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TREASURY DEPARTMENT
Washington.

1
FOR RELEASE, MORNING NEWSPAPERS,
Friday, October 17, 1941.

The Secretary of the Treasury, by this public notice, invites tenders for \$150,000,000, or thereabouts, of 91-day Treasury bills, to be issued on a discount basis under competitive bidding. The bills of this series will be dated October 22, 1941, and will mature January 21, 1942, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of \$1,000, \$5,000, \$10,000, \$100,000, \$500,000 and \$1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern Standard time, Monday, October 20, 1941. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of \$1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 10 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on October 22, 1941.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under

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Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

Treasury Department Circular No. 418, as amended, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

-oOo-

October 17, 1941
9:25 a.m.

RE FINANCING

Present: Mr. Haas
Mr. Hadley
Mr. Bell
Mr. Morris
Mrs. Klotz

H.M.Jr: On reading this memo, it isn't quite clear to me what you people had in mind. You say, "Offer a new Treasury security for four hundred cash and in addition offer the holders of the RFC the fifty percent."

Maybe I don't understand it, but you say the RFC need--

Bell: They need five hundred million.

H.M.Jr: Well, now, if you took the - yes. RFC, three hundred and the Commodity Credit - I take it you are bunching the two?

Bell: That is right. You would offer a Treasury note, say, for four hundred million dollars. Is that what I put in there?

H.M.Jr: Yes, that is right.

Bell: Four hundred million dollars, and then you would increase that - that is, you would

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offer for cash and then you would increase that four hundred million by fifty percent of the exchange of RFC and Commodity Credit, which would be a hundred and fifty, two hundred and fifty million, so you would have a six hundred fifty million Treasury note outstanding, and then you would pay off the two hundred fifty left in cash.

H.M.Jr: Wait a minute. You see, you have got - now wait a minute. I have got the four hundred and half of the RFC and Commodity Credit, two fifty, which would give you a six fifty note.

Bell: That is right.

H.M.Jr: What are you going to do with the hundred and fifty?

Bell: Hundred and twelve?

H.M.Jr: No, the other half of the RFC.

Bell: Pay that off in cash. Have one half of it exchanged.

H.M.Jr: And the four hundred you raise will do that, is that it?

Bell: Well, the four hundred plus the two fifty bills. You see, you are getting fifty million bills coming in also.

H.M.Jr: I don't think that that is quite clear, the way you are putting it.

Bell: You see we put down there, start the bills the twenty-second at fifty million dollars a week.

H.M.Jr: Let me just see. I see.

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Now, all of that one - now, what is two?

Bell: Well, two is another--

H.M.Jr: Oh, no.

Bell:another suggestion, yes. You can reopen a Treasury note - I don't think I am in favor of it, but you could reopen that old Treasury note.

H.M.Jr: Could they say, "Here is one," and then the alternative the next time it is written?

Bell: Well, we didn't recommend any one of them, but we said we suggest these for consideration.

H.M.Jr: Oh! Well, it isn't clear to me that two and three are alternatives. Reading it quickly, you wouldn't know it.

Bell: I see. I am not so sure that that fifty percent is even enough. There is quite a lot of kick in the market.

H.M.Jr: Oh, I got wonderful statements in the Tribune today.

Bell: Your Tribune is good, but the banks are feeling a little bit low about it, particularly some of your banks, your large banks, that have really taken your guaranteed and made a market for them, such as the Guaranty and one or two of the others, and they have purchased them, so they say, with the rights in mind.

H.M.Jr: The Tribune just glowed.

Morris: Well, I think that was on the major policy. I read that, and I think that is on the major

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policy, which we are all in accord with.

H.M.Jr: But today you are talking about something - there are no rights on this thing. Something happened to this thing. Of course, I didn't have that in mind.

Bell: It is pretty effective.

H.M.Jr: I just wanted to see what would happen if I said it.

Bell: There really wasn't much market yesterday. It was just a marking down.

Hadley: A marking down. They weren't willing to sell at par, but they would bid for them at par.

H.M.Jr: Some banks call you?

Bell: By golly, I have had calls from all over the country, and I have got one in from Chicago this morning waiting for me.

McLucas called me. They weren't sore. They just said to tell the Secretary that they have been in this market, they have held these guarantees, and they haven't got them for speculation but for investments, but they have taken into consideration the right values. They buy them because it gives them an exchange privilege on the next one, and they don't have to be in the market and boosting up the market all the time to get their investments. They said to just tell you that, and that is all they wanted. Some of the people around New York yesterday said, "We just don't think the Secretary is going to be that brutal. He hasn't been in the past," and they have been patting you on the back as to your fairness in the past, and

they don't think you are going to be brutal in this. I had a lot of calls yesterday.

