find that out by having the reins in his hands and driving and getting the feel of which way is the better way. We think that will have to be a determination of this sales manager, discussing with you his feelings about the matter, and then you will come to the conclusion.

We are making the point that we don't think, whatever may come back in the form of suggestions from the people, that the final decision should be made until after the April drive, when you get this man in here, who would be competent to advise you as to what he is up against.

H.M.JR: I agree with you for the reasons that you give, plus also - well, it all boils down-until you go through this drive with this much coordination, you can't tell.

Now, you take, for instance, New York. They have to divide up New Jersey somehow or other. Maybe it can be

- 4 -

done. Harold Thomas doesn't think it can be done, but I think it can. They have to divide Pennsylvania. They think it can be done; I don't know. The only way to find out is to go through it.

I asked Mr. Young, who is president of the Federal Reserve of Chicago, if there was any reason why we shouldn't create a new district in Detroit. He said that he had practically done that. In other words, we may find that Detroit ought to have its own coordinator on its own basis, separate from Chicago. But you can't find out that sort of thing until you go through another drive. So, there is no difference. I think Detroit is a good example. You may have to split the Federal Reserve District. After all, there is nothing sacrosanct about these Federal Reserve Districts. There is no reason why they shouldn't be split up. The Detroit and Chicago situation is as good an example as I can give you. You can understand it.

MR. GRANT: Yes, because Detroit is so important. (Laughter)

MR. SCHUMANN: More so than Chicago. (Laughter)

H.M.JR: So, there is no disagreement there - in other words, we keep this thing absolutely fluid.

MR. GRANT: Then our thoughts ran to getting this sales manager, and particularly these four line assistants. How soon you get the special man isn't nearly as important as how soon you get the men to back him up and carry his messages out and see that the men in Chicago and other places agree with him and are willing to get in the boat and row with him. If that could be accomplished, then we have really done something.

Now, as to its accomplishment - the head man, we feel, can only be obtained by you. Mr. Thomas has already submitted to you some excellent names. There is no question but what in that list there are some very fine men, but we don't think Mr. Thomas can sell those men. We don't think anybody can sell them, except you.

- 5 -

You could get them in your office and discuss with them the possibility of them coming, and, of course, you have to put a lot of patriotic appeal into it, because, no doubt, any of those competent men would be making a great sacrifice.

H.M.JR: I broke all my promises to my wife and worked last night on this very subject. As soon as I got the list, I went to work checking the names. I think we are in complete agreement as of this morning.

MR. GRANT: Well, are we in agreement on this, that you will get four assistants and a sales manager?

H.M.JR: Well, let's put it this way - we are in agreement that we will get a sales manager. I don't want to say that we want two assistants or four assistants, or six assistants, but I would like to say that we will get him as many assistants as he needs or wants. How is that?

MR. GRANT: That is perfectly all right, because that man might have pretty fixed ideas that he could run it with three.

H.M.JR: He might want twelve, I don't know. We will get the assistants that he wants and needs. How is that?

MR. GRANT: That is fine.

Now, if we are in agreement on that, we can start in on the discussion. Then, I think we have taken the first big step towards getting the right organization.

H.M.JR: The only thing, so there can't be any possible misunderstanding, is this: You men might be a little bit interested in knowing why I decided this. I have come to this decision in this way, that I want to get the best and most aggressive and active sales manager that I can get in the country, and I ought to be entitled to the best. I am going to get him on the basis of

- 6 -

an expert, an engineer, and a technician. It is the same, for instance, as when Harold Ickes wants to build a pipeline to Illinois. He gets the best engineers that he can get. That is the only test.

Now, I will be criticized by certain groups, but I have crossed the bridge. I am ready to take the criticism, because I think what I am trying to accomplish is more important than the critics.

The only thing which I don't know on account of the Thomas report - I knew where Mr. Bathrick stood, but I didn't know where the rest of you stood. I think to a very large extent we have to continue to depend upon volunteers on the county level. I knew where Bathrick stood, but I didn't know where the rest of you stood on it. That is where the Thomas report and myself differ. I don't know.

MR. WOOD: I don't know that we do, Mr. Secretary.

H.M.JR: I got the feeling from reading your report - and the people associated with me all sort of felt, from reading this report and from things that evidently Mr. Thomas has said to them in the last six months - that you were looking for a complete paid organization from top to bottom. Of course, I just think it is impossible. I think that you have to, whether it is the Red Cross, U.S.O., or War Bonds, or Greek Relief, or China Relief - I mean on the level of the worker, it has to be voluntary.

The planning should be by a professional. Where are we apart?

MR. GRANT: I don't know whether Mr. Thomas wants to express himself first.

H.M.JR: I am in agreement - as I say, the only person I have discussed it with is Bathrick - on the planning you want the very best technicians you can get, and on the community level you want the volunteers.

- 7 -

MR. GRANT: Would you like to hear my analysis of that?

H.M.JR: If anybody will talk to me - I want to know where we are apart on the thing.

MR. BATHRICK: I don't think we are apart.

H.M.JR: It is terribly important.

MR. THOMAS: We aren't apart at all, Mr. Secretary.

H.M.JR: Whether U.S.O., or War Bonds, at the top you want the best technicians you can get; but when you get to ringing the doorbell, I think it has to be a volunteer.

MR. THOMAS: We agree with that, Mr. Secretary.

H.M.JR: You have said certain things evidently to people around here who come back and think that you are all for a paid organization from top to bottom.

MR. THOMAS: I am sorry that the reports come back to you, because I would like to tell you myself.

Mr. Secretary, we don't think you ought to have to depend entirely on people who can work free, work for nothing - for the glory of the game. We think you ought to have some money in your top management group which will enable you to get men that otherwise you couldn't get.

H.M.JR: At the top?

MR. THOMAS: On the level in Washington and on the level in the Federal Reserve Districts. If you have money to go beyond that, go beyond that; if you don't have, all right.

MR. LaROCHE: I read the report, and I had the same feeling that you did, Mr. Secretary, that this meant

- 8 -

a paid organization at every level. I discussed it with Mr. Thomas in some detail, and he said, "We didn't mean it to that extent. All we meant was that you have an organization that you can control, that is set up so that it is efficient, and not running all over itself and fighting one another in groups, fighting the head man here, and fighting in the districts. If he has to get a man, he can only get him by paying for him - " there is that opportunity.

So, he said, "The emphasis is being put on the wrong thing, because it said paid, paid, paid all through that report." We found, after we discussed it, that there was no disagreement at all.

MR. THOMAS: Mr. Secretary, I used the words in there, "Every man ought to have the privilege of working for nothing, if he can." That is in the report.

MR. LaROCHE: Harold, the emphasis does sound - you have to admit you put the emphasis too much on "paid," rather than "control."

MR. GRANT: To clear up my mind, I would like to ask a couple of questions, if I might.

H.M.JR: Go ahead.

MR. GRANT: Obviously the men that I have been proposing would have to be paid. Those are the four assistants to this sales manager, and the four specialists. They would have to be paid, naturally.

Now, we step out into the Federal Reserve District. As I understand it, two of the men are already paid out there, the president and his assistant.

H.M.JR: Yes, and we have a payroll in Victory Funds now of over - of somewhere around five or six hundred thousand dollars now.

MR. THOMAS: That is right.

- 9 -

MR. GRANT: Now then, how much further would that have to extend? That is what I am hazy on. Is it adequate, or would it have to expand further than that?

MR. THOMAS: Mr. Grant, you can't answer that question until you find out what type of men you can get that way. If you say get them for nothing, fine.

MR. GRANT: Maybe this would bring us together. In view of the fact that the April drive is immediately ahead, and there is no disagreement over paying this sales manager or the other men here in Washington, and that there is a payroll already out in the Federal Reserve Districts, why couldn't the April drive be on the basis of that payroll, giving this sales manager the opportunity to see what he can do with it, and then for the long pull thereafter come to conclusions between the Secretary and that sales manager?

MR. THOMAS: I think so; you cut your cloth to fit your money.

MR. WOOD: Mr. Secretary, this paid organization seems to loom pretty important and pretty large in your mind, as it undoubtedly should.

H.M.JR: In my mind?

MR. WOOD: I mean, from the inference in the report. I would like to make this comment, that Mr. Stevens and I went along with Mr. Thomas, and Mr. Thomas did not write the report. The three of us wrote it, and they were not his conclusions. There were three of us. I don't know about Mr. Stevens, but I can say that Mr. Thomas never quoted to me anything he ever said around the Treasury about paid organization, which all leads down to this, that I probably was the most surprised man in the country yesterday when you mentioned the amount of money and the number of people involved. When you said twenty-eight thousand - I had in mind - well, that was a hundred times more than we were thinking about.

I only want to give you this to further emphasize that regardless of what implication you received from

- 10 -

reading the report that that was not the intent of the three people who wrote the report. It is our poor expression, perhaps.

H.M.JR: Well, it is important, because, you see, besides everything else I have this problem of these several thousand security salesmen who have been - I don't want to use the word "pressing," but bringing it to my attention that they would like to get an eighth, or something like that. You may have heard your son discuss it.

MR. GRANT: Yes.

H.M.JR: So, I mean, we have that. I may have to cross that bridge, I don't know.

MR. THOMAS: We can throw some light on that. We found it in Chicago, and we found it in St. Louis. We found opposition to it in the Dallas area, in the Atlanta area, in the New York, and in the Boston area.

MR. GRANT: Now, I found in one area the desire for a gas ticket when they ran out of gas, which I understand is taken care of, and the desire for a little street money, which I understand is given in quite a few instances.

MR. THOMAS: The Victory Fund, not War Savings.

MR. GRANT: That, in my boy's area, satisfied them.

H.M.JR: This pay business is a very delicate thing. Here we pay certain expenses for Victory Fund, and we don't do it for War Bonds, and they get to talking the thing over, and so what? So I just wanted to know from these sales managers who are here - well, I am satisfied that you people realize that to do this thing on the level where you are pushing the doorbells you have to pretty much count on volunteers.

(Affirmative response)

- 11 -

H.M.JR: That was the one thing that was bothering me the most after not only this report, but some of the attitudes. I didn't know where you stood, because I didn't know how you felt about the thing.

MR. WOOD: We have clarified it now?

H.M.JR: Yes. I still want to see some of those field reports.

MR. THOMAS: You are going to see them, Mr. Secretary.

H.M.JR: On the other thing, as I say, I have pretty well - well, I mean, I am ready for the right man.

MR. GRANT: I have discussed with some banks the fact that they have to have extra employees on account of War Bond savings. You wouldn't think much of a man who was paying out money for, say, fourteen or fifteen people, and who didn't bring the subject up. I am quite convinced from the few discussions I have had that that can be handled on the volunteer basis without reimbursing the banks.

H.M.JR: You see, there are so many ramifications to this thing, which I learned after ten years here. But the banks, for instance, handle all Government checks, like WPA checks, when they were running very, very heavy, at no charge, and now all the checks for the soldiers without any charge.

Just as soon as we break the ice and say, "We will pay them for this service," then they will come back and say to us, "All right, we want to be paid for handling soldiers' checks."

I know that we are asking the banks to do something for nothing. On the other hand, in times when money was worth something, we kept a lot of money in these banks for which they paid - in the days when they paid interest - and they didn't have to pay any interest. Also, we let them buy Government bonds for ten percent down. They didn't have to pay for them, but kept the money there until we drew on it. There were a lot of things which over a period of years are usages which grew up.

- 12 -

On the other hand, the banks will say to me that when they started this War Bond thing it was the first time it made them respectable again in the community, and they felt they could again hold their heads up. They loved it after ten years. There isn't a small banker who wouldn't come in and say to me, "We are now back in the good graces of the community of which we are a part. We have seen people in our banks whom we hadn't seen for ten years. They come in and talk to us. They come back again, and it has done us more good than anything that has happened since '33." That is the way most of them feel.

Last, but not least, last year they made more money. The banks made more in the country than in any year since '33, so I am not worrying about the banks. I mean, they had the best year that they have had since '33. Their only worry is that they may have to pay an income tax this year. Very few banks have paid any income tax, but now they may have to. That is their only real worry.

MR. GRANT: That will help them with these expenses. (Laughter)

H.M.JR: The only worry is, they are beginning to get up in a class where they may have to pay an income tax. There are lots of ramifications when you deal with a bank. Through the American Bankers Association we really got very good cooperation. They are not asking to be paid as an association for this thing.

MR. GRANT: I should say, speaking for the committee, that we are so intent to see this head organization formed that our minds become rather inactive beyond that. We would like a few sessions with this sales manager to see how he feels about certain things that we are hazy about, as he gets the feel of it. What he agreed with, if he is a good sales manager, would depend a great deal on his feel of things and how he expressed himself.

H.M.JR: Well, the next move is up to me to find such a person, isn't it; and after we find such a person, invite

- 13 -

you people to come in and sit down with him, isn't that right?

MR. GRANT: Yes, sir.

H.M.JR: When we find such a person, Mr. LaRoche's committee and all the rest will be able to help furnish people to us.

MR. GRANT: I expect that man would be extremely busy in the beginning with his planning. He would have to talk at length with Mr. LaRoche. He would have to be in contact with these Federal Reserve Districts and set up his acquaintanceship. He would be a very busy man in the preliminary stages.

H.M.JR: He would have to come at once to an understanding with OWI.

MR. GRANT: Yes.

H.M.JR: I have a pretty good understanding with them. Instead of being a bottleneck, they are going to help, but it is a day-to-day operation. You ought to know that as well as I do.

MR. LaROCHE: I don't think there will be any trouble at all; I am sure there won't. A lot of cooperation - that is their job. I think they understand it.

H.M.JR: They are going to have to have somebody over there who really looks after the Treasury. It is nobody's job now.

MR. GRANT: I think that will be a very easy sale to make.

MR. LaROCHE: I think you may have to find that man for them.

H.M.JR: I explained to them that after all it is one thing - we are the only Government agency really selling. They are selling something nebulous that you

- 14 -

can't get your teeth into. It is a psychological thing, a state of mind. They have nobody over there; it is nobody's business to help us - not just to sit on us. They tell me that to get one of those posters through it takes a couple of months - to get it through OWI.

MR. WOOD: It does?

H.M.JR: Yes. They sit around here for days, and days, and days to discuss the thing. You must have heard it from other people. They sit around and talk, talk, talk. I told this to Mike Cowles and Lewis, that they have got to get in the frame of mind that they help rather than just be a filter.

MR. GRANT: Fortunately several members of this committee know men there in their regular proceedings in respect to our business that would be helpful in connection with getting that cooperation. I imagine you (LaRoche) know some of the men quite intimately, as some of the rest of us do.

H.M.JR: Mr Grant, could I just have a little talk with you in my room for a couple of minutes?

E. D. W. Bell

Under Secretary

Exp. Loans

NIGHT LETTER

23

February 22, 1943

To: All State Administrators;
Chairmen, War Savings Staffs.

On March one I propose to make substantially the following announcement to the War Savings Staff, to Presidents of the Federal Reserve Banks and to Executive Managers of the Victory Fund Committees. QUOTE Contemplating for early April a large Treasury borrowing program it is essential for the successful prosecution of this job that the Treasury secure the combined services of all persons and organizations now working for it in the promotion of the sale of government securities. Therefore, I have this day requested the Presidents of each of the twelve Federal Reserve Banks, Treasury fiscal agents, to serve as Chairmen of a United States Treasury War Finance Committee in their respective districts to direct the April drive. Both the Victory Fund Organization and the War Savings Organization are to be represented on this committee and the forces of each will be integrated in every desirable and productive activity for the period of preparation and during the actual drive. The entire basket of Treasury securities including E Bonds will be available to all forces taking part in the drive. Details of the respective tasks of each organization at the State, County and community level shall be worked out by the Treasury War Finance Committee in your district on which you will serve. However, it shall be your responsibility once plans are complete to see that your workers are welded into this combined effort under the direction of the Presidents of the Federal Reserve Banks. The War Savings organizations will continue as usual during this period its Payroll Savings activity and any stamp promotions. A United States Treasury War Finance Committee will be set up here in Washington including War Savings Staff and Victory Fund representatives. All national promotion, including Press, Radio, Outdoor Advertising, Posters, Motion Picture and miscellaneous activities will be pointed to this joint endeavor. Due to

- Page 2 -

the continuous work of the War Savings Staff we fortunately have many local projects moving forward constantly through all media. In every possible instance these should with the approval of the Treasury War Finance Committee be tied into the forthcoming campaign. Especially we will want to retain the full support of organized labor and women's groups UNQUOTE Please wire acknowledgment within forty-eight hours with any suggestions which you may care to make. Contents this wire strictly confidential until released from here.

HENRY MORGENTHAU, Jr.
SECRETARY OF THE TREASURY

TG:DWB:NLE

February 23, 1943
11:37 a.m.

Operator: Go ahead.

John L.
Sullivan: Hello.

HMJr: Yes.

S: He tells me that....

HMJr: Will you talk a little louder?

S: Yes, he - he just talked with the President.

HMJr: Yes.

S: The President says that this is a request from Monet's government; that Giraud has asked for him....

HMJr: Yeah.

S:that he expects he's coming back. McIntyre said it looks as though we've got to find some way to let him go.

HMJr: Well, did the President say he wants him to go?

S: I - I asked that question. I said, "Does the President say he wants him to go?" and - and the reply was, "It looks as though we've got to find some way to let him go."

HMJr: Well, what's that mean?

S: That's just what he said. Very obviously McIntyre thinks we have to let him go.

HMJr: Well, where does that leave us if he doesn't come back, because he has property here.

S: Why....

HMJr: Couldn't he do what we did with Marlene Dietrich, get him to put up a bond or something?

S: Oh, well, that was the difficulty.

- 2 -

HMJr: What?

S: As - as I got it from Mr. Gaston, he didn't know that he was going until Saturday. He spent all day Saturday and Sunday with the State Department, and he didn't have time to do any of the other things.

HMJr: Well, why can't we get him to put up some kind of a bond?

S: He - the plane leaves at twelve o'clock.

HMJr: Today?

S: Yes.

HMJr: Well, how - you told me he was over in the other office though.

S: I beg your pardon.

HMJr: You told me he was sitting over there with....

S: He's over there with Ray Atherton, and he has to leave for the - leave for the plane at twelve o'clock.

HMJr: Oh. Well, let him take the next plane.

S: Well, do you - you mean you - you want to insist on the bond?

HMJr: What?

S: Do you want to insist on the bond?

HMJr: I think we ought to get something. Well, where - where's Herbert?

S: Herbert is right here, sir. Want to talk to him?

HMJr: Yeah, but supposing they get him a seat on - supposing he's delayed twenty-four hours, well, what the hell?

S: Well, I don't know if he....

- 3 -

HMJr: Twenty-four hours can't make such a difference.

S: I don't know what the - what the flying arrangements are.

HMJr: Well, they - they can just put somebody else in his place and let him go next time. I don't know either, but what - let me speak to Gaston.

S: Yes, sir.

HMJr: I don't like this stuff.

Herbert
Gaston: Hello.

HMJr: Herbert, I'd find out - I mean the chances are that he's going - there're planes leaving every day. Let him delay his thing twenty-four hours and let him put up some kind of a bond.

G: Uh huh, uh huh.

HMJr: I mean you - where would we be if he doesn't come back?

G: Well, we'd just - we'd just - he'd just be in default as he is now, except that we'd have no - he wouldn't be here for us to....

HMJr: Well, I - I don't see what - do you see any harm in holding him twenty-four hours?

G: Well, I don't know whether he's catching a bomber that - I don't know how often these - what the schedulings are for these Army transport bombers.

HMJr: Well, they leave - I'm sure they leave every day.

G: He's got a - he's got a - a request for his passage without examination of papers at Miami so that tells us that he's going by way of Miami. Probab.. - I suppose that probably indicates the clipper rather than an Army bomber. At any rate, he's - he's going by way of Miami apparently.

HMJr: Well, why don't you - is he over at Ray Atherton's office?

- 4 -

G: I understand he's over there now. John is - John talked to Ray Atherton this morning.

HMJr: Well, why don't you call him up and find out if - what happens if he's delayed twenty-four hours?

G: Uh huh, and - yeah. Yes, and - and see if we can't get a bond out of him....

HMJr: Yeah.

G:if he can make bond.

HMJr: Yeah.

G: What Ray Atherton told me yesterday was that he was - that he was going on a mission that was not State Department; that it had been arranged by Harry Hopkins and the President, and they were ordered to fix things up for him; that he had talked to somebody down at Internal Revenue and was encountering difficulty about getting clearance, but at the end that he had to leave today.