H.M.Jr: Well, I understand this now.

Bell: I told them that they would just have to keep their shirts on for a couple of days, and I thought the situation would be clarified by Monday. I told them you usually gave out some information as to what we were thinking about before a financing, and you certainly would do that again Monday.

(Mrs. Klotz entered the conference.)

H.M.Jr: Did you (Morris) get any calls?

Morris: No, I didn't.

H.M.Jr: All right. We will go into the next meeting.



THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

9

October 16, 1941

TO THE SECRETARY:

Subject: The November and December 1 - March 1
Financing Program

November financing

The following is the amount of financing which
was contemplated for the month of November:

	<u>Maturities</u>	<u>New Cash</u>	<u>Total</u>
RFC	\$300,000,000*	\$500,000,000	\$ 800,000,000
U.S. Housing Authority	112,000,000*	150,000,000	262,000,000
Commodity Credit Corporation ..	<u>204,000,000**</u>	<u>-</u>	<u>204,000,000</u>
	<u>\$616,000,000</u>	<u>\$650,000,000</u>	<u>\$1,266,000,000</u>

* Maturing November 1. **Maturing November 15.

In view of the long policy of the Treasury in
granting exchange privileges, we definitely feel that
"rights" should not be entirely eliminated at this time.
We believe, therefore, that to keep faith with the market
some provision should be made for allowing the holders
of the maturing obligations of the Reconstruction
Finance Corporation and Commodity Credit Corporation
to exchange their holdings, at least in part, for any

other securities offered. At the time the obligations of the U. S. Housing Authority were issued, it was intimated by the Treasury that they might be paid off in cash at maturity. For this reason they have practically no "right" value attached to them, and they may, therefore, be paid off and no exchange privilege granted.

To provide for the refunding of the Reconstruction Finance Corporation and Commodity Credit Corporation maturities and the additional cash required between now and December 15th, we suggest the following for consideration:

- (1) Offer a new Treasury security for \$400M cash, and in addition offer the holders of the RFC and CCC maturing obligations the privilege of exchanging them for the new securities offered up to 50% of their holdings, and pay off the USHA maturing obligations amounting to \$112M in cash. This would require cash of \$264M to meet maturities which was not contemplated in our cash position estimates, although we will get about \$300M more on the recent bond issue than provided for in these

estimates. To follow up the policy agreed upon at yesterday's luncheon conference, begin on October 22nd to issue \$50M additional bills a week. By January 14th we would have completed the 13 weeks and raised \$650M additional funds. The total bills then outstanding would be \$1,950M, at which time we could consider as to whether we wanted to go on at the rate of additional \$50M a week to a total of \$2,600M.

- (2) Reopen an outstanding Treasury taxable note for cash in the amount of \$400M and exchange along lines of (1) above. For example, the 3/4% note maturing March 15, 1943, selling at about 100 $\frac{25 - 27}{32}$ would serve this purpose, although selling a little high.
- (3) Either (1) or (2) with full exchange privileges. In either case additional Treasury bills should begin October 22nd.

December 1 to March 1 financing

	<u>Maturities</u>	<u>New Cash</u>	<u>Total</u>
Treasury . \$	426,000,000*	\$2,500,000,000	\$2,926,000,000
RFC	310,000,000**	350,000,000	660,000,000
FFMC	340,000,000***	-	340,000,000
	<u>\$1,076,000,000</u>	<u>\$2,850,000,000</u>	<u>\$3,926,000,000</u>

- * Maturing March 15
- ** Maturing January 15
- *** \$236M callable January 15 and \$104M callable March 1

Our cash position estimates contemplate raising new money for the Treasury of \$1,500M on December 15 and \$1,000M on February 1. Ordinarily we would refund on December 15 the March maturities amounting to \$426,000,000. Our estimates also contemplated raising additional money in January in the amount of \$350,000,000 for the RFC and refunding its maturities of \$310,000,000, and also refunding the issues of the FFMC amounting to \$236,000,000 callable January 15, and \$104,000,000 callable March 1.

The following are suggested for consideration in connection with the December and January financing operations, subject to change however depending upon what plan is adopted for the November financing:

- (1) a. Offer a Treasury bond on December 15 for \$1,500M in cash, and in addition, refund the Treasury note of \$426M maturing March 15; (b) Offer a new Treasury note in January for refunding the RFC maturity of \$310M, and the two callable issues of FFMC aggregating \$339M, or a total of \$649M; or (c) Under (b) raise in January \$450M in cash and grant exchange privilege on a 50% basis.
- (2) a. Offer a Treasury bond on December 15 for \$1,500M in cash only; (b) Then in January offer a Treasury security in exchange for Treasury, RFC, and FFMC maturities; or (c) Under (b) offer Treasury security for cash of \$450M and grant exchange privilege on a 50% basis for agency maturities. (This also assumes a bill program of at least \$50M a week for 13 weeks.)

- (3) In view of the fact that it will be necessary to raise additional cash early in February, probably in the amount of \$1,000M or more, the \$104M issue of FFMC callable March 1 and the \$426M Treasury issue maturing March 15 could be refunded into whatever issue is offered at that time.

sub B
STML

October 17, 1941
9:30 a.m.

GROUP MEETING

Present: Mr. Haas
Mr. Morris
Mr. Bell
Mrs. Klotz
Mr. Buffington
Mr. Barnard
Mr. Sullivan
Mr. Schwarz
Mr. Foley
Mr. Thompson
Mr. Gaston
Mr. Graves
Mr. Kuhn
Mr. Odegard
Mr. Coe

H.M.Jr: In this morning's Wall Street Journal the SEC seeks to remove tax law discrimination in favor of bond debt. Are you familiar with the study they are making?

Sullivan: No. There are two or three other things we are going over with them. That represents a problem we have been working on ourselves.

H.M.Jr: Well, don't you think that they might say something to us before they give it out?

Sullivan: Yes, I do. As a matter of fact, they shouldn't be giving any of it out.

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H.M.Jr: Well, it is Purcell, I think, who made a speech on it. The only way to talk to the fellows is to call them up and say, "Well, do you think that this is very nice?"

Sullivan: He is a pretty good fellow. He has always cooperated with us. I will read this.

Foley: They haven't got very much to do over there now. (Laughter) They are like the Federal Reserve Board.

H.M.Jr: Really?

Foley: That is right. They are looking for something to do.

H.M.Jr: Well, why don't they do a job on the utilities?

Foley: Well, they are doing that.

H.M.Jr: Without taking ten years to do it, I mean.

How about Ambassador Winant's cable?

Bell: I have it here, Mr. Secretary. That was handled before by Mr. White and Mr. Coe and we think you answered it, but I don't see any objection to sending another cable saying that we will back him up in the position he takes.

H.M.Jr: Is that a cable?

Bell: Yes, sir. You just initial it and I will see that it goes out.

H.M.Jr: O.K.

Bell: It is just for the record. It really doesn't mean an answer.

Thompson: Here is a memorandum on Frazier and Coffren, your two chauffeurs.

H.M.Jr: The reason is, Frazier thinks the evening job is a little better.

Thompson: Well, that is a little bad news in there.

H.M.Jr: Oh, I didn't read it. When do they have to change it?

Thompson: On the first of January.

H.M.Jr: It is a nice Christmas present, isn't it? He has got to go back from two thousand to sixteen hundred. Nothing you can do?

Thompson: We have argued it out and argued it out. They don't have a higher grade for any cabinet officer.

Klotz: They knew that, though.

Thompson: Oh, yes, they knew it.

H.M.Jr: I think I would tell it to him now.

Thompson: I had been planning to do that. I am having a rather complete survey made of the Mail Department. Up in Foreign Funds it is probably the worst spot but steps are being taken.

H.M.Jr: I didn't hear very well. Would you mind repeating that? (Facetiously)

Thompson: Foreign Funds. I might say, in fairness to them, they have reached the saturation point in mail and they are doing a good job.

H.M.Jr: Did you say they are setting an example for the Department?

Thompson: Mr. Bell also has beaten me to the gun down in Loans and Currency. He had already taken steps about three weeks ago to improve conditions there but I am having a check made all around.

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- H.M.Jr: I think every four years ought to be time for a little dusting off.
- Thompson: I think the delay now is because the saturation point has been reached and there is just tons of mail coming in.
- Bell: The volume is really terrific now.
- Thompson: I know the mail on my own desk is about a four hundred percent increase. But I will have a report for you on that.
- H.M.Jr: This is apropos of what you told me yesterday of some letters I have been getting. I think somebody ought to decide how often we go to these Defense Bond lists. I got a mean letter yesterday from a man that ought to know better, about how he had gotten two letters. Max Farrand.
- Kuhn: I prepared a mean reply, Mr. Secretary. It was a very nasty letter and the only one of its kind that I have seen. All the other people are delighted to get these letters from you.
- H.M.Jr: But the point I am making, let's take the United States Savings Bond list. I don't think that we should circularize that - well, certainly not more than once a month, and I think if we circularize it --
- Kuhn: We don't. We can't.
- H.M.Jr: Well, once in two months. Now Buffington has it in mind, you see.
- Kuhn: But it is physically impossible to do the turn-over of so many millions.
- H.M.Jr: I am just raising the question. I don't know how often it is done, but I think, Harold, you

ought to be controller on that. I think there is a limit to how many times you can go to a list like that.