HMJr: Well, call him up and see whether he can't leave tomorrow.

G: Yes, I - of course, another thing would be for him to - another thing to let him go to Miami and let him get bond down there, but I don't think that would be practicable.

HMJr: Well....

G: If he's going to give bond, he'll no doubt have to give it here.

HMJr: Why don't you call up Atherton. It's so late now; we've just heard from the President; and see whether he can't delay it twenty-four hours.

G: Yes, yes, and if he can't delay it twenty-four hours, we try to get bond or - or let him go without bond or insist on the bond?

HMJr: Well, in view of what they....

G: Yes.

- 5 -

HMJr: I mean if it's a question of minutes, I can't understand if he's going over to advise Giraud why he can't wait twenty-four hours.

G: Uh huh. Well, sir, I don't understand why they didn't take it up with us sooner.

HMJr: Sure.

G: Yeah, yeah. All right, we'll - we'll talk to Atherton and see what the situation is, see whether we can't get this straightened up.

HMJr: I'll - I'll leave it to you and John. You don't have to call me back.

G: All right.

HMJr: See if you can, but if it's - they make - think it's just a matter of some conference that he's trying to meet or something like that, all right, but I - I don't believe it because I heard that they were going to try to send him.

G: Uh huh, uh huh.

HMJr: And - as a sort of political advisor to Giraud, and I don't see that a day makes any difference.

G: Uh huh, uh huh, yeah. All right. Well, we'll check again all around.

HMJr: Because, Herbert, if - if we let him go and he doesn't come back, nobody is going to protect us.

G: No, no, nobody's going to protect us.

HMJr: We'd better protect....

G: We can only say "war necessity" and that the amount, as far as we know, is relatively small.

HMJr: Well....

G: I - I understand it's \$1,750.

HMJr: Well, I thought it was \$56,000!

- 6 -

G: It's what? I - I don't - what's that?

HMJr: John told me it was \$56,000.

G: Well, I don't know about that.

HMJr: Well, what does John say?

G: Well, John - John's right here. He told me that the - that the liability on his '41 tax, \$1,750.

HMJr: Well, where did I get the idea it was \$56,000?

G: I - I don't know.

HMJr: Well, what did - is John there?

G: Just a moment. Yeah, he's here.

HMJr: John - John?

S: Hello.

HMJr: You told me he owed \$56,000.

S: I - I don't think that I - you....

HMJr: Well, that's what I under - it's \$1,700?

S: It's \$1,750.

HMJr: Oh, I wouldn't....

S: On - that's on '41, and the '42 taxes.

HMJr: Oh, well, I understood you \$56,000. Oh, I wouldn't fuss with the \$1,700.

S: Well, we - whatever the balance is is on his '42 return.

HMJr: Well, that's all right. I mean I thought he owed us \$56,000.

S: Well, maybe he does on his '42.

HMJr: Well, I - I haven't talked to anybody but you. Well, anyway see if you can get the bond, and if you can't on \$1,700 I wouldn't be too stiff, in view of what the President has said.

- 7 -

S: Well, we won't be able to get a bond in - in time.

HMJr: No, I told Gaston to see whether he can't delay it twenty-four hours.

S: I see.

HMJr: I'll - I'll - he - I've explained it to Gaston.

S: All right, sir.

HMJr: Thank you.

S: Thank you.

Chauncey

...
...
... signed the
... (copy
... This is
... file

EPB

FROM MR. BARTON

MEMORANDUM

February 23, 1943.

TO: The Secretary
FROM: Mr. Sullivan
Mr. Gaston

FLS
W.S.H.

The following is a transcript of Mr. Sullivan's conversation with Mr. McIntyre this morning relative to the waiver of income tax regulations in the case of Jean Monnet:

M: John, I just got the Boss. That's a request from his own Government. Confidentially, Giraud is asking for him. It looks like we'll have to let him go. We can't hold him up.

JIS: Does the President want him to go? There isn't any option?

M: I guess we'll have to.

JIS: He is planning on coming back?

M: I think so.

When Mr. Gaston called Mr. Atherton at 11:45 immediately after talking to you, Atherton reported that Monnet had already left for the Airport to take a plane to Miami. Atherton told Mr. Gaston that the matter was one of tremendous importance - that it involved the allocation of shipping space with respect to three different interests, something that had to be straightened out immediately, and that Monnet was to return to the United States within a very short time, as soon as his mission was completed. He urged that we assure him that we would send word to Miami that Monnet would be given clearance there. Mr. Gaston replied that some sort of word would be sent to Miami but that he could not now promise clearance. Atherton then urged that we get in touch with the White House as he was sure they would want immediate clearance.

- 2 -

Commissioner Helvering advises us that Mr. Monnet owes on his 1941 Income Tax \$1750, and that Mr. Monnet's Secretary estimated his liability on 1942 income would be about \$7500, making a total amount of present and potential tax liability of \$9250.

Commissioner Helvering is prepared to wire the Collector of Internal Revenue in Florida to grant the waiver but asks that you send him the attached memorandum.

Attachment.

MEMORANDUM**February 23, 1943.**

TO: Commissioner Helvering
FROM: Secretary Morgenthau

You are hereby authorized to waive the regulations as to requirements under section 19.146-1 section C relating to certificates of compliance relative to aliens departing from the United States in the case of Jean Monnet, who is departing from Miami, Florida, on or about February 23, 1943.

JLB:db

17

February 23, 1943
11:51 a.m.

HMJr: Hello.

Operator: Mr. Hyatt.

HMJr: Right.

Gilbert Hyatt: Hello.

HMJr: Hyatt?

H: Yes, sir.

HMJr: I thought it could save time, and you could tell me on the telephone what you found out.

H: Yes, sir. The General Foods Corporation has a - a practically universal reputation of being highly paternalistic.

HMJr: Of being what?

H: Paternalistic.

HMJr: Yes.

H: It runs very strongly to employee beneficiary associations, company unions, and so forth.

HMJr: Yes.

H: Both the C.I.O. and the A.F. of L., all of whom I checked thoroughly, are consistent in that report.

HMJr: Yeah.

H: Unionism does exist, but it's almost invariably been as the result of a conflict. The only union that they seem to get along with -- and they only in isolated places -- is the Teamsters' Union.

HMJr: Yes.

H: I'm told that the - all of the General Foods subsidiaries on the Pacific Coast are unionized so far as the Teamsters' Union is concerned....

HMJr: Yeah.

H:and our little playmate, Dave Beck, in his usual style, has worked up an armed truce with them so that they get along fairly well.

HMJr: I see.

H: Their fishery outfits in - which centers in Boston, has - is unionized in the Teamsters.

HMJr: Yeah.

H: They have an American Federation of Federal - American Federation of Labor Federal Union in the fishery warehouse and with the fishermen.

HMJr: Yeah.

H: They do fairly well with the Teamsters, but as far as the fishermen and the warehousemen, they're in a battle all the time.

HMJr: I see.

H: Another big subsidiary is the Walter Baker Chocolate Company.

HMJr: Yeah.

H: They have American Federation of Labor unions among them, but they exist rather on sufferance.

HMJr: I see.

H: The relationship apparently is not a comfortable one anywhere.

HMJr: I see.

H: Now this was checked with about six different unions, Mr. Secretary.

HMJr: Right. Well, I'd say it was just fair then, wouldn't you?

H: Well, I wouldn't even say that.

HMJr: Wouldn't even say that.

- 3 -

H: They - these boys who are pretty near all of them rather shouting New Dealers, you know, significantly stick into their conversation the statement that they're anti-New Deal.

HMJr: They want what?

H: Anti-New Deal.

HMJr: I see.

H: And - in other words, they give them a bad name.

HMJr: I see.

H: I would say that they were - the chances are that they're benevolent, paternalistically kind, but anti-union.

HMJr: I see. Okay. Thank you.

H: Thank you, sir.

February 23, 1943
12:13 p.m.

HMJr: Hello.

Operator: Mr. Hyatt.

Gilbert Hyatt: Hello.

HMJr: Hyatt?

H: Yes, sir.

HMJr: This is the Secretary again.

H: Yes, sir.

HMJr: Supposing you go back to the A. F. of L. and C.I.O. and ask them if they know - if they can recommend any organization that has a national sales force.

H: Any organization which has a national sales force.

HMJr: Yes - that they consider - that is friendly to labor.

H: I see.

HMJr: See?

H: Uh huh.

HMJr: Now I've asked them one, General Foods - they don't think that they're friendly.

H: Yeah.

HMJr: Now go back at them and say, "All right, you don't like this one. Give us the names of some people that have a - a national sales organization."

H: I see, a national sales organization with whom they could get along in pretty good terms.

HMJr: That's right.

- 2 -

H: Not necessarily one of their lovers, but somebody that they won't quarrel with. Is that what you mean, Mr. Secretary?

HMJr: Yeah, yeah.

H: I'll try and find it for you.

HMJr: Well, would you go so far as to say that they'd quarrel with General Foods?

H: Well, they - they've - yes, they've achieved the small degree of unionism that they have at the expense of battles.

HMJr: I see.

H: And outside of the Teamsters' Union, the union relationship is not a comfortable one. But that doesn't mean that - they all agree that General Foods is a very benevolent - and very kindly, but it's anti-union.

HMJr: I see.

H: That's the distinction.

HMJr: Well, anyway go back at them and ask them to give you - if they can name any others, you see?

H: Yes, sir.

HMJr: Will you?

H: I'll - all right, I'll do that right away.

HMJr: Will you, please?

H: How soon do you want this, Mr. Secretary? Quick as you can?

HMJr: Quick as I can.

H: Okay.

February 23, 1943
2:50 p.m.

FINANCING

Present: Mr. Gaston
Mr. Hyatt

H.M.J.R: What have you found out, Mr. Hyatt?

MR. HYATT: There is a memo. (Memorandum dated February 23, 1943, handed to the Secretary - copy attached.)

H.M.J.R: Mr. Gaston is advising me on this.

MR. HYATT: Do you know, Mr. Gaston, the General Mills company of Minneapolis? It is the old Cream of Wheat outfit, very much enlarged.

MR. GASTON: Yes, it is Washburn-Crosby, isn't it?

MR. HYATT: It is the specialty and retailing end of that whole outfit.

MR. GASTON: That is the holding company for Washburn-Crosby.

MR. HYATT: Yes.

MR. GASTON: They are the biggest flour and grain products distributors in the country.

MR. HYATT: They are described to me as having quite extensive contacts.

You are satisfied with something that gets to the retailer, or did you want something that goes to the consumer?

MR. GASTON: What the Secretary was thinking of was men rather than organizations. It is the sales job - the sales problem.

- 2 -

H.M.JR: Harry Bullitt, president of General Mills. General Mills - is that the one?

MR. HYATT: Yes.

H.M.JR: He was one of the people recommended - Harry Bullitt, president of General Mills.

MR. HYATT: I think he is the one that was mentioned. At any rate, the relationships are very cordial as far as Labor is concerned.

H.M.JR: I wonder how we could find out if this Bullitt would be interested?

MR. GASTON: That is a very fine selling organization. I don't know who the man would be who is responsible.

H.M.JR: They mentioned Harry Bullitt, anyway.

MR. HYATT: I think they mentioned him. They mentioned the personnel man, but I didn't make a note of it because I knew it wasn't a Labor personnel man you were after.

MR. GASTON: It would be the sales manager.

H.M.JR: They mentioned Bullitt. Which organization recommended General Mills? Was that CIO or AF of L?

MR. HYATT: Both of them. I got three-way approval. The big clearing house of the American Federation of Labor for that sort of a contact is Label Trades.

H.M.JR: What Trades?

MR. HYATT: Label Trades. They, curiously enough, have quite a number of CIO contacts; so I checked them three ways, with Ornburn and with Jim Carey, and then I checked them with Wolchok of New York, of a CIO union. So you are safe on that, Mr. Secretary.

- 3 -

H.M.JR: You are pretty sure Bullitt is the man they talked about?

MR. HYATT: They mentioned the name Bullitt.

H.M.JR: He is on my list.

Did they give you any name in Kellogg Company?

MR. HYATT: No, I don't believe they did.

H.M.JR: I take it in Continental Baking - is that the National Biscuit, or are those two separate ones?

MR. HYATT: They are two different firms, but they are in two different branches, of course, of the baking industry.

H.M.JR: Could you go back and get them to give you the name of the Kellogg - I don't think Continental Baking covers the country.

MR. HYATT: They described it as being - they said it was national.

MR. GASTON: Are they tied in with NBC, National Biscuit Company?

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

What do you mean, NBC - the National Broadcasting Company?

MR. GASTON: No, National Biscuit Company. They treat them here as one company. I think there may be a very close hook-up.

MR. HYATT: There may be a very distinct hook-up. However, it is an interlocking corporation hook-up. I mean, in actual operations, they operate as two distinct corporations, one being baking and the other specializing in biscuits, cake, and that kind of stuff.

- 4 -

MR. GASTON: It says, "...largest establishments in these specific fields, partially unionized, relations very cordial." I wonder which they are speaking about.

MR. HYATT: Both.

H.M.JR: Suppose you find out on Kellogg, and Continental Baking, and National Biscuit.

MR. HYATT: I can call on the phone right out here.

H.M.JR: You can leave it with the man out there.

They don't like General Foods.

MR. HYATT: Oh boy, not a bit. No, sir.

H.M.JR: How the heck do you suppose we can get in touch with Harry Bullitt?

MR. GASTON: My only doubt about General Mills would be about your getting a man like that with all that they have on their hands now.

H.M.JR: When you are talking to them you might also ask them what they know about C.R. Palmer, president of Clewitt Peabody. He has been recommended.

Another man that has been recommended is Dwight Armstrong, who is vice president of Armstrong Cork.

MR. HYATT: What line are they in?

MR. GASTON: Linoleum.

MR. HYATT: The chances are nine to one there is no unionism in it.

H.M.JR: If you would - and then, do you want to leave word with Stephens, outside?

MR. HYATT: Yes, sir.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Feb. 23, 1943.

TO: Secretary Morgenthau

FROM: Gilbert E. Hyatt

Subject: CORPORATIONS WITH LARGE SALES FORCE OR
BROAD NATIONAL CONTACTS.

I am giving the following:

General Mills, headquarters, Minneapolis, Minnesota. Manufacturers of cereals, flour, by-products. Stated to cover about 17% of the entire flour, wheat and cereal market. Enjoys amicable relations with all unions.

Sears, Roebuck. Relations with organized labor very cordial, although their own personnel is not characteristically unionized. Labor Relations representative is Nathan Schefferman, Executive Offices, Chicago, Illinois.

Kellogg Company, Battle Creek, Michigan. Manufacturers of various food products and breakfast foods.

Continental Baking Company - National Biscuit Company. Largest establishment in these respective fields. Partially unionized but relations between union and management personally very cordial.

Kitty Kelly Shoe Chain - Lerner Shops. Both are nationwide. Both are partially organized and labor relations are fairly good. Has, of course, contacts directly to consumers.

Flotilla, Inc., Stockton, California. Largely localized to the Pacific Coast, manufacturing and canning various food products, with quite general sales force contacts to jobbers, wholesalers and retailers throughout this territory.

February 23, 1943
3:03 p.m.

HMJr: Hello.

Operator: Mr. Cowles.

HMJr: Hello.

Gardner
Cowles: How do you do, Mr. Secretary?

HMJr: How are you? I'm getting to be a steady customer.

C: Fine, sir.

HMJr: Cowles....

C: Yeah.

HMJr: One of the people that was suggested to head up this thing for me is a man by the name of Harry Bullis, president of General Mills.

C: Yeah.

HMJr: And I know you've got a newspaper up there.

C: Yes.

HMJr: I have no connections. Would it be asking too much to either phone or wire whoever there is out there - whether they'd be willing to approach Bullis to find out whether he's at all interested in coming down?

C: Yeah, I'll tell you what I might suggest.

HMJr: Yes.

C: My brother, John Cowles, who's just come down here with Ed Stettinius....

HMJr: Yeah.

C:he lives in Minneapolis, and he knows Harry Bullis well.

HMJr: Yes.

- 2 -

C: I could ask him, if you cared to, to come over and talk to you about him.

HMJr: Good.

C: He would know him intimately and could tell you some of the drawbacks and some of the advantages, I think.

HMJr: I wonder if he could get over here by half-past three.

C: Today?

HMJr: Yes.

C: Well, let me call him over in Ed Stettinius' office and I'll call you right back or have him.

HMJr: Will you do that?

C: Yeah. Now I hadn't called you on Don Francisco because he's been in New York....

HMJr: That's all right.

C:and got back this morning and was tied up this morning, and I have a date with him at four o'clock.

HMJr: Okay. But....

C: You'd really like an answer on Bullis pretty quick?

HMJr: Yes, because I've sort of - since talking - I think the thing to do is to get the No. 1 man first.

C: I do too.

HMJr: And then....

C: I do too, frankly.

HMJr: And then he'll want his say on the advertising man.

- 3 -

C: Yeah. Well, let me call my brother right away,
and then either he'll call you right back or I
will.

HMJr: That's - is - and he - he's with Stettinius now?

C: Yes, he is.

HMJr: You've got the whole family here, what?

C: Yeah. (Laughs)

HMJr: Good.

C: (Laughs)

HMJr: Thank you.

C: All right, sir.

Mary Switzer says:

1. Mr. Rubicam's keen interest in United China Relief - as well as introduction by Dean Donald David of Harvard School of Business Administration - called him to Mr. McNutt's attention. He only agreed to come to War Manpower Commission for 3-6 months (without compensation).
2. A close friend of Mr. Albert D. Lasker; Mary Switzer would ask Mrs. Lasker anything you might wish to know about Mr. Rubicam politically, etc., without mentioning the Treasury.
3. Young and Rubicam are now doing - on a volunteer basis - the Farm Manpower campaign.
4. Two of the young men Mr. Rubicam brought to War Manpower Commission are still there: Mr. Repplier and Mr. Frederick Wm. Wile, Jr.



OFFICE OF THE COLLECTOR

TREASURY DEPARTMENT

UNITED STATES CUSTOMS SERVICE

PORT OF NEW YORK

February 23, 1943.

PERSONAL AND CONFIDENTIAL:

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

Dear Henry:

Yesterday being a holiday it was not feasible to get very much information and check on Messrs. Kinney, Palmer, and Rubicam. Their biographies are in Who's Who in America and I assume that you are generally familiar with their background. I was able, however, to check on them both here and in Washington today.

GILBERT KINNEY enjoys a very fine reputation as to his integrity and background; is a member of Archbishop Spellman's Committee of the Laity for Catholic Charities, and is a Democrat. On very good authority he is known in recent years to be very much anti-Administration. You will probably recall that Stanley Resor, the president of the J. Walter Thompson Company, was treasurer of the Willkie campaign committee and that this whole outfit was very active in opposing the President in the last election.

CHESLEY ROBERT PALMER enjoys a very excellent reputation; is a keen business man and a very good organizer, and a man of considerable independence. I understand that several months ago he was associated with the War Production Board for about two months but became entirely dissatisfied with the setup in Washington and stated upon

Hon. Henry Morgenthau Jr:

-2-

his return that under no circumstances would he accept any position in Washington or have anything further to do with the Administration, as he was not in accord with the Administration's policy in carrying on the war. While he has everything in his favor, people who know him very well say that it would be most difficult for him to be cooperative in any undertaking where he was not entirely in charge.

RAYMOND RUBICAM is considered quite a go-getter; has been active in various organizations of one kind or the other; a Republican and at times has been very much anti-Administration. At the present time he is spending a great deal of time in Washington as a member of the Advertising Council. People who know him do not feel that he would be the type of man who would inspire confidence over a period of time.

I deeply appreciate the heavy responsibilities that you are under and regret exceedingly that I cannot report more favorably on the names you gave me, but there are two men that I would like to suggest for your consideration. One is HAROLD V. SMITH, president of the Home Insurance Company. While a Republican I understand he is not critical of the Administration and is on very friendly terms with many of our friends in Washington. The other is GEORGE L. HARRISON, whom you probably know, former president of the Federal Reserve Bank here in New York and now president of the New York Life Insurance Company.

If I can be of any further assistance, please call upon me.

Sincerely yours,

H. M. Durning

Harry M. Durning,
Collector.

KINNEY, GILBERT. sr. vice pres. J. Walter Thompson co.; b. New Haven, Conn., March 20, 1884; s. Thomas Ignatius and Core Cornelia (Petvin) K.; grad. Millhouse High School, New Haven, Conn. 1901; A.B., Yale, 1905.

M. Anna Hart Jackson of N.Y. City, April 24, 1929; 1 son, Gilbert Hart.

Office asst. J. Walter Thompson Co. 1905-07; v. p. Paul Block Inc., 1907-17; sr. v.p. treas. J. Walter Thompson Co. advertising since 1917; dir. Penick & Ford, Ltd., Inc. (mem. exec. com). Scott Paper Co.; Nat. Outdoor Advertising Bureau. Dir. Am. Assn. Advertising Agencies (chmn. 1938-39). Chmn. Town Plan Comm. and town rep., Greenwich, Conn. exec. com. Yale Alumni Bd., dir. and chmn. Yale Alumni Fund, 1932-33; chmn. bd. Yale Alumni Publ.; mem. Kluksu Club of Yale, Democrat, Catholic.

Clubs: University, Yale, Uptown (N.Y. City); Jekyll Island (Brunswick, Ga.) Round Mill (Greenwich).

Home: Old Mill Rd., Greenwich, Conn.; also 765 Park Av. New York. New York Office: 420 Lexington Av., New York, N. Y.

From Who's Who in America, 1940-1941.

PALMER, Chesley Robert., pres. Cluett, Peabody & Co.,
b. Hankey, Ia., Aug. 21, 1885; s. Hiram Robert and Sophia
Isodene. (Chesley). P.;

grad. high school, West Union, Ia., student Upper Ia.
U.; married Eleanor Kins of Chicago, Ill., Oct. 31, 1908;
children - Robert Louis, Ruth,

With Cluett, Peabody & Co. shirt and collar mfrs. Troy,
N.Y. since 1908, salesman, Chicago, 1908-12, asst. mgr.
Chicago, 1912-14, mgr. Kansas City, Mo., 1914-22, dir.
San Francisco, 1922-25, Chicago, 1925-27, v.p. 1927-29,
pres. since 1929.

dir. Manufacturers Trust Co., Columbia Casualty Co., The
Commercial Union Fire Ins. Co. (all New York).

Republican. Christian Scientist. Mason (K.T. Shriner).

Clubs: Siwanoy Country, Empire State.

Home: 10 Beechwood Rd., Bronxville, N.Y. Office: 10 E.
40th St. New York, N. Y.

From Who's Who in America, 1940-1941.

RUBICAM, RAYMOND, chmn. bd. Young & Rubicam, Inc.

b. Brooklyn, N.Y., June 16, 1892; s. Joseph and Sarah Maria (Bodine) R.; attended public schools Pittsburgh, Pa., Altoona, Pa., Youngstown, O., and Denver, Colo.; left East Denver High School, Denver, during 1st year.

m. Regina Marie McCloskey, Nov. 30, 1916; (divorced May 3, 1939); children - Kathleen Bodine, Jane Collins, Anne Wilson.

Began as shipping clerk, Denver Dry Goods Co. 1907; clerk and salesman for coal mining, ins., mining supply and printing cos., Denver, 1907-12; successively clerk, automobile salesman and newspaper reporter, Phila., 1912-15; copy writer F. Wallis Armstrong Co. Phila., 1916-19; copy writer and supervisor N. W. Ayer & Son, 1919-1923; co-founder, 1923, Young & Rubicam, advertising, Phila. (hdqrs. moved to N.Y. City 1926); pres. Young & Rubicam, Inc., 1927-34, chmn. bd. since 1934; chmn. bd. Tide Publishing Co. Inc. since 1931; Audience Research Institute, Inc., since 1939; dir. Brewster Aeronautical Corps.

Awarded gold medal for distinguished services to advertising, 1938. Dir. Nat. Better Business Bur.; mem. nat. council Nat. Civil Service Reform League; mem. exec. com. Greater New York Fund, 1939; director, American Arbitration Assn.; mem. exec. bd. (chmn. 1939) Am. Assn. Advertising Agencies; mem. S. R.; hon. mem. Alpha Delta Sigma. Breeder of Aberdeen-Angus beef cattle and Berkshire hogs at Rolling Ridge Farms, Danboro, Penna.

Clubs: Union League, Siwanoy Country (New York); Pine Valley Gold (Clementon, N.J.); Huntingdon Valley Country (Phila). Author numerous articles and addresses on advertising and pub. relations. Pioneer in use of Gallup research methods in advertising practice.

Home: 795 Fifth Avenue; Office: 285 Madison Ave., New York, N.Y.

From Who's Who in America, 1940-1941.

approx 2/23/43

188

Agencies Handling Top Fifteen Hooper Rating Radio Programs

February 1 to 7, 1943

Agency	Program and rating
82.4 Young & Rubicam, New York	Aldrich Family (30.4) Jack Benny (29.9) Eddie Cantor (22.1)
61.5 J. Walter Thompson, New York	Charlie McCarthy (32.7) Lux Radio Theater (28.8)
57.7 Lord & Thomas, New York	Bob Hope (35.8) Kay Kyser (21.9)
50.8 Pedlar & Ryan, New York	Mr. District Attorney (25.9) Screen Guild Players (24.9)
34.0 Needham, Louis & Brorby, Chicago	Fibber McGee & Molly (34.0)
27.7 Benton & Bowles, New York	Maxwell House Coffee Time (27.7)
24.0 J. Walter Thompson, Chicago	Bing Crosby (24.0)

- 2 -

Agencies Handling Top Fifteen Hooper Rating Radio Programs

February 1 to 7, 1943

<u>Agency</u>	<u>Program and rating</u>
23.9 Lennen & Mitchell, New York	Walter Winchell (23.9)
23.6 McKee & Albright, Philadelphia	Rudy Vallee (23.6)
22.7 William Esty & Company, New York	Abbott & Costello (22.7)

Agencies Handling Top Ten CAB Radio Programs for Seven
Winter Months of 1942

(10 points for first rating; nine for second, etc.)

<u>Agency</u>	<u>Program and rating</u>
16 - Young & Rubicam, New York	Jack Benny (9)
	Aldrich Family (6)
	Kate Smith Hour (1)
13 - J. Walter Thompson, New York	Charlie McCarthy (8)
	Lux Radio Theater (5)
10 - Needham, Louis & Brorby, Chicago	Fibber McGee & Molly (10)
7 - Lord and Thomas, New York	Bob Hope (7)
4 - Benton & Bowles, New York	Maxwell House Coffee Time (4)
3 - J. Walter Thompson, Chicago	Bing Crosby (3)
2 - Lennen & Mitchell, New York	Walter Winchell (2)

approx 2/22/43

The Coca-Cola Company (Wilmington, Delaware)

Officers:

Harrison Jones, Chairman
R. W. Woodruff, Chairman Executive Committee
W. C. Bradley, Chairman Advisory Committee
A. A. Acklin, President
Ralph Hayes, Vice-President
W. P. Heath, Vice-President
Price Gilbert, Jr., Vice-President
W. N. Cochran, Vice-President
B. Neal Harris, Vice-President
T. Carl Thompson, Vice-President
Homer B. Thompson, Vice-President
H. S. Sharp, Vice-President
S. F. Boykin, Vice-President & Treasurer
G. T. Adams, Vice-President & Secretary

Source: Moody's Manual of Investments
 Industrials
 1942

2/23/43

Commercial Investment Trust Corporation (New York, New York)Officers:

Henry Ittleson, Chairman
Edwin C. Vogel, Chairman Executive Committee
A. O. Dietz, President
Harry Weiss, Vice President
Dudley Cates, Vice President
S. M. Shoenberg, Vice President
Morton J. May, Vice President
Henry Ittleson, Jr., Vice President
C. L. Hemphill, Vice President
P. W. Haberman, Vice President and General Counsel
S. B. Ecker, Vice President and Secretary
J. I. Snyder, Vice President and Treasurer
A. A. Laporte, Assistant Secretary
H. F. Birnbaum, Assistant Secretary
Thomas May, Assistant Treasurer
L. H. Spanyol, Comptroller
W. H. Ridoux, Assistant Comptroller

Commercial Credit Company (Baltimore, Maryland)Officers:

A. E. Duncan, Chairman of the Board
Wm. H. Grimes, Vice-Chairman
H. L. Wynegar, President
E. C. Wareheim, Executive Vice President
R. W. Graham, Vice President
F. M. Nicodemus, Vice President
H. B. Mathews, Vice President
H. M. Benson, Vice President
C. J. Zimmerer, Vice President
W. B. Wylie, Vice President
H. E. Spears, Vice President and Comptroller
E. E. Heaton, Secretary
W. L. Gardiner, Treasurer

Source: Moody's Manual of Investments
Banks-Insurance Companies
Investment Trusts-Real Estate
Finance and Credit Companies
1942

approved 2/23/43

General Mills, Inc., 200 Chamber of Commerce Bldg., Minneapolis, Minn.

Officers:

J. F. Bell, Chairman of Board
D. D. Davis, President
W. R. Barry, Vice-President
H. A. Bullis, Executive Vice-President
F. B. Burke, Vice-President
F. M. Crosby, Vice-President
J. S. Hargett, Vice-President
A. M. Bartwell, Vice-President
H. R. McLaughlin, Vice-President
P. D. McMillan, Vice-President
Ashby Miller, Vice-President
W. R. Morris, Vice-President
L. N. Perrin, Vice-President
G. C. Thomas, Vice-President
E. C. Williams, Vice-President
Sydney Anderson, Vice-President and Secretary
K. E. Humphrey, Vice-President and Treasurer
G. C. Ballhorn, Comptroller

Directors:

J. F. Bell, Minneapolis
C. C. Bovey, Minneapolis
H. A. Bullis, Minneapolis
F. M. Crosby, Minneapolis
John Crosby, Minneapolis
D. D. Davis, Minneapolis
S. S. Ford, Minneapolis
F. F. Henry, Buffalo
P. D. McMillan, Minneapolis
F. J. Morley, Minneapolis
H. S. Sturgis, New York
T. C. Thatcher, Oklahoma City
G. T. Vought, New York

GENERAL MILLS, INC.(Subsidiaries)

Betty Crocker, Inc.
The Pacific Coast Elevator Co.
Washburn Crosby Co., Ltd.

Pilot Laboratories, Inc. (51% owned)
Distillation Products, Inc. (50% owned)

(Divisions)Eastern Division (Buffalo)

Washburn Crosby Co., Buffalo

Central Division (Chicago)

Washburn Crosby Co., Chicago
Red Star Milling Co., Wichita, Kans.
Royal Milling Co., Great Falls, Mont.
Rocky Mountain Elevator Co., Great Falls, Mont.

Western Division (San Francisco)

Sperry Flour Co., San Francisco

Southwestern Division (Oklahoma City)

Oklahoma City Mill & Elevator Co., Okla. City
Wichita Mill & Elevator Co., Wichita Falls, Tex.
El Reno Mill & Elevator Co., El Reno, Okla.
Great West Mill & Elevator Co., Amarillo, Tex.
General Grain Co., Enid, Okla.

Southeastern Division (Atlanta)

Southern Gold Medal Flour Co., Atlanta
Red Band Co., Johnson City, Tenn.

Larrews Division (Detroit)Farm Service Division (Minneapolis)Star Grain Division (Chicago)Research Products Division (Minneapolis)Coupon Service Division (Minneapolis)Mechanical Manufacturing Division (Minneapolis)

General Foods Corporation, 250 Park Avenue, New York City

Officers:

Colby M. Chester, Chairman
 Clarence Francis, President
 *Austin S. Igleheart, Executive Vice-President
 Charles W. Metcalf, Vice-President
 John S. Prescott, Vice-President, Secretary and
 Temporary Treasurer
 Udell C. Young, Vice-President
 Verne E. Burnett, Vice-President
 *Ralph S. Butler, Vice-President
 Lewis W. Waters, Vice-President
 E. T. Gibson, Vice-President
 *William M. Robbins, Vice-President
 Marvin W. Kimbro, Controller

Directors:

Daniel M. Beach, Rochester
 Robert S. Cheek, Nashville, Tenn.
 C. M. Chester, Greenwich, Conn.
 S. Sloan Colt, New York
 Marjorie Post Davies, New York
 Clarence Francis, Bronxville, N. Y.
 William S. Gray, Jr., New York
 Austin S. Igleheart, Greenwich, Conn.
 Robert Lehman, New York
 Charles W. Littlefield, New York
 Charles W. Metcalf, Le Roy, N. Y.
 John S. Prescott, New Rochelle, N.Y.
 Carl J. Schmidlapp, New York
 Sidney J. Weinberg, New York
 Ernest L. Woodward, Le Roy, N.Y.
 Udell C. Young, Rye, N. Y.

*See General Foods Sales Company, Inc.

General Foods Sales Company, Inc., 250 Park Avenue, New York City

Officers:

*William M. Robbins, President
*Ralph S. Butler, Executive Vice-President
Guy M. LaPierre, Vice-President
Henry W. Sandberg, Vice-President
Curtis H. Gager, Vice-President
Mrs. E. B. Myers, Vice-President
J. K. Evans, Vice-President
Charles G. Mortimer, Vice-President
James Ingram, III, Vice-President
Ray M. Schmitz, Vice-President
Clarence E. Eldridge, Vice-President
Lester E. Waterbury, Secretary
Louis A. Zahrn, Treasurer

Directors:

*Austin S. Igleheart
*Ralph S. Butler
Louis A. Zahrn
*William M. Robbins
Charles G. Mortimer

*See General Foods Corporation

The voting stock of General Foods Sales Company, Inc. is owned 100 percent by General Foods Corporation. The two companies share officers and directors as indicated on the attached lists.

Neither Moody's Manual of Investments nor Poor's Register of Directors and Executives shows any interlocking of directorships or any officers in common between General Foods Corporation or its subsidiary, General Foods Sales Company, Inc., and Safeway Stores, Inc. No joint interest in subsidiaries is indicated by Moody's Manual.

In the attached lists of subsidiaries and organization charts, voting control is 100 percent except as indicated parenthetically. The organization charts show the relationships of stock-ownership and control and not functional relationships, as the data available in the investment manuals do not cover the latter point.

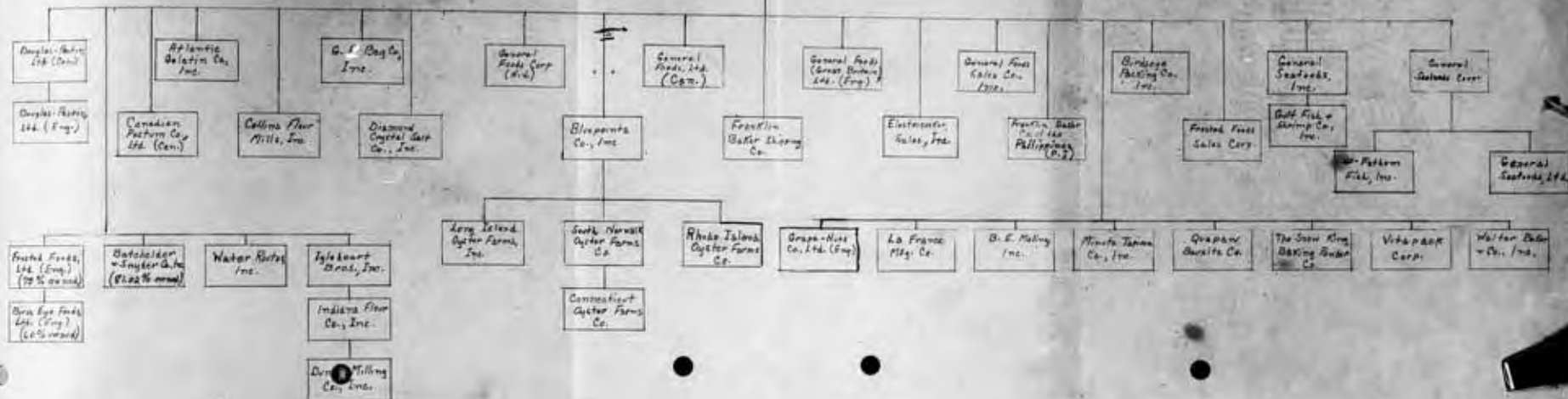
GENERAL FOODS CORPORATION

- (Subsidiaries)

Atlantic Gelatin Co., Inc.
 Birdseye Packing Co., Inc.
 Bluepoints Co., Inc.
 Long Island Oyster Farms, Inc.
 Rhode Island Oyster Farms Co.
 South Norwalk Oyster Farms Co.
 Connecticut Oyster Farms Co.
 Canadian Postum Co., Ltd. (Can.)
 Collins Flour Mills, Inc.
 Diamond Crystal Salt Co., Inc.
 Douglas-Pectin, Ltd. (Can.)
 Douglas-Pectin, Ltd. (Eng.)
 Electriccooker Sales, Inc.
 Franklin Baker Co. of the Philippines (P.I.)
 Franklin Baker Shipping Co.
 Frosted Foods Sales Corp.
 General Seafoods Corp.
 40-Fathom Fish, Inc.
 General Seafoods, Ltd.
 General Seafoods, Inc.
 Gulf Fish & Shrimp Co., Inc.
 G. F. Bag Co., Inc.
 General Foods Corp. (N. J.)
 General Foods, Ltd. (Can.)
 General Foods (Great Britain), Ltd. (Eng.)
 General Foods Sales Co., Inc.
 Grape-Nuts Co., Ltd. (Eng.)
 Igleheart Bros., Inc.
 Indiana Flour Co., Inc.
 Dunlop Milling Co., Inc.
 LaFrance Mfg. Co.
 B. E. Maling, Inc.
 Minute Tapioca Co., Inc.
 Quispaw Bauxite Co.
 The Snow King Baking Powder Co.
 Vitapack Corp.
 Walter Baker & Co., Inc.
 Water Routes, Inc.

 Batchelder & Snyder Co., Inc. (81.02% owned)
 Frosted Foods, Ltd. (Eng.) (75% owned)
 Birds Eye Foods, Ltd. (Eng.) (60% owned)

General Foods Corporation



TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE February 23, 1943

TO: The Secretary of the Treasury
FROM: Gilbert E. Hyatt

Mr. Donald D. Davis of the War Production Board, former President of General Mills, is given the very highest recommendations for enlightened views, general intelligence and efficiency.

anti
Dwight Davis of the Armstrong Corporation is described as being decidedly anti-union and probably not of the point of view that would be helpful.

G. R. Palmer of Cluett Peabody Company, which has collective bargaining arrangements of an amicable character with the Amalgamated Clothing Workers, is generally described as a man of broad views.

W. H. Vanderploeg is the present President of the Kellogg Company, Battle Creek, Michigan and is warmly recommended by I. M. Ornburn.

Lee Marshall, former President of the Continental Baking Company, is now assistant to Donald Nelson. The present President is Raymond K. Strachengen. This company is described as very good.

The National Biscuit Company, whose present President is Roy E. Tomlinson, is described as being public spirited and generally having fine labor and public relations.

While all agree that the National Food Company has a spotted labor record, further information is given that one of their subsidiaries, the Safeway grocery chain, is 100% unionized. This subsidiary of itself has contacts of a nation-wide character, most numerous West of the Mississippi River.

Gilbert E. Hyatt

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Feb. 23, 1943.

TO: Secretary Morgenthau

FROM: Gilbert E. Hyatt

Subject: CORPORATIONS WITH LARGE SALES FORCE OR
BROAD NATIONAL CONTACTS.

I am giving the following:

General Mills, headquarters, Minneapolis, Minnesota. Manufacturers of cereals, flour, by-products. Stated to cover about 17% of the entire flour, wheat and cereal market. Enjoys amicable relations with all unions. 4240-7

Sears, Roebuck. Relations with organized labor very cordial, although their own personnel is not characteristically unionized. Labor Relations representative is Nathan Schefferman, Executive Offices, Chicago, Illinois. 2-2

Kellogg Company, Battle Creek, Michigan. Manufacturers of various food products and breakfast foods.

Continental Baking Company - National Biscuit Company. Largest establishment in these respective fields. Partially unionized but relations between union and management personally very cordial.

Kitty Kelly Shoe Chain - Lerner Shops. Both are nation-wide. Both are partially organized and labor relations are fairly good. Has, of course, contacts directly to consumers.

Flotilla, Inc., Stockton, California. Largely localized to the Pacific Coast, manufacturing and canning various food products, with quite general sales force contacts to jobbers, wholesalers and retailers throughout this territory.

TREASURY DEPARTMENT
WASHINGTON

February 23, 1943.

MEMORANDUM FOR THE SECRETARY:

Re: Membership of the American Red Cross

The annual report of the American Red Cross for the fiscal year 1942 shows, as of June 30, 1942, an adult membership of 14,940,241 in the Continental United States, or 11.34 per cent of the total population.