Kuhn: His complaint was that he got two of the same letter.

Bell: You see, his name is in the file twice. They have taken it from different places, and there is a constant study of that list to eliminate duplications, but when you have got seven million names, it is impossible to eliminate all duplications.

H.M.Jr: While I am on that, could you give me a report Monday on how far along you are with the mailing of my Boston speech?

Kuhn: Well, Norman knows that already.

Thompson: They have completed the mailing to the extent of available copies of the speech. They ran out of copies. Over two million copies have gone out.

H.M.Jr: Don't you think that is enough?

Thompson: There are three or four hundred thousand more to go and they just reported yesterday that they would have to get that additional number of speeches to complete the list.

H.M.Jr: Do you think you want to do that? Do you want to do it?

Kuhn: The requests are coming in all the time, Mr. Secretary. I have never seen anything hold up so long.

Thompson: I haven't gotten my copy yet.

Odegard: Wasn't the Max Farrand duplication due to the

fact that is name appeared on the lists of two of those learned societies?

H.M.Jr: I am not bothered by it. It is just those kind of letters which they bring to me which just raises some of these things, and having talked with Buffington yesterday and knowing that he had this thing in mind, I am taking a little unfair advantage. He shouldn't come and tell me what he is thinking of doing. It made me wonder how much we go to those lists.

Kuhn: Mr. Secretary, on the Boston speech Mrs. Forbush upstairs gets requests for about twenty-five hundred - I think almost twenty-five hundred a week, in addition to what the Defense Savings people get.

H.M.Jr: Good.

Kuhn: And it keeps coming and Harry Hopkins wants us to send it to all high schools.

H.M.Jr: Really? Harry Hopkins?

Kuhn: Yes. He transmitted a request or a suggestion. I don't know how you feel about that.

Thompson: It is a good place for it, I think.

H.M.Jr: Well, I will leave that to you people. Professor Odegard can decide whether it is fit and clean, and so forth, for high school children. (Laughter)

How about something nice for Mrs. Lewisohn?

Kuhn: I handed it in at 9:10. (Laughter)

H.M.Jr: That is all right. Did you have a time stamp put on it.

Kuhn: Would you like one?

Bell: He can fix that too.

H.M.Jr: Anything else, Norman?

Thompson: That is all.

H.M.Jr: All right. I am just telling you on the record, I think it is a very healthy thing, this check-up. My office may get a little unpopular, but the only way to keep us from getting after you is to do it before the memo comes.

Bell: I have this --

H.M.Jr: We are just going to keep after you people, and it is the only way I can get the stuff; and if I get the service so we don't have to check up, I am sure we will all be delighted.

The other point, Mrs. Klotz says, when you people do give me a report on something, could we have a little memorandum in writing so that they can close out our books on it, you see. I mean, you may stop by and say, "Well, I have done this," but there is no way that the girls know.

Klotz: It makes it difficult.

H.M.Jr: So if you would, when you run back, stop a minute and confirm it in writing, then they can close it out.

Bell: I find they usually check up.

H.M.Jr: It is all right. She has got a good organization. It keeps you people on your toes.

Klotz: It is a nuisance, I know.

Bell: No, it is all right.

H.M.Jr: If they don't like it they can beat the memo, and then you don't get any. But a confirmation of any verbal thing, please.

Bell: I have this memo that the Chinese Ambassador gave you about having someone from the Federal Reserve Bank go over there and study their central bank, one. Two, whether Fox could serve as an advisor to the Chinese Treasury. Do you mind if I talk to Eccles on it?

H.M.Jr: No.

Bell: I think we can prepare a cable on two and say we have no objection if it isn't burdensome to Fox. I expect it is largely honorary, anyhow.

H.M.Jr: Well, if you and Coe would work it out.

Bell: Yes, we will.

H.M.Jr: Can I forget it?

Bell: Yes. Well, we ought to have a letter, probably.

H.M.Jr: All right. I think we should let the Ambassador know it.

Bell: Yes, I think so too.

H.M.Jr: Anything else?

Bell: Yes. Mr. McGoldrick from New York wants to come down Monday and get his twelve and a half million dollars in obligations, and I think it is a publicity stunt. He might want a picture taken of somebody handing them to him. He said he would like to have a picture of you handing him the twelve and a half million, and if not, he would like to have a picture getting

off the plane back in New York. He says there is a campaign on. He paid his money yesterday to the Federal Reserve. Do you want to do that?