The report shows, in addition, a junior membership of 14,792,915, or 52.34 per cent of the total school enrollment of the country.

GRAVES.



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE FEB 23 1943

TO Secretary Morgenthau
FROM Mr. Paul

For your information, there is attached a copy of the additional report made by the Joint Committee on Reduction of Nonessential Federal Expenditures (Senate Document No. 5). This report pertains to the use of automobiles by Government employees engaged in official business.

Kst

Attachment

78TH CONGRESS }
1st Session }

SENATE

{ DOCUMENT
No. 5 }

REDUCTION OF NONESSENTIAL FEDERAL
EXPENDITURES

ADDITIONAL REPORT
OF THE
JOINT COMMITTEE ON REDUCTION
OF NONESSENTIAL FEDERAL EXPENDITURES
CONGRESS OF THE UNITED STATES

PURSUANT TO
SECTION 601 OF THE REVENUE ACT OF 1941



FEBRUARY 15, 1943.—Referred to the Committee on Appropriations
and ordered to be printed

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1943

★

REPORT OF THE JOINT COMMITTEE ON REDUCTION OF NONESSENTIAL FEDERAL EXPENDITURES

ADDITIONAL MEMBERS

CONGRESS OF THE UNITED STATES

JOINT COMMITTEE ON REDUCTION OF NONESSENTIAL FEDERAL EXPENDITURES

CREATED PURSUANT TO SECTION 601, OF THE REVENUE ACT OF 1941

HARRY FLOOD BYRD, Senator from Virginia, *Chairman*

ROBERT L. DOUGHTON, Representative from North Carolina, *Vice Chairman*

SENATE

WALTER F. GEORGE, Senator from Georgia.

ROBERT M. LA FOLLETTE, Jr., Senator from Wisconsin.

CARTER GLASS, Senator from Virginia.

KENNETH McKELLAR, Senator from Tennessee.

GERALD P. NYE, Senator from North Dakota.

HOUSE OF REPRESENTATIVES

THOMAS H. CULLEN, Representative from New York.

ALLEN T. TREADWAY, Representative from Massachusetts.

CLARENCE CANNON, Representative from Missouri.

CLIFTON A. WOODRUM, Representative from Virginia.

JOHN TABER, Representative from New York.

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

HAROLD D. SMITH, *Director of the Bureau of the Budget*

II

LETTER OF TRANSMITTAL

CONGRESS OF THE UNITED STATES,
JOINT COMMITTEE ON REDUCTION OF
NONESSENTIAL FEDERAL EXPENDITURES,

February 15, 1943.

The VICE PRESIDENT,
United States Senate, Washington, D. C.

SIR: In accordance with title 6 of the Revenue Act of 1941, Public Law No. 250, Seventy-seventh Congress, as chairman of the Joint Committee on Reduction of Nonesential Federal Expenditures, it gives me pleasure to present to you an additional report of this committee, which I ask that you lay before the Senate of the United States, with a view to its being printed as a Senate document.

Respectfully submitted.

HARRY F. BYRD, *Chairman.*

III

REDUCTION OF NONESSENTIAL FEDERAL EXPENDITURES

FEBRUARY 15, 1943.

Report to: The PRESIDENT OF THE UNITED STATES.

The VICE PRESIDENT OF THE UNITED STATES, PRESIDENT OF THE SENATE.

The SPEAKER OF THE HOUSE OF REPRESENTATIVES.

In accordance with title 6 of the Revenue Act of 1941, Public Law No. 250, Seventy-seventh Congress, an additional report herewith is presented by the Joint Committee on Reduction of Nonesential Federal Expenditures.

The investigation of the cost of passenger automobiles, both owned and rented by the United States Government, convinced the committee a year ago that very substantial economies could be effected by eliminating all nonessential traveling by automobile.

The committee decided last year, and so reported to Congress, that the traveling expenses of the different agencies of Government were exorbitant and should be carefully supervised by the Appropriations Committees, and a substantial reduction required.

The committee now presents to Congress a report on the number of automobiles owned and operated by the various Government agencies, exclusive of those used by the Army and Navy.

Despite the growing automobile crisis, both in tires and gasoline, the investigation of the committee indicates that for the first 4 months of the present fiscal year (July 1, to November 1, 1942) the various agencies of the Government, exclusive of the Army and Navy, continued for the most part to use as many passenger cars, to drive as many miles, and to consume about as much gasoline as did these agencies in a comparable period of the previous year, and this, notwithstanding the efforts of the Government to reduce the consumption of gasoline and to conserve rubber.

The committee believes that the same standard of strictly essential driving should be applicable to Government employees as it now applies to individual citizens. This, the committee is convinced, is not being done, assuming that the latest figures available for the first 4 months of this fiscal year are a criterion for the current fiscal year.

In the last fiscal year the Federal Government owned 17,305 passenger automobiles, exclusive of the Army and Navy, and exclusive of trucks and motorcycles. It now owns and operates 18,953 passenger automobiles, which represents an increase of more than 1,600 cars over the number owned and operated during fiscal year 1942.

In the last fiscal year the cost of operating these passenger automobiles, exclusive of interest and depreciation on the cars, was \$4,243,602. The cost of operating these cars for the first 4 months of

this fiscal year was \$1,308,023, or on a yearly basis the cost would be \$3,924,069, which is substantially the same.

In the last fiscal year these Government-owned cars traveled 203,550,280 miles. In the first 4 months of this fiscal year they traveled 66,610,310, or 199,830,930 miles on a yearly basis.

The amount of gasoline used by Government-owned cars in the past fiscal year was 13,793,594 gallons. For the first 4 months of this fiscal year the amount was 4,284,611 gallons or, on a yearly basis, 12,853,533 gallons.

Considering, therefore, the cost, the mileage traveled, and the amount of gasoline consumed for the first 4 months of this fiscal year (according to the latest information available) there has been no appreciable decline in the use of these Government automobiles by peacetime agencies although the Government itself is compelling the private citizen to reduce the use of automobile travel and ban all nonessential driving.

But these figures by no means tell the entire story of travel by employees on Government business. The various departments allow their employees to use privately owned cars for official business on a reimbursable mileage basis. The figures from all the agencies are not available to the committee, but 5 agencies out of 47 have reported the mileage of these cars for the fiscal year 1942. The extent of the use of privately owned cars as reported by these 5 agencies shows that they traveled 145,606,241 miles at a total cost of \$7,261,856.32. Adding this mileage of 145,606,241 to the 203,550,280 miles traveled by the Government-owned cars, and making reasonable allowance for those agencies not reporting, it would appear to be conservative to estimate that in the fiscal year 1942 the various agencies of the Government operated passenger cars to the extent of from 400,000,000 to 500,000,000 miles, and used from 25,000,000 to 30,000,000 gallons of gasoline.

The committee desires again to call attention to the great extravagance of the traveling costs of the various agencies of Government, and in more detailed statement which will be made to the Congress later, but at this time the committee regards, as most important, the complete elimination of nonessential operation of motorcars by the Government. In a crisis such as this the Government itself must set an example to the people. It should not ask sacrifices of the people which the employees of the Government do not themselves make. The committee has had presented to it many instances of duplicated travel of these thousands of Government employees who travel in separate cars instead of using the same car. The committee finds this practice especially reprehensible in the Department of Agriculture, which in the fiscal year 1942 traveled 143,206,000 miles in rented cars and 49,856,594 in Government-owned cars. The committee is of the opinion that a large proportion of this travel is unnecessary and should be dispensed with, and for much of the balance the same car can be used by different employees of the Agriculture Department.

It is, of course, true that in certain agencies of the Government, such as the Department of Justice, there is justification for a reasonable increase in the cars operated, due to the enlarged activities of the Federal Bureau of Investigation. In fact, the increase of 551 cars in the past year in the Department of Justice for the most part may be

attributed to the Federal Bureau of Investigation. On the other hand, in the judgement of the committee, there is no justification for an increase of nearly 100 cars in the Agriculture Department, which already had 4,359 passenger cars, or an increase of 120 in the Federal Works Agency, as in this latter Agency the activities have been greatly reduced. An increase of 34 in the National Housing Agency, as well as other increases, are noted in the itemized statement which is a part of this report.

The committee further believes that substantial economies can be made in the employment of full-time and part-time chauffeurs. In the last fiscal year there were 403 full-time chauffeurs; now there are 439, an increase of 36. In the last fiscal year there were 695 part-time chauffeurs; now there are 693, a reduction of 2.

In the last fiscal year the salaries of full-time chauffeurs was \$455,395 while it is estimated their salaries this year will be \$590,000, in addition to these the Government employs many chauffeurs on a part-time basis.

The committee believes the plan which the Office of Emergency Management has adopted to regulate use of the cars assigned to it, is a step in the right direction. They require every person using a car to sign a statement for permanent record that the person is traveling on official business, and to give the destination and reason for the use of the car. Such a plan adopted by the other agencies, combined with a decentralized automobile-pooling arrangement, would do much to reduce the use of Government-owned automobiles and greatly reduce the cost to the Government.

EFFECTIVE USE OF MATERIAL

The information gathered by the committee has been very useful to several departments of the Government concerned with this problem. Last year the Bureau of the Budget and the Office of Defense Transportation availed themselves of the information to be used as a basis for their regulations and to effect economies in the use of Government owned and operated cars and trucks.

In a statement to the press on February 7, 1943, Harold D. Smith, Director of the Bureau of the Budget, pointed out that—

Preliminary surveys conducted by the Bureau and data provided by the Byrd committee indicate approximately 100,000 tires will be pooled as a result of the order, which means that until now Government cars have had an average of 64 tires each. This is an "unwarranted situation."

RECOMMENDATIONS

The committee recommends:

1. That the Appropriations Committees carefully survey the need for the existing passenger cars of each of the agencies of Government and adjust accordingly the appropriation for the necessary cars.
2. That all Government officials and employees give complete endorsement to the Office of Price Administration's mileage-conservation program as it relates to automobiles used in the public service.
3. That there should be established immediately in Washington for the duration of the war a passenger-automobile pooling arrangement to transport Government employees engaged in official business

when no other transportation is available within the metropolitan area of Washington. Each agency shall certify the names of those persons entitled to use official cars on official business, and at no other time, by no other person, and in no other way shall they be used.

4. That any Government official or employee who uses or authorizes the use of any Government-owned or leased vehicle other than for official purposes shall be summarily removed from office, and may, also, upon conviction thereof, be subject to a fine of not more than \$1,000, or imprisoned for not more than 1 year, or both.

5. That every Government automobile have displayed in a conspicuous place a sign such as the following: "Owned and operated by the United States Government ——— agency."

The following is a list of passenger automobiles as reported by the various agencies. This list does not include the cars that are rented by the various agencies, neither does it include trucks, pick-up trucks, or motorcycles, and is exclusive, also, of all passenger automobiles and trucks owned and operated by the Army and Navy.

AUTOMOBILES (PASSENGER)

[Re questionnaire dated Oct. 31, 1943]

Agency or department	Number owned		Cost of operating		Number miles traveled, fiscal year 1943	Number miles traveled, fiscal year to Oct. 31, 1943	Number of chauffeurs				Chauffeurs salaries, full time		Number gallons gasoline used	
	Fiscal year 1943	Fiscal year 1942	Fiscal year ending June 30, 1943	This fiscal year to Oct. 31, 1943			Full time		Part time		Fiscal year 1943	Estimated for fiscal year	Fiscal year 1943	Fiscal year to date
							Fiscal year 1943	Fiscal year to date	Fiscal year 1942	Fiscal year to date				
Agriculture Department	1,439	1,454	\$1,004,801.39	\$275,722.81	40,856,994	13,723,021	7	8	5	7	29,789	\$8,280.00	2,145,708	808,008
Alley Dwelling Authority	None	None												
Bureau of Economic Warfare	None	None												
Budget Bureau	6	6	782.05	655.20	55,435	18,890	2	3	3	3	4,140	4,140.00	2,973	1,710
Civil Aeronautics Board	17	20	2,414.49	1,768.01	200,596	96,173	1	1	5	6	1,380	1,380.00	11,828	4,971
Civil Service Commission	None	None												
Communications Commission	414	469	98,251.57	36,940.32	5,488,286	2,080,867	9	9			13,140	13,140.00	322,864	117,704
Federal Communications Commission	148	175	30,321.98	13,106.16	1,831,428	726,796							86,511	25,430
Federal Deposit Insurance Corporation	15	16	4,779.50	1,682.00	197,530	45,221	1	1			1,930	1,930.00	11,143	2,002
Federal Reserve Bank	1,983	1,940	417,275.26	194,034.20	18,295,945	8,003,099	1	1	30	30	132,123	132,123.00	1,235,061	695,022
Federal Trade Commission	None	None												
Federal Works Agency	363	363	85,213.03	32,822.74	5,344,323	2,273,681	15	15	2	2	20,880	21,180.00	344,260	136,413
General Accounting Office	None	2	78.44	55.76	4,304	1,118	1	1			1,050	1,050.00	924	278
Gypsum Memorial Institute	None	4	1,418.68	346.01	30,866	8,777	4	4			7,802	7,787.84	2,345,009	719
Government Printing Office	3,511	3,738	\$97,861.50	\$204,080.13	23,269,040	8,694,983	9	10	2	2	12,040	4,068.00	2,345,009	631,321
Interior Department	None	None												
Interstate Commerce Commission	130	130	26,080.15	10,792.65	1,395,149	447,923	10	10	6	6	14,040	14,040.00	80,139	22,025
Justice Department	2,367	2,367	126,015.15	10,792.65	32,407,373	13,211,900	3	3			5,200	4,620.00	2,337,552	904,911
Labor Department	1	1	144.13	73.61	3,260	1,079	1	1			1,230	1,230.00	7,115	253
Library of Congress	15	20	3,126.61	947.10	81,481	30,803	1	2			4,300	2,920.00	6,246.85	2,558.3
Maritime Commission	None	None												
National Advisory Commission for Aeronautics	15	15	924.06	677.15	72,857	43,487	1	1			1,220	1,220.00	4,137	2,448
National Archives	1	1	80.96	36.26	4,163.6	2,000.8	1	1			1,440	1,440.00	508	27
National Capital Planning Commission	128	142	107.70	7,207.51	672,640	411,027	13	15	2	2	20,730	20,730.00	32,800	28,000

See footnotes at end of table.

REDUCTION OF NONESSENTIAL FEDERAL EXPENDITURES

AUTOMOBILE (PASSENGER)—Continued

[See questionnaire dated Oct. 31, 1942]

Agency or department	Number owned		Cost of operating		Number miles traveled, 1942	Number times traveled, Oct. 31, 1942	Number of chauffeurs				Chauffeurs salaries, full time		Number gallons gasoline used	
	Fiscal year 1942	Fiscal year 1943	Fiscal year ending June 30, 1942	Title fiscal year to Oct. 31, 1942			Full time		Part time		Fiscal year 1942	Estimated for fiscal year	Fiscal year 1943	Fiscal year to date
							Fiscal year 1942	Fiscal year 1942 date	Fiscal year 1942 date	Fiscal year to 1942 date				
National Labor Relations Board.	None													
National Mediation Board.	None													
Office of Censorship.	10	10	\$350.77	\$602.30	23,377	31,635	11	11	8	\$15,130	\$15,130.00	1,260	3,680	
Office of Emergency Management.	206	139	15,336.07	14,062.79	893,478	606,633	60	60		74,660	118,300.00	69,259	34,553	
Office of Price Administration.														
Office of Strategic Services.	20	18	4,117.04	(*)	135,854	77,918	14	14	2	16,920	13,940.00	12,405	5,051	
Panama Canal.	1	2	174.63	43.78	6,538	19,191	2	2		3,000	3,185.00	27,271	8,230	
Post Office Department.	51	52	14,284.24	4,709.34	278,805	8,201	11	11		11,080	11,440.00	3,311	5,532	
Railroad Retirement Board.	5	5	756.70	212.62	30,973	8,201	4	4		4,940	4,790.00	3,060	2,137	
Reconstruction Finance Corporation and subsidiaries.	16	21	756.23	417.12	30,165	25,648	4	4		4,940	4,790.00	3,060	2,137	
Sanitation and Exchange Commission.	1	1	257.84	43.12	6,530	681	5	10	2	6,240	13,560.00	23,618	41,147	
Selective Service System.	23	143	4,818.03	8,707.57	696,043	1,819	1	1		1,300	1,320.00	670	201	
Southwestern Institution.														
Supreme Court of United States.	None													
State Department.	1	1	18,919.71	6,518.15	870,515	294,455	4	4		8,700	8,700.00	55,056	13,713	
Tennessee Valley Authority.	1,700	1,635	262,454.84	111,142.80	12,467,862	2,544,565	5	5		5,100	5,660.00	308,742	154,062	
Tennessee Department of Transportation.	2,303	2,491	476,218.00	164,630.00	34,430,940	11,546,138	5	5		7,400	7,400.00	2,658,099	694,419	
U. S. Thrift Commission.	None													
U. S. Veterans Administration.	385	385	70,021.12	19,700.42	3,498,807	974,212	104	104	620	151,410	151,410.00	348,300	53,874	
Total.	17,300	18,953	4,243,602.54	1,308,023.10	293,550,280.5	104,410,310.8	403	439	603	555,295	590,061.84	13,793,594.53	4,284,811.3	
Civilian Conservation Corps (not included in total).	1,179		405,890.00		16,655,261		23				28,000	1,655,529		

* This report excludes Civilian Conservation Corps cars.

* 64 Public Health chauffeurs used for driving trucks and tractors also.

* Does not include Work Projects Administration cars.

* Actual salary paid.

* Cars from the Division of Territories and Island Possessions not included. Civilian

Conservation Corps cars not included in all divisions.

* Cost of operating not computed for all divisions.

* Includes War Relocation Authority cars.

* Includes War Relocation Authority cars.

* Includes War Relocation Authority cars.

* Does not include all War Relocation Authority cars. No operating cost available on

War Relocation cars.

* Not available.

* Average for period.

* 43 Foreign Service cars and station wagons not included.

* 22 Foreign Service cars not included.

* This report on Civilian Conservation Corps cars not included in Federal Security

Agency Report does not include cars put in storage due to contraction of operations.

* Civilian Conservation Corps units within War Department, Agriculture Depart-

ment, and Department of the Interior. No report on Civilian Conservation Corps this

fiscal year to Oct. 31, 1942, because it is in process of liquidation; 883 cars transferred

to Army, Navy, Civil Aeronautics Administration, and other agencies as of Jan. 29, 1943.

* Does not include 28 Civilian Conservation Corps cars transferred to the Alaska

Highway.

Source: Replies to questionnaire sent out by the Joint Committee on Reduction of

Nonesential Federal Expenditures. Does not include the legislative branch, the Army

Department, the Capitol, the Botanical Garden, the White House, or the Navy

Department. Rental and mileage payments for use of private cars not included.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau
FROM Frances McCathran

February 23, 1943

CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Tax: Pay-As-You-Go - Members of a House Ways and Means subcommittee, drafting new pay-as-you-go tax legislation, are considering another compromise sponsored by Representative Cooper. According to this proposal, taxpayers would pay their 1942 taxes in instalments spread over several years, receiving credit for payments made ahead of schedule. Unlike Representative Doughton's plan which would apply 1941 rates to 1942 taxes, Cooper's measure would allow only the more stringent 1942 exemptions on 1942 income tax liability. Although the subcommittee has made progress only "in the direction of compromise" and reached no definite decisions, members expect to finish their job the last of this week.
2. McKellar Bill - Despite President Roosevelt's expressed opposition, the Senate Judiciary Committee tentatively agreed on terms of the McKellar Bill, which would require presidential appointment and senatorial confirmation of the more than 33,000 federal jobs paying \$4,500 or over. Although the measure will probably be approved by the committee, Republican opposition, led by Senator McNary, may defeat it on the floor of the Senate. Senator Hatch expressed disapproval of the bill and claimed "the way to control any abuses which arise in the bureaus and agencies" is by the standardization of administrative procedure, not by "requiring Senate confirmation of 30,000 executive employees". Consequently, he expects to attempt to work out a plan more acceptable to the President than one on this matter which he vetoed in 1940. Senator Tom Stewart, however, in a speech reportedly drafted before the introduction of the McKellar Bill, urged Congressional investigation of all employees of federal agencies receiving more than \$4,500 a year. He went on to say that the influence of big business on the government, to the exclusion of the interests of the little man, has placed the country "in the grip of a reactionary change which if unchecked will make any

excesses of the New Deal pale into insignificance" and could "conceivably bring the final extermination of traditional democracy in this country". But he absolved the President of any blame, declaring that the war had forced him into "a sort of compromise after a year of vain appeal to the patriotism of big business leadership to throw its full support behind the preparedness program".

3. The Allred Appointment - Ostensibly protesting against the President's appointment of James V. Allred of Texas to the Fifth Circuit Court of Appeals (covering Louisiana, Mississippi, Texas, Alabama, Georgia, and Florida), Louisiana's eight representatives threatened to bolt the Democratic Party and put House control definitely in the hands of a group of Democrats and Republicans. Insisting that Louisiana should have representation on the bench because the state, unlike others, is still governed under the old Napoleonic code, the delegation claimed Allred's appointment was a "payoff for political debts" because, as the New Deal candidate, he lost the senatorial primaries to Senator O'Daniel last year. However, it is rumored that they are simply using this issue to openly defy the Administration and threaten the already precarious Democratic majority in the House. Senators Hatch, Ferguson, and O'Mahoney, members of a Judiciary subcommittee, will begin hearings on the appointment next week.
4. The Farm Issue - Testifying for fruit and vegetable growers in nine southern Florida counties, L. L. Chandler, accusing the Farm Security Administration of being "impractical, bound by red tape, and dripping with social reform", said the Agency has sent them to date "2,021 laborers mostly riff raff....while 18,000 good workers--who want to work--are just off the coast in the Bahamas", but "we can't get to them". "We are being used as a national guinea pig in the labor situation," he added. Meanwhile the battle over farm parity continued to flourish in the House Rules Committee, where Representative Pace declared, "America must abandon its farm policy of scarcity and embark on one of abundance." According to him this should be done by including labor costs, which he says equal 32% of farm production, in the parity formula because "The farmer cannot compete in the open labor market for farm help under the present parity. When his hands go to war jobs and his sons are drafted, he is forced to limit his production to what he can grow with what he has left."

FEB 23 1943

Attention: Mr. William A. Day,
President.

Dear Sirs:

Reference is made to a letter of February 6, 1943, from Mr. William M. Hale, Vice President of the Federal Reserve Bank of San Francisco, enclosing a bound copy of the report of the bank covering its activities in the evacuation operations on the Pacific Coast in 1942.

The report contains a clear and excellent account of the activities of the bank in the evacuation program under the authority of my telegrams of March 7, 1942, and March 11, 1942. Your transmission of this report, which will complete the records of the Treasury Department in connection with this operation, is appreciated.

I wish again to convey my appreciation for the splendid work done by the bank, its officers and employees in carrying out a difficult assignment. I would appreciate it if you would

- 2 -

express my appreciation and thanks to
Mr. William M. Hale, Mr. Royal Everson,
Mr. Herbert Armstrong, and to the many other
employees of the bank who worked long and
arduously in the daily operations in handling
this very difficult problem.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Federal Reserve Bank of San Francisco,
San Francisco, California.

File to Thompson

Photo file in Diary

JJL:fiw 2/16/43

FEDERAL RESERVE BANK OF SAN FRANCISCO

February 6, 1943

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

Dear Mr. Morgenthau:

There is enclosed with this letter, a bound copy of the report of the Federal Reserve Bank of San Francisco covering its activities in the evacuation operations on the Pacific Coast conducted in 1942 under the supervision of the military authorities.

The report was prepared at the request of the Wartime Civil Control Administration for incorporation into its complete report on the evacuation program which it will submit to the War Department.

We hope this report will furnish you with a clear and comprehensive account of the part played by this bank in the evacuation program.

Yours very truly,



Vice President



February 23, 1943.

MEMORANDUM

In connection with the question raised in the attached letter from Herbert Feis, I held a conference in my office on February 11th with him, Dean Acheson and Harry White. We went over the whole situation and he explained what he had in mind with respect to this committee. He said there had already been set up a committee in the State Department under the chairmanship of Tom Finletter to handle all problems in North Africa except the monetary and fiscal problems and he would like to set up a committee with proper representation from the various departments concerned to handle these two matters.

We told him we would be glad to participate in such a committee and that Mr. White would be the Treasury representative, but that it was felt that that was the wrong way to go about it. There should be a general inter-departmental committee to handle all these matters just as was originally contemplated in the Appleby Committee. This had a tendency to split it up and probably each committee would not know what the other was doing. Anyhow, we said it was primarily a State Department matter as we understood the President had put the whole problem in its lap but we would be glad to cooperate with any committee which the State Department deemed it advisable to set up.

(Initialed) D.W.B.

Attachment

DWB:ew



DEPARTMENT OF STATE
WASHINGTON

February 9, 1943.

Dear Dan:

I am being increasingly urged to improve present organization to deal with financial and foreign property control matters in North Africa. This is to try to bring about a more assured distribution to all interested agencies of all communications received by any of them from the field, to insure coordinated discussion and decision, and to maintain close liaison with the other and main North African Interdepartmental Committee that meets daily in the Department.

I should therefore appreciate hearing, as soon as possible, whether the Treasury is in favor of such a committee and whether its various interested branches will participate in it. It would include persons from various branches of this Department, of the War Department, and of the British Embassy. The British representation would assure knowledge of the British communications on the subject.

As I explained to you, it would be a consultative working committee that in no way would affect the present authority of any of the Department's representatives. Mr. Acheson, Mr. Finletter, and I would be glad to come over and present this question to the Secretary of the Treasury at his convenience if he so desires.

Sincerely yours,

Herbert Feis

Herbert Feis
Adviser on International
Economic Affairs.

The Honorable
D. W. Bell,
Under Secretary of the Treasury.



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

February 23, 1943

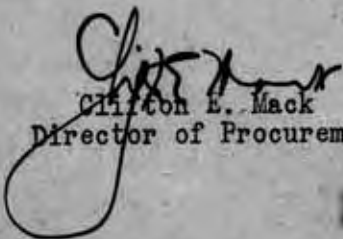
212

SECRET

MEMORANDUM TO THE SECRETARY:

There is submitted herewith the operating report of Lend-Lease purchases for the week ended February 20, 1943.

Arrangements are being made to prepare for expected increased shipping for the United Kingdom. British representatives indicated they are planning a shipping schedule of 1,400,000 tons of steel for the first six months of this calendar year.


Clifton E. Mack
Director of Procurement



SECRET

LEND-LEASE
TREASURY DEPARTMENT, PROCUREMENT DIVISION
STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
AS OF FEBRUARY 20, 1943
(In Millions of Dollars)

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous & Undistributed</u>
Allocations	\$2703.2 (2694.6)	\$1408.2 (1403.3)	\$962.9 (957.6)	\$58.5 (58.5)	\$4.6 (4.6)	\$269.0 (270.6)
Purchase Authoriza- tions (Requisitions)	\$2296.7 (2280.1)	\$1314.6 (1306.7)	\$901.7 (894.5)	\$41.6 (41.6)	- -	\$ 38.8 (37.3)
Requisitions Cleared for Purchase	\$2218.8 (2197.1)	\$1283.7 (1270.4)	\$855.5 (848.8)	\$41.6 (41.6)	- -	\$ 38.0 (36.3)
Obligations (Purchases)	\$2080.2 (2055.4)	\$1204.4 (1193.3)	\$796.6 (784.6)	\$41.5 (41.5)	\$4.0 (3.9)	\$ 33.7 (32.1)
Deliveries to Foreign Governments at U. S. Ports*	\$ 907.8 (889.7)	\$ 691.9 (684.5)	\$188.6 (178.1)	\$17.6 (18.0)	- -	\$ 9.7 (9.1)

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

Note: Figures in parentheses are those shown on report of February 13, 1943.

EXPLANATION OF CHINA DIFFERENCES.

The decrease of \$400,000 in Transfers represents diversions of materials to the War Department and will not be reflected in the other categories of this report until a later date.

Prepared for the Secretary in advance of
meeting with Mme. Chiang Kai-Shek.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE February 23, 1943

TO Secretary Morgenthau
FROM Mr. White
Subject: China

1. Conditions in China(a) Economic

The economic situation in China is steadily deteriorating. The lack of supply of foreign goods, coupled with ever-increasing war expenditures, have resulted in acute inflation. Prices in the principal cities of Free China increased about two to three-fold between December 1941 and December 1942 and, in Chungking, for example, the general wholesale price index in December 1942 stood at 7,780 or nearly 78 times corresponding prices in 1937. These prices, however, indicate conditions in the cities rather than in the countryside in which most of the Chinese people live. Furthermore, barter is being used more and more instead of money transactions, thereby lessening the importance of money prices. Taxes have been increased and price control measures have recently been adopted but these controls are already being evaded and are reported to be discouraging production and trade.

(b) Military

During the past few weeks the Japanese have started renewed drives on various fronts in China, particularly on the West Yunnan front along the Burma road. Despite the comparatively heavy Japanese assaults, the Chinese have been resisting successfully on most of the sectors involved and in some areas have gone on the counter-offensive.

(c) Political

During recent months there have been important changes of personnel in the Central Government. Individuals said to be of pro-Japanese sentiments have been replaced by very conservative but supposedly anti-Japanese Kuomintang party members.

Division of Monetary
Research

- 2 -

2. Political relations between China and the United States.

The most important political event in the relations between China and the United States during recent months was the signing on January 11th of the new treaty between the United States and China abrogating extraterritoriality and other special privileges previously enjoyed by the United States in China. Celebrations are still being held throughout China.

3. Relations between U. S. Treasury and China.

The good will and spirit of mutual cooperation which has characterized the relations between the United States Treasury and the Chinese Government, particularly the Ministry of Finance and Dr. Kung, have been very much in evidence in recent transactions. In all cases both parties have demonstrated their willingness and anxiety to overcome existing difficulties; to avoid misunderstandings and to render each other all possible aid.

(a) Exchange rate and Reciprocal Aid Agreement

The official exchange rate of the Chinese national yuan is now 5¢ although the rate which would more nearly reflect conditions in China would be between 1 and 2¢. This has resulted in difficulties with regard to payment of U. S. troops and governmental employees in China. The U. S. troops are being paid in U. S. dollars and are selling these dollars for yuan at a rate of 1 yuan for 1 1/3¢. The Treasury has taken the position with our Army that they ought to pay their soldiers in yuan at the official rate but has not urged the Army very strongly to do so.

You will recall that you requested Dr. Kung through Ambassador Wei to work out some solution to this problem. The only proposal that has been put forth has been a reciprocal aid agreement under which the Chinese Government would provide yuan currency to our Army to be used, among other things, to pay American soldiers and discussions on this proposal are going forward. Dr. Kung has repeatedly indicated that he is strongly opposed to reducing the exchange rate on the grounds that such a measure would have adverse effects on the economic situation in Free China.

- 3 -

Division of Monetary
Research(b) Use of the \$500 million financial aid.

(1) You will recall that the Chinese transferred in April 1942 \$200 million to their account with the Federal Reserve Bank of New York from their \$500 million credit on the books of the Treasury. In December, 1942, the Chinese Government, after consultation with the Treasury, invested \$150 million of this \$200 million in U. S. Treasury certificates of indebtedness.

(2) Another \$20 million has been used to purchase gold which is being held on earmark with the Federal Reserve Bank of New York. The Chinese may choose to export this gold to China for sale there. The Treasury does not feel that such a measure would be desirable under present conditions.

(3) The Chinese have also requested an additional \$20 million to be used for the purchase of banknotes and similar materials. The necessary transfer is being arranged. In this connection you may be interested to know that in recent months nearly 170 tons of banknotes have been imported into China.

Mr. Hsi Te-mou, who is Dr. Kung's representative in the United States, has been dealing with the Treasury on the above matters.

(c) Stabilization Board.

The Stabilization Board of China recently called on the Treasury for \$10 million, leaving still uncalled for \$40 million pledged under the Stabilization Agreement of April 1, 1941. The Stabilization Board of China has continued to be active and Adler is apparently performing his duties as acting American member of the Stabilization Board very satisfactorily.

(d) International Stabilization Fund.

The Chinese Government has received a copy of the Treasury's preliminary draft of the International Stabilization Fund. They have already indicated through Mr. Hsi Te-mou their interest in this proposal and Dr. Soong is reported to be returning shortly to the United States to discuss this matter.

NOT TO BE RE-TRANSMITTED

TREASURY DEPARTMENT

1943 FEB 24 PM 3 24

SECRET

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTCL No. 61

Information received up to 7 A.M., 23rd February, 1943.

1. NAVAL

Yesterday one of H.M. Canadian Corvettes escorting a homeward convoy from NORTH AFRICA was mined and sunk off GIBRALTAR. One of H.M. Destroyers was damaged by the explosion of the Corvette's depth charges as the latter sunk. A convoy of 4 supply ships and 2 tankers from ALEXANDRIA arrived at MALTA yesterday. On 16th, one of H.M. Submarines torpedoed a 6,000 ton escorted ship and sank a 1,000 ton ship off southern ITALY.

2. MILITARY

TUNISIA. 21st. The enemy supported by tanks advanced to about 8 miles northwest of the KASSERINE PASS.

RUSSIA. The Russians report the capture of TROSTYANETS 75 miles west of BYELGOROD on the KHARKOV-SUMI Railway. In the DONETS Basin the Germans are counter attacking the Russians threatening their line of communications from the North. In the TAMAN Bridgehead the Germans claim to be counter attacking with success though the Russians have taken a town almost on the coast 30 miles northwest of SLAVYANSKAYAIN.

3. AIR OPERATIONS

WESTERN FRONT. 21st/22nd. BREMEN. All bombers were heavy and high percentage of those despatched attacked objective dropping 435 tons of H.E. and incendiaries including 115 4,000 pound bombs. Good visibility above clouds but ground completely obscured. Marker flares by pathfinders well placed and concentrated. Main forces bombed on these and finished attack in 20 minutes. Glow of fires seen through clouds but estimate of success dependent on subsequent photographs.

TUNISIA. Objectives in the GAFSA area were attacked on 20th/21st by 24 Bisleys and on the 21st by ten U.S. Mitchells.

SICILY. 20th/21st. 23 bombers attacked PALERMO and other objectives.

MEDITERRANEAN. 21st. Escorted U.S. Mitchell attacked a convoy south of SICILY. One large ship was set on fire, two escorted vessels were probably sunk and a cruiser was damaged; 4 enemy aircraft were shot down. 21st/22nd. 10,000 ton tanker was torpedoed and sunk by MALTA Beauforts off PANTELLARIA.

BURMA. 20th. 13 U.S. Liberators bombed a viaduct at GOKTEIK 60 miles northeast of MANDALAY.

February 24, 1943
10:02 a.m.

HMJr: Hello.

Operator: Callahan. Go ahead.

HMJr: Vincent?

Vincent
Callahan: Yes, sir.

HMJr: Good morning.

C: Good morning.

HMJr: What is the situation on these tickets for Mrs. Morgenthau and myself for this Toscanini concert?

C: The Toscanini's have invited you and Mrs. Morgenthau to sit in their box....

HMJr: Yes.

C:but no personal invitation has come through. It's been verbal.

HMJr: Well, I mean is it possible— I mean if they want us -- to get them to drop us a line?

C: Well, we're trying to get hold of them now and they're out in Cincinnati.

HMJr: Well, how long have you been on this?

C: We've been on it about three weeks.

HMJr: Well....

C: And we've done a bad job of it.

HMJr: I agree with you. Well, I mean - who's handling it?

C: Mr. Rainey.

HMJr: Well, it seems to me that in three weeks he could have - he could have done something.

- 2 -

C: Well, I think so too.

HMJr: Yes.

C: And I'm trying to settle it this morning.

HMJr: Well, I wish you would.

C: All right, sir.

HMJr: Because I - I'd like to know where we stand on it.

C: I'll let you know this morning.

HMJr: Thank you.

C: Okay, sir.

February 24, 1943
10:41 a.m.

HMJr: Sam?

Speaker
Rayburn: Yes, sir.

HMJr: We're getting awfully close to our debt limit....

R: I know you are.

HMJr:and those boys are just fooling around there.

R: Well....

HMJr: And I got to have an April drive for a lot of securities, and - and what we have in mind would go over - exceed the debt limit.

R: Yeah.

HMJr: Now don't you think you can get that bill through for me?

R: Oh, yes, of course, the fellows that are running the committee like Doughton and Cooper are so utterly opposed to this Disney Amendment.

HMJr: Yes.

R: But they haven't been pushing the thing around much.

HMJr: Well, Sam, it's - I mean, after all....

R: Well, I say that's right, after all it's got to be passed anyhow.

HMJr: Well, dammit, we - we've got to go ahead with our April drive....

R: Sure.

HMJr:and it would take us over the debt limit. We've got to pay the bills.

R: That's right.

- 2 -

HMJr: As I said, in the middle of battle we can't pull out on ammunition.

R: No, it doesn't make any difference what this thing's got on it, the debt limit's got to be raised.

HMJr: Yes. Would you give it a look?

R: Oh, yes, I will, and I wish you'd - I wish you'd talk to Cooper about it.

HMJr: I'll do that.

R: Bob Doughton's in the hospital.

HMJr: I know. He's....

R: Yeah, I'm willing to go along any time they're ready.

HMJr: I - I'll speak to Jere.

R: All right, fine, Henry.

HMJr: Thank you, sir.

R: Thank you.

February 24, 1943
11:00 a.m.

HMJr: Hello.

John
Fahey: Hello, Henry.

HMJr: It's a long time since I've heard from you.

F: Oh, you bet. Well, ~~I~~ haven't had any occasion to
- to bother you, and why worry you when I haven't,
and....

HMJr: What's your troubles?

F: The trouble is this - I don't know whether it's
been brought to your attention or not. We've
reported the situation to Danny Bell....

HMJr: Yeah.

F:and I don't know whether he's had a chance to
talk with you about it, and - but it may have
come to your attention from some other direction,
and that is that when the Appropriation Bill of
H.O.L.C., when it came up in the House....

HMJr: Oh, yes.

F:at the instance of Dirksen of Illinois....

HMJr: Yeah.

F:they attached an amendment which virtually
has the effect of demanding complete liquidation
of the Corporation at the end of the next fiscal
year.

HMJr: Yeah.

F: If that - if any such program as that were
followed, it would mean greatly increasing any
possible losses in the Corporation....

HMJr: Yes.

F:and the Treasury would have to look out for --
I can't tell you accurately yet, because it's a
hell of a job to figure this out....

- 2 -

HMJr: Yeah.

F:but it certainly would run to \$250 or \$300 million dollars.

HMJr: Yeah.

F: Now that's all been started as a campaign at the instance of some of these damned building and loan chiselers.

HMJr: God, they're still at it, eh?

F: Oh, they're still at it, and heavens, they haven't yet paid back to either you or to us - they've paid back most of the money advanced by the Treasury on their shares....

HMJr: Yeah.

F:which is all....

HMJr: Well, John, let me talk with Bell about it, may I? He - he....

F: Yeah, well, now here's the emergency thing about it.

HMJr: Yes, yeah.

F: Of course, it was going to go over to the Senate Appropriations Committee....

HMJr: Yeah, yeah.

F:and there where it'd have to be dealt with in - on that basis, and it ought not to be dealt with as an - as an appropriation matter because it's an important question of public policy.

HMJr: Well, isn't this part of Jesse Jones' shop now?

F: No, no.

HMJr: No?

F: Oh, no.

- 3 -

HMJr: Who - who....

F: When the reorganization - the National Housing Agency....

HMJr: Oh.

F:was set up, you know....

HMJr: Well, who's the head of that?

F: John Blandford.

HMJr: Well, what's he doing?

F: Well, he's a - each one of these divisions was left sort of autonomous....

HMJr: Oh.

F:don't you know? The Federal Home Loan Bank Administration was left as it was.

HMJr: I see.

F: And Abner Ferguson operating the Federal Housing Administration....

HMJr: Yeah.

F:and Herbert Emmerich went over as the head of the Federal Public Housing Authority.

HMJr: Well, now just what is it that you want from Bell and me?

F: Well, now here's a - here's the particular reason why I called you. You're on that Byrd Committee....

HMJr: Yeah.

F:and Byrd has called - telephoned me this morning and said that they're going to hold a meeting at eleven o'clock tomorrow morning....

HMJr: Oh.

- 4 -

F:and they want to take up this H.O.L.C. matter at that time....

HMJr: I see.

F:and that he is doing it - he's asking that at the informal discussion tomorrow morning at the instance of McKellar - McKellar being chairman of the Appropriations Subcommittee, see?

HMJr: Uh huh.

F: Now I don't know just why McKellar started that....

HMJr: Yes.

F:but Byrd says, in any event, that they want me to appear at eleven o'clock tomorrow morning....

HMJr: Yes.

F:and that the committee wants to go into this question of the - of what ought to be done about H.O.L.C., at least in a preliminary way.

HMJr: Yeah.

F: Now that being so and you being a member of that committee - I don't know whether they've notified you on that yet or not.

HMJr: Not yet.

F: Well, but I was going to urge that if you could - if it was humanly possible, I think you ought to be there.

HMJr: I see. Well, I - I'll - I'll try my best. I can't make any promises, but I'll talk with Bell about it.

F: Yeah, all right....

HMJr: See?

- 5 -

F:because I think an extra \$250 or \$300 million dollars piled on top of the job that you've got nowadays....

HMJr: Yeah.

F:is no joke.

HMJr: No. Well, I'm glad you called me, and I'll talk to Bell right....

F: And it just ought not to be done.

HMJr: Yes. Okay, John.

F: Henry?

HMJr: Yeah.

F: Would it be possible to let me know later in the day if you'll be able to make it?

HMJr: Either Bell - you'll hear from either Bell or me.

F: All right.

HMJr: Positively.

F: Thank you. I hope you can make it, because it really is very important....

HMJr: I'll try to.

F:from that standpoint.

HMJr: Thank you, John.

F: All right. Goodbye.

February 24, 1943
11:53 a.m.

Cong. Jere
Cooper:

Hello, Henry.

HMJr: Hello, Jere. I don't know where I got you,
but I hope I didn't disturb you.

C: Oh, yeah, I was in Subcommittee meeting.

HMJr: Oh.

C: We were wrestling with this "pay-as-you-go"
stuff.

HMJr: Well, what I wanted to call you up about is
I'm worried about this debt limit bill.

C: Uh huh.

HMJr: And I was talking to Sam Rayburn this morning,
and telling him that we've got this big drive
in April on, you see....

C: Uh huh.

HMJr:and we'll go over the debt limit unless you
fellows get it out.

C: Uh huh.

HMJr: And Sam said you get it out and he'll pass it.

C: Well, we've already voted it out of the
committee, you know, but with that other thing
on it.

HMJr: Well, where the hell is it now?

C: Well, it's waiting for Disney to write up the
report on it.

HMJr: Oh, God! Is there anything you can do to put
a little turpentine under his tail?

C: I'll - yeah, I'll see what I can do.

HMJr: Will you do that?

- 2 -

C: Yeah.

HMJr: Because I - I'm really - I'm beginning to get worried.

C: All right.

HMJr: I'd appreciate it.

C: All right, Henry.

HMJr: Hope to see you soon.

C: Yeah, I hope so.

HMJr: Goodbye.

C: Goodbye.

February 24, 1943
3:05 p.m.

FINANCING

Present: Mr. Gaston
Mr. Cowles
Mr. Eisenhower
Mr. Hettinger

H.M.JR: What ideas have you got today for me?

MR. COWLES: I had a talk with Walter Dear, who is president of the American Newspaper Publishers Association, and Cranston Williams, the executive secretary, a couple of hours about it. I wanted to see what, in their minds, was the best way to persuade the newspapers to really come in on the April drive and help in a major way, not just with advertising, but really get into it and feel some responsibility for the success of it, in their own communities, as the newspapers did do in the scrap drive.

At that time Donald Nelson first brought down to Washington about a dozen publishers and sold them on the importance of doing the job. Then they brought down to Washington about a hundred publishers and had five or six people from around the Government who stressed the importance of the scrap picture and really laid it on the line pretty direct, that the newspapers ought to really pitch in and do a major job.

Now, they both strongly recommend that you bring in here - and I have got a suggested list - about fourteen men. It will take your time in order to get them here and to make them feel that it is worth their coming. I think you would have to talk to them maybe for an hour and a half, or something like that, and

- 2 -

then maybe have a luncheon for them, at which you might pull in two or three other people who might talk informally during the luncheon or at the end about how important it is - the anti-inflation angle, and so on. Then really put it up to this group as to what is the way to persuade the newspapers to really get in here and pitch. Dear and Cranston Williams think we will get very good response. (Suggested list of names attached.)

H.M.JR: Now, I am not too familiar with what we have done in New York City on war bonds. Do you know what we have done there? Odegard tried to explain it to me on the run. They got all eight newspapers to agree.

MR. COWLES: These people would all be members of that association.

H.M.JR: Are you familiar with that? There is another name.

MR. COWLES: It is the New York Publishers Association.

H.M.JR: All eight got together.

MR. COWLES: They got together and agreed to go out and make one solicitation, as I understand it, on banks and other people to support a program that would run in all the newspapers, promoting the bond campaign; and a similar project was done in Cleveland, and a similar project is under way at the moment in Pittsburgh. I would not think there would be any conflict at all. I would say these two tie in perfectly.

H.M.JR: They are all members of the same club?

MR. COWLES: Every daily newspaper I know of, of any importance at all, is a member of the American Newspaper Publishers Association.

H.M.JR: I think this is O.K. don't you, Herbert?

- 3 -

MR. GASTON: Yes, I think that is a good idea. Sure, you can hammer it in in a much better way than you could by just addressing them by personal letters. That doesn't make any impression; it is the impression of a moment.

H.M.JR: How much notice would these people have to have?

MR. COWLES: I would say about a week. The way to do it is to send a telegram and make it sound pretty important that they show up here.

H.M.JR: Do you think Roy Howard would come?

MR. COWLES: I think he will.

H.M.JR: Frank Gannett I know, pleasantly. He and I go way, way back; and I know Bill Murray.

MR. EISENHOWER: Will you follow this with the same technique as before - follow it with about a hundred--

MR. COWLES: I would put it up to the group.

H.M.JR: I would be asking them to give me free space or to go out and sell sponsored ads?

MR. COWLES: May I make a suggestion?

H.M.JR: If you would, please.

MR. COWLES: I wouldn't talk to this group exclusively about space. I would talk to them - the same way that those men would take the responsibility in their own community to see that a Community Chest campaign goes over every year, and so on; that you want them to step right in and work with your man, and see to it that whatever needs to be done in Cleveland is done to insure the success.

- 4 -

MR. EISENHOWER: And let them suggest the program.

MR. GASTON: It is a matter of editorials, of newspaper stories, feature stories, and whatever their ingenuity can suggest.

MR. COWLES: In some cities the newspaper publisher might want to have a luncheon with the hundred leading citizens and sell them on whatever way he thought was best.

H.M. JR: I know Roy Roberts pleasantly.

MR. COWLES: Roy would be a damned good man if we could get him for the chairman of the thing. If we could get him to come here for a month, he would really do the job.

H.M. JR: What we do in the newspapers - we did a beautiful job in the Philadelphia paper. The Bulletin got their newsboys to sell stamps, and we got the solicitation manager to come down here for three or four months. He had eight hundred newspapers, and they did a beautiful job. This fellow stayed right here.

MR. GASTON: I think this campaign wants to go beyond just this campaign itself. We ought to use this campaign to implant some fundamental ideas about the thrift thing, the budget, the savings - squeeze out the money to pay for the war - and all the corollaries of that - of home budgeting, and all that sort of thing as being the only way to safely finance the war.

This could start that and give it a big kick for continuing publicity, which will help not only this campaign, but the succeeding campaigns and the War Savings stuff.

MR. COWLES: I agree with that completely, but don't stress that too hard because we can sell these men if they think the thing is only going to last six weeks or so. A man will say, "Sure, if the Secretary of the Treasury asks me, I will do it." Then he will get so interested he will stay.

- 5 -

H.M.JR: Now, Frank Knox said that any time I wanted to work with the publishers, he would be glad to pitch in. Just be very frank. Would he be good to have here at the time, or does he rub the wrong way?

MR. COWLES: No, he would be good to have at the lunch.

H.M.JR: He has offered - he is all pepped up over war bonds and battleships, see? He is doing one in Atlanta, and then he started one with his own paper to replace the Chicago, and to replace the Atlanta, and that is good for thirty-five or forty million dollars. He is all pepped up over this battleship business.

MR. EISENHOWER: Would there be any duplication between this group and the Society of Newspaper Editors?

MR. COWLES: Some of them I have included there.

MR. EISENHOWER: I was just thinking back to the fact that General Marshall made such a tremendous hit with the newspaper editors that we had here recently.

MR. COWLES: Roy Roberts is the president of the American Society of Newspaper Editors. The beauty of Roy is, he has lived in Washington twelve years as a Washington correspondent so he knows this end of the game.

In the second place, he knows almost everybody in the country in the newspaper business by name, and he is kind of combination newspaperman and businessman. He gets over in the business side, being on the city Star.

MR. GASTON: He can work both sides of the street.

MR. EISENHOWER: At that luncheon, if the General would do half as good a job as he did with the--

MR. COWLES: If he could come, it would be good.

- 6 -

H.M.JR: He will come. Admiral King and Marshall?

MR. COWLES: I don't think you need them both.

H.M.JR: There is no harm in getting them both. I could get them both if I gave them enough notice. If they were in town, they would come. You can think about it.

MR. COWLES: I feel very strongly on one point that we touched on the other day. I am assuming that Republican leaders in the House and the Senate are just as anxious as you are to see this April drive go over.

H.M.JR: I think that is correct.

MR. COWLES: I would like to suggest that at that luncheon a couple of them be pulled in because some of these publishers, as you can see, are pretty strongly Republican, to remove any complication that it is an Administration proposal, because it isn't; it is a country proposal.

H.M.JR: There is no trouble. It so happens that the Finance Committee - both Arthur Vandenberg and Allen Treadway are, outside of during campaign months, among our very good friends - Arthur Capper, too. But Vandenberg and Treadway would be the two people, and I happen - as far as Treadway is concerned, I can do no wrong because my son Bob went to Amherst - Alpha Delta Phi - and went to Deerfield Academy; so I can do no wrong in the shadow of my son. Everything that I do is all right because the boys - the boys were about eight years at school in his district. So everything is all right.

MR. COWLES: I have the feeling with the newspapers - just having been a newspaper publisher - that if you put the problem up to them and just tell them to go back to their own community and pick responsibility, and don't try to force a canned plan on them, you get a lot further.

- 7 -

H.M.JR: How much time would they need to work at home? I am thinking - the longer I could postpone the luncheon, the better shape I would be in to tell them what I wanted. A month?

MR. COWLES: They won't need that long.

H.M.JR: Don't they need a month?

MR. COWLES: No.

H.M.JR: What would you say would be the minimum time?

MR. COWLES: Ten days.

H.M.JR: They don't need more time than that?

MR. COWLES: They are used to working pretty fast.

H.M.JR: Because I could very easily do it. I go down to Atlanta not until the 12th, and in that week there - the 15th to the 19th--

MR. COWLES: I think that would be all right. The campaign starts on the 12th?

H.M.JR: It starts April 12th.

MR. COWLES: So it would be nearly a month.

H.M.JR: It would be a month.

MR. COWLES: I would say that is all right.

H.M.JR: By that time I would know where I was at.

MR. COWLES: The invitation to them - the wire - ought to go out, I would say, eight days - if you could do it - in advance of the date you are asking them to be here.

- 8 -

H.M.JR: Two weeks in advance - that is too far? Send it out on the first of March, say. Would they like to come the middle of the week, or--

MR. COWLES: I think it would be easier to get them here on a week end - Saturday.

MR. GASTON: They had better have two weeks, just to make their railroad and hotel reservations.

H.M.JR: I can't guarantee to be back here on the 13th. I might get stuck with bad weather in Atlanta, so maybe I had better make it a week later - Saturday the 20th.

Herbert, would you draft a telegram for me, and then send it over there and let them take a look at it?

MR. GASTON: I could, yes, unless you would prefer to draft it yourself.

MR. COWLES: No, I don't.

H.M.JR: You have a lot of newspaper people. Could somebody over there draft the kind the newspaper publisher would like?

MR. COWLES: I think it ought to be in Treasury language.

MR. GASTON: We speak the same language, almost. (Laughter)

H.M.JR: Anyway, you (Gaston) might draft it and send it over. Let's say, tentatively, we will set it for the 20th. I think that is good.

Would you, in this telegram, say that present at this luncheon will be General Marshall, Admiral King, or--

MR. COWLES: I would if you figure they will be there.

- 9 -

H.M.JR: Then if they went out of town they would think it was a sell-out, wouldn't they?

I can say there would be other members of the Administration - representatives from Congress and the Administration - something like that, without mentioning names.

MR. COWLES: If I may make a suggestion--

H.M.JR: That is what you are here for.

MR. COWLES: Don't just word your wire that you want their help on this specific drive. I would word it that you want their advice, and make it broader on the whole anti-inflation picture.

MR. CASTON: Yes.

MR. COWLES: And the bond thing.

MR. GASTON: We want their advice on the financing program.

MR. COWLES: That is the way to put it.

H.M.JR: Do you think they would like a military fellow here on that front?

MR. COWLES: Marshall just made a whale of a hit a week ago.

H.M.JR: Would they want Jimmy Byrnes?

MR. COWLES: I think Jimmy Byrnes would be excellent.

MR. EISENHOWER: In addition to the luncheon there will be sessions in the Treasury in which the whole background--

MR. COWLES: I think the Treasury ought to have a morning session with them of at least an hour and a half, say, where you would sketch the whole picture as you see the problem, and so on - and then the luncheon.

- 10 -

Then, following the luncheon, have a room available where they could go back in session themselves and talk about the thing.

H.M. JR: We have room.

MR. GASTON: Did you fix on a date?

H.M. JR: I thought we set it tentatively, Saturday, the 20th.

MR. GASTON: Saturday, March 20th. Will one day do it?

MR. COWLES: Yes. I would stress that in your wire, that you want them for just that one day.

H.M. JR: I think that is a good suggestion. You don't want too many speakers for them, and we can think about it.

Who else is there, if they had Byrnes and General Marshall--

MR. COWLES: Those two will draw if you mention them in the wire. If you said that you wanted to talk to them that morning and at lunch that day you were bringing in Justice Byrnes and General Marshall, that will make the thing sound important enough so that those fellows will really show up.

MR. EISENHOWER: If they would do as good a job on this as they did on organizing the scrap drive, it really would be something.

H.M. JR: It would really be something?

MR. EISENHOWER: I don't know that I ever saw a campaign that was better than that one.

H.M. JR: How much did the Advertising Council help on that?

- 11 -

MR. COWLES: A great deal.

H.M.JR: The publishers did that themselves?

MR. COWLES: Yes. Donald Nelson called them in and just said, "Now, this is your baby; I have got to have your help." He had in Somervell and some other people to stress how important it was, and why they really needed the scrap, and so on. The publishers really did a job on that one. That is the one campaign in recent years that the newspapers have really done extraordinarily well with.

H.M.JR: Are you people helping on the Red Cross drive?

MR. COWLES: No.

MR. EISENHOWER: We helped with the Community War Fund.

H.M.JR: What other suggestion have you got?

MR. COWLES: I called on Francisco and he does not want to consider changing.

H.M.JR: Now, I am spending all of my time trying to get a number-one man, and Mr. Davis of General Mills was over here this morning. This is all in the room here; this is all in the family.

He said he had given his word to Wilson that he would stay if he wanted him to - if he could find a spot for him. So before he went any further he wanted to go back and talk with Mr. Wilson. He is going to let me know this afternoon or tomorrow.

MR. COWLES: I think he would be fine if you could get him.

H.M.JR: Of course, the advantage is that I don't feel so cruel with him. As he said, he gave up his eighty-thousand-dollar salary to come down here for eight.

- 12 -

I said, "You tell Charlie Wilson I will increase you by a thousand dollars." He said, "That is some incentive." (Laughter)

I said, "I can pay nine." So he said, "Well, that is worth making a change for." But the beauty is, as I say, his cut is not - whatever the pains he had to go through to decide to give up his salary, he has done that, and he is sort of hanging in the air over there. You think he would be all right?

MR. COWLES: Yes, I do.

H.M.JR: He told me the thing you probably know, that at twenty-three or twenty-four he was in charge of all advertising, and he sort of kept it all the way through, and they have an appropriation of nine million dollars for advertising. He said that makes people think that he is so old, that he was sort of amongst the first in radio. They built the radio station in Minneapolis and then sold it to Columbia. He said he had been all through that - he personally.

MR. COWLES: He is just ideal. You know him, don't you?

MR. GASTON: No, I don't know him.

H.M.JR: The company has an excellent Labor record. I checked with organized Labor and they think very highly of him.

MR. COWLES: I think he would - he hadn't occurred to me, frankly, until I talked to my brother on the phone. I like him better than any of the suggestions made to you by the Advertising Council. He comes from the interior of the country, which I think is an advantage from our point of view.

H.M.JR: Distinctly.

- 18 -

MR. GASTON: They have done a fine advertising job - a fine, clean advertising job - fine, ethical copy and good presentation.

MR. HETTINGER: They are doing one of the grandest jobs in the support of the food campaign of any company in the country.

H.M.JR: I am ashamed to say that I don't know which radio hour they have. I don't know which one is General Mills.

MR. EISENHOWER: They have an NBC afternoon program. Do they have another one?

MR. HETTINGER: I think they have several and do fairly extensive newspaper work.

MR. EISENHOWER: They have been doing an awfully good job running a series from Monday to Friday this week out of Washington on the whole food rationing thing, and very well done. One thing I like about it is the only words of advertising in the whole thing is "This program has come to you through the courtesy of General Mills, Incorporated." Nothing more said.

H.M.JR: That is what we had when we started in the radio business with the Texaco Company - just at the end and in the beginning, "This is the courtesy of the Texas Oil Company," and that was all. Just those six words - the rest was all Treasury.

MR. HETTINGER: They are carrying that all year on the food situation. This is just a send-off.

H.M.JR: This fellow Davis wasn't too close to the top of the company?

MR. COWLES: No, he is a shirt-sleeve worker - he really likes to work. He will get in and really pitch.

- 14 -

H.M.JR: I couldn't remember whether you said he or the present president of the company was the better of the two.

MR. COWLES: I think Davis is.

H.M.JR: Your brother thought so, too?

MR. COWLES: Yes.

H.M.JR: The General Food crowd don't seem to stand very well with Labor for some reason or other. I don't know why. But General Mills has an excellent reputation with Labor, which, from our standpoint, is important, because the Labor unions have been so exceptionally good with us. They have really been most helpful.

If I get that settled, the other thing will jell very rapidly.

He asked me what connections we had with advertising agencies, and I told him none. That seemed to please him. I don't know why.

Now, the Council seems to be very anxious that we have somebody over on your side who will look after us. One of the people that they mentioned was - you have an advertising agency man there - Rogers--

MR. COWLES: Yes, Jim Rogers.

H.M.JR: They mentioned him as a possibility to look after us.

MR. COWLES: If you want him, we will rearrange our setup.

H.M.JR: I don't know the man. What would you think? I have never met him; he doesn't mean anything to me.

- 15 -

MR. COWLES: We have a number that are very able. He was the executive head of Benton and Bowles, which is one of the better ones. He is a very able boy. If you want him, we will make him the contact on this.

H.M.JR: What do you gentlemen think? I don't know the man.

MR. EISENHOWER: Mike knows this field better than I do.

H.M.JR: I think LaRoche mentioned him. Could I have a chance to meet him - Gaston and I to meet Rogers?

MR. COWLES: Sure - you bet. When would you like to do that?

H.M.JR: Tomorrow.

MR. COWLES: You name the time and I will bring him over.

H.M.JR: Do you think that is the kind of person we should have on your side?

MR. COWLES: I think he is all right.

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

MR. GASTON: I think it would be a good idea to get in touch with their men over there.

H.M.JR: This would nail a man in OWI whose principal interest during this campaign would be to work with us.

MR. EISENHOWER: He is in a position, is he not, Mike, to work for you on all media?

MR. COWLES: In OWI. That is the kind of setup we want. We have got to cure the friction that existed between OWI and the Treasury.

- 16 -

H.M.JR: I haven't mentioned it. I am very conscious of it and have kept the people out of these meetings who have had friction, so as to have a new deal. I am not saying who is right or wrong. They filled me full of it.

MR. COWLES: Rogers has not been in on the past at all, and on that score it would be advantageous, I would say.

H.M.JR: It will be advertising that I mean to clear. That would be the thing, wouldn't it?

MR. COWLES: It will be the whole gamut of the thing. The Bureau of the Budget, I know, is going to insist on a unified distribution system on Government posters, which is one thing your people have been fighting. But, if I may say so, I think they are wrong. We may be wrong in the way we have set it up, and that certainly is open to discussion. But I think the Bureau of the Budget and the Government Printing Office are clearly right, that it is inefficient and expensive for the Government to have individual agencies setting up their own distributive system.

MR. GASTON: I thought the fear of our fellows was they were going to lose a lot of space already promised to them.

MR. EISENHOWER: I think, on the contrary, that we can get more and a greater guarantee of the use of space, because when you have access to the space you have competition between the Federal agencies for it. It is worse than if you have an agreement in advance as to how you are going to use it.

H.M.JR: Well, just so that when we need it we get our fair share; that is the thing.

I was in the rotunda of the LaGuardia Airport the other night. There were five or six different Government posters, but there wasn't a war bond poster up.

- 17 -

MR. EISENHOWER: As I understand it, there has not been a coordinated program on poster distribution in the whole display field, has there, Mike?

MR. COWLES: The Treasury came in for a couple of months and then pulled out again. There is a lot of friction down through the retailers. Various retailers' committees have been calling on me. I think OWI fell down in not handling well a lot of the mechanics of the plan. I think we are now set to handle it well. I certainly want to know about it if OWI does fall down in any particular.

H.M.JR: We have, for instance, with the moving picture theater owners - we have a wonderful relationship. I don't know whether it is through you or not, or whether we do it direct. If it is a question of showing our Donald Duck tax film, we can get it shown - that kind of business.

I don't particularly, at this time, want to get into this discussion. I don't know enough about it.

MR. COWLES: The only thing that has worried me a little bit is that I think Peter Odegard has gotten terribly worked up about it. And I am not certain that somebody other than Peter from your side has to sit in.

H.M.JR: Well, I think they will. I purposely kept Peter and others out who have been in conflict because I didn't want - at this level I didn't want to get into a discussion of this. This isn't the time and the place to do it. As I say, now, mind you, I don't know Rogers - I never met him. That was the suggestion yesterday of this group. If he could come over and see me around three o'clock--

MR. COWLES: Three o'clock tomorrow?

H.M.JR: Yes. If he did it, then he would be the--

MR. COWLES: He would be the contact for all of the OWI bureaus with the Treasury.

H.M.JR: That is what we need. Do you know him?

- 18 -

MR. EISENHOWER: I don't know Rogers.

MR. HETTINGER: I know him very slightly, just since he came down.

MR. GASTON: I haven't seen him since he went over with you.

MR. COWLES: We would want Brennan to continue to come over here on policy matters, but I want Rogers on the straight operating level in the contact with the Treasury with our bureaus.

H.M.JR: All the bureaus.

MR. COWLES: That is right. All of them.

H.M.JR: That would be an improvement.

MR. EISENHOWER: Radio, press - clear across - advertising and all the rest.

H.M.JR: Let's take a look at him and see how tough a guy he is - also how creative. I think that is the important thing.

I think this is helpful, and if it is agreeable to you, let's do it again a week from today.

MR. COWLES: All right.

MR. GASTON: I have got a thing that Pete Street is very much interested in - an idea that I had some time ago, and that is on this home budgeting thing. Have you been talking about it?

MR. HETTINGER: I ran into it somewhere else.

MR. GASTON: I think probably OWI would be the logical place to give that thing a push. Pete's idea was that we might get an outside voluntary agency set up

- 19 -

to coordinate these people who are interested in home budgeting and sometime later spreading that home budget idea, in the light of rationing and so on, throughout the country. I think it can be a very valuable thing.

I am not just sure of the mechanics for handling it, but from our standpoint it would be quite valuable.

MR. HETTINGER: That could be worked out as one of the very best sales things you can possibly do - one I had in mind, as a matter of fact.

MR. EISENHOWER: You mean the housewife making over her budget in the light of supplies and money?

MR. GASTON: In the first place that she should budget, and budget in the light of savings, and then adopting the budget to the rationing requirements; and get all the organizations that are interested in home budget - and there are a dozen of them - get them all together on a unified program of putting pressure on the thing throughout the country.

MR. HETTINGER: No trouble doing that at all. Some are interested already.

MR. EISENHOWER: That is where you wish that OCD were a more efficient organization, because--

MR. GASTON: I put this idea up to Jim Landis a year ago. I went up there particularly to talk about it.

MR. EISENHOWER: Here, you see, with their having all of the volunteer workers of America organized around them - it is what you need for this sort of thing, and if it were efficient - the trouble is that it is wonderful in one locality and lousy in another.

MR. HETTINGER: And therefore not dependable.

H.M.JR: They should be selling my war bonds.

- 20 -

I mean, you take - I am sure that every air-raid warden in the country must be sick and tired of the job and has nothing to do and he has gone stale. If they would give me those block organizations to go in and help me ring doorbells - it is a perfect organization to work for us.

MR. EISENHOWER: May I ask a question?

H.M.JR: Anything that you want.

MR. EISENHOWER: I am one of your good customers in buying war bonds, and I have wanted to buy tax bonds - the kind of bonds you buy and then use them to pay your income tax, and out in my little community of Falls Church, I can't do anything but go to the bank and fill it out, and then they tell me they will have it for me sometime later. Why can't the sale of tax bonds be made just the same and just as easy as buying war bonds?

H.M.JR: Will you give me the name of your bank?

MR. EISENHOWER: Yes, the Falls Church Bank. All they do is take an application and send it to Richmond and sometime later through the mail, and you see, I am a methodical fellow - I like to go in and put my cash on the counter and say, "Give me my bonds and I will take care of it."

H.M.JR: They should have those notes there. Why they don't, I don't know, but we will find out.

MR. EISENHOWER: I have talked to others and I think people do find it much more difficult to buy the tax bond.

MR. GASTON: I have heard that.

H.M.JR: We will find out. I am glad to find out. We will find out and let you know.

- 21 -

MR. EISENHOWER: If and when we get a pay-as-you-go plan perhaps that disappears then, but for the present it is a grand scheme. It is just a method of savings.

MR. GASTON: We will still have deferred payments, no matter what scheme of pay-as-you-go we have.

H.M.JR: I will be glad to find out.

MR. EISENHOWER: Otherwise people, in a way, are tempted and even encouraged to sell their war bonds to get money to pay the taxes. They put it all into that and if you break down the psychology of keeping the war bonds--

H.M.JR: So far we have been awfully lucky that during the tax months there is no appreciable decrease in the sale of our war bonds. It runs about three percent of the total number outstanding, and during the tax months there has been no appreciable decrease.

MR. EISENHOWER: I would have guessed otherwise.

H.M.JR: So far that has been true, but I will look into that and find out whether that is general or not.

Dr. Likert has gone?

MR. COWLES: He is in the Government.

H.M.JR: Who is he with now?

MR. COWLES: He is operating independently. He is available on a reimbursable basis by any agency that wants to use him.

H.M.JR: Is he back in the Department of Agriculture?

MR. COWLES: Administratively, he is.

- 22 -

H.M. JR: But if we wanted him for anything would we go through you or to him direct?

MR. COWLES: You would go to him direct. We have an Intelligence Bureau of our own which does not do what they call intensive surveying to the extent that Likert does. Ours does it faster and Likert thinks less thoroughly, but we think adequately and much less expensively.

MR. HETTINGER: We do about the thing Gallup does.

MR. GASTON: Peter has a project up with Likert right now.

H.M. JR: Well then, shall we say again next Wednesday?

MR. COWLES: But you want me to bring Rogers over at three o'clock tomorrow.

H.M. JR: Yes.

Scripps-Howard	-	Roy W. Howard
Hearst	-	J. D. Gortatowsky, Gen. Manager, or W. R. Hearst, Sr., or W. R. Hearst, Jr.
Gannett	-	Frank E. Gannett or Frank Tripp
ASNE	-	Roy Roberts, President (Kansas City Star)
	-	J. S. Knight, Vice Pres. (Akron Beacon-Journal, Detroit Free Press, Miami Herald)
National Editorial Association (Weeklies)	-	E. H. Abels, The Outlook, Lawrence, Kansas
Inland Daily Press	-	A. C. Hudnutt, President (Chronicle-Telegram, Elyria, Ohio)
Pacific Northwest Newspaper Association	q	S. R. Winch, President (Oregon Journal, Portland, Oregon) (Proxy could be Donald J. Sterling, now in Washington, D. C.)
New England Daily Newspaper Association		O. G. Andrews, President (Day, New London, Connecticut)
SNPA	-	Chas. P. Manship, President (State-Times and Advocate, Baton-Rouge, Louisiana)
ANPA	-	Walter M. Dear, President (Jersey Journal, Jersey City, N. J.)
Advertising Council	+	E. S. Friendly, New York Sun
	-	Linwood I. Noyes, Globe, Ironwood, Mich.
Good chairman	-	either Roy Roberts or Jack Knight

February 24, 1943
4:15 p.m.

HMJr: Hello.

Operator: Mr. Davis.

HMJr: Thank you.

Operator: Go ahead.

HMJr: Hello.

Donald
Davis: Hello.

HMJr: Morgenthau.

D: Yes, sir.

HMJr: Mr. Davis, I just wanted to ask you whether this was good or bad psychology. I was afraid that if you spoke to Mr. Wilson and he said "no" that that would be more difficult than if, possibly, I would go directly to Mr. Nelson in the first instance. But I'd like to do that which is most pleasing to you.

D: Well, I think that it would have to be cleared with Mr. Wilson, and there's a meeting -- the reason I couldn't give you an answer, there's a....

HMJr: Oh.

D:there's a meeting here on what he's doing in respect to his organization at five o'clock....

HMJr: Oh.

D:and I would - personally, I would prefer and I think it would be better over here if we'd deal directly with Mr. Wilson, because I'm going to put that up to him.

HMJr: Well, I - I - whatever is pleasing to you, but I wanted to make the offer.

D: Well....

HMJr: If it was easier, I'd go directly to Mr. Nelson.

- 2 -

D: Well, I think it would be easier because - if I talk with Mr. Wilson and he wants to talk further about it, that I would then prefer that you get in touch with him or he with you.

HMJr: Fair enough.

D: All right, sir.

HMJr: I'll....

D: Thank you very much for calling.

HMJr: I'll leave it in your good hands.

D: I think that I'll - I think that I'll have - that I'll have it either one way or the other tomorrow morning, sir.

HMJr: I'll - I'll....

D: So far that - so that you can proceed on it if you wish either - (laughs) either way it goes.

HMJr: Well, you - you keep your mind open, I mean. Now don't - don't make - don't tie yourself up any more over there.

D: Well, I'll just have to see because I'm tied up right now. I've got a commitment there, you see, as I tried to explain to you.

HMJr: Oh, I see.

D: Yeah.

HMJr: Well, don't make it any tighter.

D: (Laughs) All right, sir.

HMJr: (Laughs)

D: Thank you very much, Mr. Secretary.

HMJr: All right.

D: Goodbye.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE

February 24, 1943

TO: Secretary Morgenthau

FROM: Miss Harriet Elliott

Mrs. Atkinson gave the following estimate of
Mr. Davis:

He is a man of the greatest integrity and ability. He is always loyal to the organization in which he is working. He is an expert administrator, and the people who work with him are devoted to him. He has the ability to weigh facts carefully and makes decisions based on facts rather than prejudice. He stands by his decisions, but he is not ruthless.

Mrs. Atkinson has known Mr. Davis since 1922, when he first came to General Mills, and she has never been in any way disappointed in him and recommends him as a forthright, honest person who gains and holds the respect of all people who work with him. In fact, she summarizes by saying that he is one of the finest men she has ever known or worked with.

TREASURY DEPARTMENT

257

INTER OFFICE COMMUNICATION

DATE Feb. 24, 1943

TO THE SECRETARY
FROM TED R. GAMBLE

General Mills, according to our records and the best information I could get for you from Minneapolis today, employs slightly over 9,000 people in mills throughout the country. Approximately 10 percent of these people are headquartered at Minneapolis. Their overall payroll participation for the country is

83% employee participation
5.4 of payroll

In the early days the company was luke-warm toward our program, and it was months before they would install the payroll savings plan.

They have never been particularly active and have not conducted any drives to bring up participation. While their rate of pay is very good for food companies, their participation is about the same as others in the food line.

In addition to the above, they operate a war plant in Minneapolis under General Mills Mechanical Division, and employ approximately 1100 people. In this one plant they have 90% participation and over 10% of the payroll.

Our people do not feel that they have been as cooperative as other large employers of labor in the same region.

It is my opinion that General Mills has done about as well as other manufacturers in their same field.

Henry will accept the call

258

TELEGRAPH
TREASURY
TELEGRAPH
T R F

U52 LG SER

943 FEB 24 PM 1 01

ITHACA NY FEB 24 1051A

470

HENRY MORGANTHAU JR

SECY OF THE TREASURY

I SHOULD LIKE TO TALK WITH YOU BRIEFLY OVER THE TELEPHONE
ABOUT A PLAN WHICH I SINCERELY BELIEVE WILL STIMULATE THE
SALE OF WAR BONDS THROUGHOUT THE NATION AND ESPECIALLY
STEP UP WAR BOND BUYING BY A VERY INFLUENTIAL GROUP I WILL
PUT IN A CALL FOR YOU THURSDAY FEB 25

ED BABCOCK.

101P.

FEB 24 1943

Sen. William Green,
President,
American Federation of Labor,
Washington, D. C.

Dear Mr. Green:

Your courtesy in sending me a copy of a resolution adopted by the Executive Council of the American Federation of Labor at its meeting January 26, 1943, in Miami, Florida, is appreciated.

This is another example of the consistently enthusiastic support which the American Federation of Labor has given to the War Savings campaign. I recall the action taken by the Forceto Convention of the American Federation of Labor urging a continuation of this campaign on a voluntary basis and am glad to receive a reaffirmation of this position in the form of the resolution adopted at Miami.

Sincerely,

(Signed) H. Morgenthau, Jr.

MsFeb

Photo file - Diary
Orig - Thompson

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

TO MR. SLOAN
FROM MR. PETERS

DATE
February
22nd
1943

Attached for your approval is a suggested reply for the Secretary's signature to President Green's letter of February 16.

While the Green letter did not come from Mr. Graves' office with a request for a reply in the Secretary's name, I understand that Mr. Houghteling usually obtains his signature on letters to Green, Murray, etc. This has been checked with Miss Finucane and there seems to be no objection.

H. W. T.



AMERICAN FEDERATION OF LABOR

New York 4 (1999)

President William Greer
 Secretary Thomas J. Moore
 Treasurer James A. Moore
 Editor J. J. Moore

First Vice President: Woodruff H. Hoffmann, Jr.
 Vice President: Joseph J. Longmire, Jr.
 James Van Orman, Jr., Maryland, Wash.,
 and Livingston Ave., New York, N. Y.
 Third Vice President: George H. Rogers,
 400 Ave. of the Americas, New York, N. Y.
 Fourth Vice President: G. M. Thompson,
 1000 Wisconsin St. N. W., Washington, D. C.
 Fifth Vice President: Gail M. Haggard,
 10000 Lakeside Drive, Chesham, Ill.
 1946: 1st Vice President: Harold J. Taylor,
 1000 Wisconsin St., Washington, D. C.

[illegible]

LONG DISTANCE TELEPHONE: NATIONAL 8870-112-544
CABLE ADDRESS: ATEL

Washington, D. C.

February 16, 1943.

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

Dear Mr. Morgenthau:

I enclose a copy of a resolution which was unanimously adopted at a meeting of the Executive Council of the American Federation of Labor held at Miami, Florida, beginning January 18th.

You are at liberty to use this resolution in publicity work in which those associated with you are engaged in furthering the sale of bonds.

With all good wishes, I beg to remain,

Sincerely yours,

President,
American Federation of Labor.

Y
Enclosure.

Resolution adopted by the Executive Council
of the American Federation of Labor,
Miami, Florida, January 26, 1943.

Whereas, this country is in a life or death
fight to the finish with the Axis, and

Whereas, the freedom and security and liberty
and the American way of life of all Americans hang
in the balance, and

Whereas, the pay roll savings will serve as a
financial cushion during the period of transversion
to start the wheels of peace time industry, and

Whereas, the American Federation of Labor in
convention assembled in Toronto endorsed the
voluntary ten per cent pay roll allotment plan,
therefore, be it

Resolved, that the Executive Council goes on
record as endorsing the voluntary ten per cent
pay roll allotment plan and directs the officials
of the American Federation of Labor to work to
that end.

.....

February 24, 1943.

My dear Walter:

It occurs to me that you might care to have a recording of our recent joint radio broadcast on the subject of taxation. I am sending this to you with my compliments, as a permanent record of our appearance together on the air.

With cordial regards and best wishes,

Sincerely,

[Signed] Henry

Honorable Walter F. George,
United States Senate,
Washington, D. C.

Del. by Bundy 4:27 2/25/43

Enclosure.

GHV/abc

February 24, 1943.



My dear Bob:

It occurs to me that you might care to have a recording of our recent joint radio broadcast on the subject of taxation. I am sending this to you with my compliments, as a permanent record of our appearance together on the air.

I was very sorry to learn that you had been obliged to go to the hospital for what the papers termed an indefinite rest. I hope that there is no more serious reason for your hospitalization, and that you will rapidly return to your normal vigor and health.

With cordial regards and best wishes,

Sincerely,

(Signed) Henry

P.S. When you feel well enough to receive visitors, I would be delighted to call on you.

Del. by Bundy 4:27 2/25/43

Honorable Robert E. Doughton,
House of Representatives,
Washington, D. C.

Enclosure.

GHF/4be

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau

February 24, 1943

FROM Frances McCathran

CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Manpower - Discussion of the nation's manpower problem was highlighted yesterday by a 30-minute speech by Representative Kilday, criticizing WMC Chairman McNutt. Calling him a "bureaucrat with all the 'crackdown' complex of bureaucrats", Kilday said that public confidence in the Selective Service System has been steadily waning ever since it was placed under McNutt. According to an article in the N. Y. Times this morning, these increasing attacks on the manpower head are said to be running a similar course to that which led to Henderson's resignation from the OPA. Mr. Kilday also claimed in his speech that his bill, placing fathers at the bottom of the induction list, would preserve the integrity of the American home as long as possible and still not interfere with the Selective Service process. Meanwhile, two House committees clamped down on the civilian personnel of the War and Navy Departments. Endorsing the principal of "work or fight.....if wisely administered", the House Naval Affairs Committee yesterday approved a bill directing Commandants of Navy yards to report absenteeism among civilian workers to draft boards every three months. Chairman May of the House Military Affairs Committee also announced that his committee would postpone hearings on all manpower bills until a five-member subcommittee has made a thorough investigation of civilian employment in the War Department and especially of a report that the Department is seeking deferments the committee feels are unjustified.
2. Farm Labor - Testifying for General Marshall who said it was inconvenient for him to appear, Lieut. Gen. Joseph T. McNarney told the Senate Agriculture Committee that President Roosevelt has approved a plan calling for the release of Army units to help farmers harvest 1943 crops. This was the first public acknowledgment by the War Department of the

existence of a master plan to alleviate growing labor shortages. During their loan-out period, however, McNarney said, the troops will be subject to general Army discipline and will serve under their regular leaders. Putting the plan in immediate operation, he added that troops assigned to the Arizona cotton fields would start work next week. The farm bloc, however, did not appear to be overly pleased with what would seem to be at least a minor victory for them. Chairman Smith, for example, observed during the hearings, "Harvesting isn't the main point at issue here, and neither is the planting. It's the cultivation of the crop that is important and that cannot be done by untrained men. You're taking it for granted that anybody can farm--the farmer has to be trained. I don't want any high school boys on my farm." This might also be the farm bloc's answer to Representative Edith Nourse Rogers' Bill authorizing the Secretary of Agriculture to create a National Farm Corps composed of boys and girls of 14 or over and of elder women trained in government sponsored camps.

3. McKellar Bill - A senate Judiciary Subcommittee drew up a favorable report yesterday to be submitted to the full committee today on the McKellar Bill requiring Senate confirmation of all Federal appointments paying \$4,500 or over. In his letter of February 19 to the Vice President, President Roosevelt said this bill "would sweep away years of civil-service progress" and again in his press conference yesterday reiterated his opposition, saying it amounted to a mole hill in relation to the war.
4. Labor - The House Rules Committee heard more heated discussion yesterday on the Hobbs Anti-Labor Racketeering Bill, imposing a fine and penalty for obstructing interstate commerce "by robbery or extortion". Although Chairman Sumners of the Judiciary Committee urged its passage, four Pennsylvania Congressmen, Furlong, Kelley, Weiss, and Scanlon, claimed "labor is giving its wholehearted support of the war effort" and by this bill it "would feel it is being stigmatized". Final committee vote is expected next Tuesday.
5. Government Paper Wasting - Senator Willis of the Joint Congressional Committee on printing declared yesterday that "at a time when the very freedom of the entire American press is threatened by government curtailment" of paper, the

Federal Government itself "disgracefully and shamefully" consumed in the first three weeks of the year almost one-third of the paper under contract for 1943.

6. Post-War Planning - Financial disorder making all past ones seem minor may result if a "lag or sag" is allowed to develop in the post-war reconversion period. Walter Mitchell, Director of surveys for Dun and Bradstreet told the Senate Small Business Committee yesterday. Consequently, he urged a new type of government guaranteed loan to small industry for use in quickly converting to peacetime purposes. This loan would be granted only to those producing articles with no direct peacetime use and would be limited to 75 or 80 per cent of the working capital tied up in war work when the contract ends. Senator Mead, predicting that there would be "10,000,000 men looking for jobs" within six months of the war's end, suggested an extensive Public Works Program ready to start immediately after the war, but Mitchell said this should be postponed until after the post-war boom.

OFFICE OF THE COMMISSIONER OF CUSTOMS

2/24/43

267

133.22

TO: THE SECRETARY OF THE TREASURY.

FROM: ASSISTANT SECRETARY GASTON.

The following information which has been secured from the collector at Tampa, Fla., is submitted in response to the questions (numbered below) raised by you regarding traffic between Cuba and this country:

- (1) How much of an accumulation of cargo for Cuba is there at Florida ports? How does it compare with the normal amount and how great is the delay?

The only ports at which there is any accumulation are Tampa (10,000 tons south bound) and Port Everglades (6,000 tons south bound). The accumulation at Tampa is due to improper documents, lost merchandise, etc., and the delay is not serious at this time. The traffic from Tampa to Cuba is reported to have increased 95 percent over the normal traffic prior to the war and is increasing gradually.

There is said to be no delay in the south-bound movement at Port Everglades. At the ports of Miami, West Palm Beach, Key West, and Jacksonville, there is said to be no accumulation and no delay in forwarding.

The collector states that an increase in traffic between Florida ports and Cuba is contemplated and that more vessels are being added to those now in this trade.

- (2) In January what were the numbers, types, and sizes of vessels — steam, sail, motor — in the cargo trade with Cuba?

The vessels which are engaged in traffic between Florida and Cuba are mostly miscellaneous types of small tonnage, barges ranging from 400 tons to 2,200 tons, and a few tugs and tankers. More detailed information regarding these vessels is contained in the attached reports dated February 13 and 15, 1943, respectively, from the collector at Tampa.

- (3) What is the nature of the cargoes moving both ways, i. e., the principal commodities?

The reports indicate that the principal commodities exported to Cuba are rice, lumber, wearing apparel, building material, machinery, medicines, flour, potatoes, onions, and petroleum products. Merchandise moving from Cuba consists of sugar, tobacco, vegetables, fruits, gin in barrels, bananas, coconuts, candy, and ore.

Enclosures.



TREASURY DEPARTMENT

UNITED STATES CUSTOMS SERVICE

TAMPA, FLA.

February 15, 1943 wkt:js

OFFICE OF THE COLLECTOR
DISTRICT NO. 18
ADDRESS ALL COMMUNICATIONS
FOR THIS OFFICE TO THE COLLECTOR

Commissioner of Customs

Washington, D. C.

Sir:

Reference is made to our letter of February 13th in reply to your request of February 9th regarding the traffic between Florida ports and Cuba. This office desires to supplement the letter as follows:

TAMPA

There is no delay in port of merchandise destined to Cuba, except that caused by improper documents, lost merchandise, etc., and this delay is not serious at this time. The names of the vessels clearing for Cuba and the number of trips out in January are as follows:

<u>NAME OF VESSEL</u>	<u>TYPE OF VESSEL</u>	<u>NET TONNAGE</u>	<u>NO. OF TRIPS</u>
T.C.I.S.G.NO.8	Barge	428	1
Apalachee	"	620	1
T.C.I.S.G.NO.9	"	428	1
Manatee	"	1115	1
Trojan	Tug	111	1
Ontario	"	282	1
Steel Chemist	Miscellaneous	974	1
Corinto	"	552	2
Norfolk	"	1603	2
F. V. Hill	"	69	1
Annette	"	479	2
Concord	"	62	1
Charta	"	76	2
Norfolk	"	1759	2
Curlew	"	110	5
Pan Orleans	"	1359	2
Rafaela	"	64	3
Berlanga	"	92	3
Emilio Bacardi	"	57	2
Steel Motor	"	973	2
Chester	"	1129	1
Steel Electrician	"	974	3
Joaquin Godoy	"	392	1
Annette	"	479	1
Maria	"	59	1

Commissioner of Customs

-2-

February 15, 1943 wkt:js

TAMPA-Clearances, Cont'd.

<u>NAME OF VESSEL</u>	<u>TYPE OF VESSEL</u>	<u>NET TONNAGE</u>	<u>NO. OF TRIPS</u>
Sonora	Miscellaneous	1062	1
Libertad	"	3509	1
W. M. Delphia	"	62	1
Edgewater	"	1129	1
		TOTAL	47

TAMPA-Entrance

Procter	Barge	1888	1
Ochlocknee	"	983	1
W-47	"	1603	1
Immokalee	"	983	1
Suwanee	"	620	1
Ontario	Tug	282	1
Trojan	"	111	1
Sonora	Miscellaneous	1062	1
Chester	"	1129	1
Curlew	"	110	5
Annette	"	479	3
Steel Chemist	"	974	2
Rafaela	"	64	3
Berlanga	"	92	3
Steel Electrician	"	974	3
Norfolk	"	1759	2
Maria	"	58	2
Emilio Barardi	"	57	2
Libertad	"	3509	2
Pan Orleans	"	1359	2
Steel Motor	"	973	2
Charta	"	76	2
Edgewater	"	1129	2
Corinto	"	552	1
Norfolk	"	1603	1
Elena C	"	90	1
		TOTAL	47

PORT EVERGLADES-Clearances

Lake Capens	Barge	1200	3
Waukesha	"	2137	2
Derwent	"	2003	2
Portsmouth	"	2128	2
Cohansey	"	734	2
Lake Frumet	"	2231	2
Lake Forge	"	2231	3
Anaconda	"	2100	1

Commissioner of Customs

-3-

February 15, 1943 wkt:js

Port Everglades-Clearances-Cont'd.

<u>NAME OF VESSEL</u>	<u>TYPE OF VESSEL</u>	<u>NET TONNAGE</u>	<u>NO. OF TRIPS</u>
Hercules	Tug	71	5
Meteor	"	47	2
Ontario	"	282	4
Hemerich	"	190	4
Mambi	Tanker	886	2
Baccoi	"	886	2
Seatrains-			
New Orleans	Miscellaneous	4741	7
Kaymarie	"	65	4
Icefield	"	67	1
Norwalk	"	1310	1
Moysalen	"	544	1
		TOTAL	50

PORT EVERGLADES-Entrances

Anaconda	Barge	2100	1
Cohansey	"	734	2
Derwent	"	2003	2
Lake Capens	"	1200	3
Lake Frumet	"	2231	2
Portsmouth	"	2128	2
Lake Forge	"	2231	2
Waukesha	"	2177	2
Hercules	Tug	71	5
Hemerich	"	190	4
Meteor	"	47	2
Ontario	"	282	4
Baccoi	Tanker	886	2
Kaymarie	Miscellaneous	65	5
Seatrains-			
New Orleans	"	4741	7
Mambi	"	886	2
Paul Eley	"	93	1
		TOTAL	48

MIAMI-Clearances

Camaguey	Miscellaneous	852	2
Marsean	"	83	4
Louis Hebert	"	165	2
Majestic	"	20	1
Cumberland	"	27	1
Julian Alonzo	"	404	3
Polar	"	127	2
Jonen Paquita	"	42	3

Commissioner of Customs

-4-

February 15, 1943 wkt:js

MIAMI-Clearances-Cont'd.

<u>NAME OF VESSEL</u>	<u>TYPE OF VESSEL</u>	<u>NET TONNAGE</u>	<u>NO. OF TRIPS</u>
Eureka	Miscellaneous	21	1
Helasa	"	53	3
Argyle	"	199	1
Chodabucto	"	269	2
Turquino	"	323	1
Pan American	"	77	2
May Flower	"	11	1
Algonquin	"	1461	1
Athene	"	52	1
Cuba	"	102	1
Turquino	"	323	1
Ethel Q.	"	46	1
		TOTAL	34

MIAMI-Entrances

Mariette	Miscellaneous	87	1
Priscilla	"	126	1
Julian Alonza	"	404	3
Louis Hebert	"	145	3
Cladio May	"	69	1
Jonen Paquita	"	43	3
Polar	"	127	3
Helasa	"	55	3
Ingot	"	87	1
Camaguey	"	852	2
Pan American	"	74	2
Argyle	"	199	2
Marsean	"	83	3
Isle of June	"	85	1
Athene	"	52	2
Truquino	"	323	1
Caspe County	"	364	1
Cumberland	"	27	1
		TOTAL	34

WEST PALM BEACH-Clearances

Guardian	Miscellaneous	981	3
Oriente	"	232	3
St. Cuthbert	"	199	1
E. F. Zwicker	"	96	3
Amendra	"	95	2
Gaspé County	"	364	1
Bernardo	"	96	1
		TOTAL	14

February 15, 1943 wkt:js

WEST PALM BEACH-Entrances

<u>NAME OF VESSEL</u>	<u>TYPE OF VESSEL</u>	<u>NET TONNAGE</u>	<u>NO.OF TRIPS</u>
Guardian	Miscellaneous	981	2
Oriente	"	232	3
Cuthbert	"	199	1
E. F. Zwicker	"	96	3
Amendra	"	95	1
			<u>10</u>
			TOTAL

KEY WEST-Clearances

W-47	Barge	345	1
Ochlocknee	"	983	2
Manatee	"	1115	1
T.C.I.S.G.NO9	"	428	1
T.C.I.S.G.NO7	"	428	1
Trojan	Tug	111	3
Manuel S.			
Casteleiro	Schooner	33	1
Oro Fino	Miscellaneous	21	2
			<u>12</u>
			TOTAL

KEY WEST-Entrances

Imokalee	Barge	983	1
Suwannee	"	620	1
T.C.I.S.G.NO.9	"	428	1
Cherokee	"	431	1
Trojan	Tug	111	2
Manuel S.			
Casteleiro	Schooner	33	1
Oro Fino	Miscellaneous	21	2
			<u>9</u>
			TOTAL

JACKSONVILLE-Clearances

Savannah	Miscellaneous	124	3
Nidareid	"	734	1
Wanks	"	410	2
Paul Eley	"	93	2
Wm.C.Atwater	"	1485	1
			<u>9</u>
			TOTAL

JACKSONVILLE-Entrances

Savannah	Miscellaneous	124	3
Paul Eley	"	93	2

Commissioner of Customs

-6-

February 15, 1943 wkt:js

JACKSONVILLE-Entrances

<u>NAME OF VESSEL</u>	<u>TYPE OF VESSEL</u>	<u>NET TONNAGE</u>	<u>NO. OF TRIPS</u>
Wanks	Miscellaneous	410	1
Maysalem	"	544	1
		TOTAL	7

In regard to the ports of Jacksonville and Key West, which were not included in the original report, you are advised as follows:

JACKSONVILLE

(1) There is no accumulated cargo in any appreciable amount at Jacksonville and there is no delay in shipping the merchandise as it arrives.

(3) The nature of cargo moving from Jacksonville is construction steel, brick, lumber, mining machinery and petroleum products, and that from Cuba to Jacksonville is bananas and coconuts.

KEY WEST

There is no cargo accumulated at Key West and the only merchandise moving to that port during the month of January was two small loads of fruits and vegetables from Cuba to Key West. The other boats listed as having arrived and departed from Key West were vessels which had laded at the port of Tampa for Cuba and called at Key West to exchange tugs; likewise, the vessels reported as having entered at Key West were vessels destined to the port of Tampa with cargo from Cuba.

With regard to the above, you are advised that an increase in traffic between Florida ports and Cuba is contemplated. Additional vessels are being added to those which are now in operation in this trade.

Respectfully

A. J. Angle
A. J. ANGLE,
Collector of Customs



TREASURY DEPARTMENT

UNITED STATES CUSTOMS SERVICE

TAMPA, FLA.

February 13, 1943 wkt:js

OFFICE OF THE COLLECTOR
DISTRICT No. 18
ADDRESS ALL COMMUNICATIONS
FOR THIS OFFICE TO THE COLLECTOR

1732/273
133, 22

Commissioner of Customs
Washington, D. C.

EnA

Sir:

Reference is made to your letter of February 9th advising that the Secretary has requested that he be supplied with whatever information may be available regarding the traffic between Florida ports and Cuba. You are advised as follows:

TAMPA:

(1) There is approximately 10,000 tons of general cargo accumulated at this port destined for Cuba or enroute hereto. The traffic from Tampa to Cuba is increasing gradually. There is now an increase of approximately 95% over the normal traffic prior to the war.

(2) In January 22 American vessels entered from Cuba as follows: 13 steamships of 16,104 total net tonnage, 2 motorships of 1,949 tons and 7 barges of 6,448 tons. There were also entered 25 foreign vessels, of which 6 were steamships of 9,590 tons and 19 were motorships of 1,730 tons. During January, 22 American vessels cleared for Cuba, of which 15 were steamships of total tonnage of 18,956 tons, one (1) motorship of 974 tons and 6 barges of 3,909 tons. There were 25 foreign vessels clearing for Cuba with general cargo, of which 7 were steamships measuring 6,442 tons, 18 motorships of 1,410 tons. There were no passenger or tanker vessels operating from this port to Cuba during January.

(3) The nature of the cargo on the inbound voyages was raw sugar for all of the American vessels and for 5 of the foreign vessels. The other cargo brought in consisted of tobacco, fruit and vegetables and general miscellaneous merchandise. The cargo exported to Cuba on both the American and foreign vessels was miscellaneous merchandise, with 2 vessels being loaded with rice and 3 vessels with lumber. The miscellaneous cargoes consisted of wearing apparel of all kinds, building material, machinery, medicines, etc.

PORT EVERGLADES:

(1) There is at present an accumulation of approximately 6,000 tons of south bound cargo at shipside and enroute thereto. No delay in the south bound movement. There is no accumulation of north bound cargo. This is less than normal volume.

B

Commissioner of Customs

-2-

February 13, 1943 wkt

(2) Twenty-two vessels of 24,130 tons in Cuban trade in January as follows:

Steamers	5	-	7,773 tons
Motor Vessel	9	-	1,553 tons
Barges	8	-	14,804 tons

(3) Principal commodities south bound, rice, flour, and machinery. North bound, sugar, molasses, ore, fresh fruits and vegetables.

MTAMI

(1) There appears to be no accumulation of cargoes for Cuba. The amount on hand is less than the usual (wartime) amount. Apparently no delay is encountered in moving these shipments.

(2) During January, 15 vessels made voyages to Cuba. Tonnages ranged from 20 net tons to 852 net tons, one being 1467 tons. All vessels were steam or motor, no sailing vessels. Of the fifteen, 6 were steam and 9 were motor. A total of 38 trips were made by these vessels. A number of trips were made in ballast or with light cargoes.

(3) The principal exports were food-stuffs, construction materials, fruits, vegetables and general merchandise. Imports from Cuba were fruits, vegetables, candy, gin in barrels, raw sugar, refined sugar and tobacco.

WEST PALM BEACH

(1) There appears to be no accumulation of cargoes for Cuba. Traffic moving with regularity upon arrival at this port.

(2) The following tabulation indicates types of vessels entered at this port from Cuba during the month of January and tonnage applicable thereto:

Steamships	5	2,658 tons
Motorships	5	582 tons
TOTAL		3,240 tons

The following tabulation indicates types of vessels clearing from this port during the month of January and tonnage applicable thereto:

Steamships	6	3,639 tons
Motorships	8	1,137 tons
		4,776 tons
GRAND TOTAL		8,016 tons

(3) The principal commodities coming into this port from Cuba are sugar, tobacco and vegetables. The principal commodities going to Cuba from this port are potatoes, onions, and flour.

Respectfully,



A. J. Angle, Collector of Customs

THE UNDER SECRETARY OF STATE
WASHINGTON

February 24, 1943

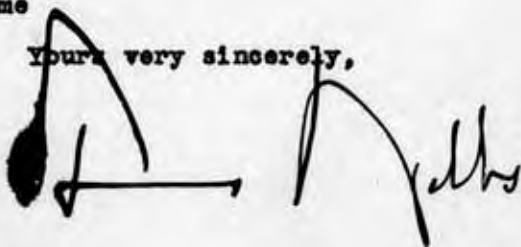
Personal

Dear Henry:

I have now received a reply to the inquiry which I made of our Ambassador in Ankara and I am attaching herewith a paraphrase of this message. I am having a further investigation made and I shall keep you informed.

Believe me

Yours very sincerely,

A handwritten signature in dark ink, appearing to be 'A. H. Hays', written over the typed name 'Yours very sincerely,'.

Enc.

The Honorable
Henry Morgenthau, Jr.,
Secretary of the Treasury.

PARAPHRASE

FROM: American Embassy, Ankara

DATE: February 23, 1943

Joseph Goldin, Red Cross representative in Turkey of the Jewish Agency for Palestine, informs me that the following is the basis for the story which appeared in the February 13 issue of the New York Times:

A Dutchman named Schmitt, who resides in Bucharest and was visiting Istanbul and who is the Balkan and Turkish director-in-chief for Phillips Radio, called on Goldin on December 6 and stated that he brought a proposal from an individual by the name of Lecca, said to be the Rumanian Government official in charge of Jewish matters in that country. In effect the proposal was that the Rumanian Government was prepared - provided the British and American Governments agreed to safe-conduct and the necessary visas - to consent to the departure of and to provide ships for the transportation to Palestine or another allied port of the remaining 72,000 Rumanian Jews of those previously deported to Trans-Dniester. Goldin was further informed by Schmitt that an individual named Gingold, who has been appointed by Gesageso as representative of Jewish community in Bucharest, was familiar with and favored the proposal. According to Schmitt the Catholic bishop of Bucharest had expressed

-2-

his readiness to permit use of the Vatican flag on the ships and to solicit use of the international Red Cross emblem if necessary. Schmitt stated, in response to Goldin's inquiry, that it was an "official" proposal.

The proposal was transmitted to the Jewish Agency for Palestine in Jerusalem by Goldin on December 6 and he does not know what, if any, action has been taken in the matter since that date.

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRETU.S. SECRETOPTEL No. 63

Information received up to 7 A.M., 24th February, 1943.

1. NAVAL

An outward convoy in mid-Atlantic has been subjected to a series of U-boat attacks during the past few days, 10 ships are reported torpedoed of which 4 are known to have sunk. Another outward convoy has been attacked by U-boats S.W. of MADEIRA, at least 3 ships have been torpedoed including a tanker which has sunk.

2. MILITARY

TUNISIA. On the night of the 20th enemy motorised infantry occupied the KASSERINE GAP. On 21st enemy advanced with tank support northwestwards from KASSERINE and northwards astride the KASSERINE-THALA Road. Heavy fighting continued on 22nd N.W. of KASSERINE without further success to the enemy who is on approximate line 15 miles southeast THALA-astride railway 22 miles northwest KASSERINE-10 miles northwest and 17 miles west of FARIANA. Heavy casualties are being inflicted on the enemy and prisoners taken. Enemy attacks south of SBIBA and east of MEDJEX-EL-BAK were repulsed.

RUSSIA. Russian pressure continues in the area south of OREL and northwest of KHARKOV. The towns and railway stations of SUMI, AKHTYRK and LEBEDIN about 90 miles northwest of KHARKOV have been captured.

3. AIR OPERATIONS

SICILY Area. 22nd/23rd. Aircraft from MALTA successfully attacked an airfield, cement factory and railway train in SICILY and damaged a small steamer and 2 trains in CALABRIA.

SOUTHERN AEGEAN. 21st. 9 Marauders attacked shipping and shore installations at MELOS ISLAND. A ship was sunk, another set on fire and a third probably damaged. 2 Marauders are missing.

LIBYA. 21st/22nd. About 25 enemy aircraft bombed TRIPOLI causing a few casualties. Enemy casualties by fighters and A.A. - 6, 1, 1.