H.M.Jr: Sure. He is a friend of Peter Odegard's.
(Laughter)

Bell: Harold Smith called me and gave me some background of the letter he wrote you on the state money. He had to do that, he said, because it was being approached through another angle to the President by some governor. It is something they have been working on for some time with one of the state treasurers.

Now, the governor got hold of it and he approached the President and he wanted to stop that so he wrote to the President also and he said he wanted to explain it to you and he understands that this governor is going to write you a letter. It is the Governor of Virginia. He wanted you to know that.

I also have his document that went up yesterday. It is about twenty-six pages long.

H.M.Jr: I will take it to the country with me. I will most likely light the fire with it.

- 10 -

Bell: Well, it is interesting reading, but doesn't give much consolation to the committee, certainly, on '42 expenditures.

Could Mr. Buffington and I have a few minutes today to discuss this tax note thing?

Sullivan: I would like to be here when that is discussed, too.

H.M.Jr: Sure.

Buffington: Mr. Secretary, could we do that as late in the afternoon as possible?

H.M.Jr: Yes, you can do it right late. You can do it about two o'clock (laughter). We will say two fifteen. That will be the deadline.

Bell: I would like to do it before. I have a luncheon engagement with the Hungarian Minister.

H.M.Jr: Well, I can't do it before.

Buffington: I won't be prepared before two fifteen.

H.M.Jr: This will be the last appointment of the day anyway.

Bell: I wanted to get something before he went away.

H.M.Jr: Two fifteen. All right, Dan?

Bell: Yes, sir.

Coe: I gave Bewley the Russian information. He wanted to apologize for the fact that

- 10 -

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Bell: I wanted to get something before he went away.

H.M.Jr: Two fifteen. All right, Dan?

Bell: Yes, sir.

Coe: I gave Bewley the Russian information. He wanted to apologize for the fact that

Halifax hadn't told the Treasury people what Bewley told Halifax, for bothering you.

H.M.Jr: Tell him I don't accept his apologies and I don't think it is necessary.

Coe: We have got information that South Africa is selling more gold to Britain. For some time they have been accumulating a lot. Now it is going down again.

H.M.Jr: That was this morning's paper?

Coe: That is this morning's. That is all.

Buffington: I have nothing.

Schwarz: Felix Belair called and asked if you would say a word of tribute for the return of the March of Time program to the air. He said he spoke to you about it.

H.M.Jr: I don't know which is the correct pronunciation, nertz or nuts.

Schwarz: He said now we were in the radio business. I told him we weren't giving out testimonials.

H.M.Jr: You can take your choice. I can't spell.

Schwarz: I paved the way for that.

H.M.Jr: Felix Belair's boss came in. He was going to let me hear from him about putting on fifteen minutes for us in connection with Life, and I have never had any answer. But that is neither here nor there. All right?

Schwarz: Yes.

H.M.Jr: George?

Haas: (Handing reports to Secretary) Mr. Secretary, you probably noticed that there are very sharp breaks in the commodity market yesterday. The Dow Jones average had the sharpest daily break since it was computed in '33, and the ones that broke sharpest were the ones where the commodities were inflated, like grains and fats and oils, but all of them shared in the decline. Wheat went down the limit, ten cents.

H.M.Jr: Peter?

Odegard: I have nothing.

H.M.Jr: Harold?

Graves: We are all clear in Delaware. As luck would have it, we got a letter from Governor Buck yesterday saying that on account of bad health he would not be able to accept the chairmanship of that state.

H.M.Jr: Wonderful. Who is the Senator, Hughes?

Graves: Hughes is the Senator who called you.

H.M.Jr: Fine.

Graves: I think when you talk to Hughes it would be well to put it on that ground, that Buck finally declined.

H.M.Jr: Now, Harold (laughter).

Graves: Because we have got to go in there again and make an effort to induce somebody else to take this job. I suppose you won't want to call on Hughes.

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H.M.Jr: I am not going to.

Graves: We have now got our chairmen and administrators and deputy administrators in both North and South Dakota, and the governors of both of those states have agreed to accept honorary chairmanships of our organizations. They both were quite friendly and favorable to this program.

H.M.Jr: Now let me see, that just leaves you New Orleans and New Hampshire?

Sullivan: Oh, boy, I have got a star for you up there (laughter).

H.M.Jr: I said to Harold, "Well, Harold, why don't you do something about New Hampshire?" "Well now, Mr. Morgenthau, can't I leave the least until the last?" He said, "It is so insignificant" (laughter).

Sullivan: We have the first presidential primary, don't forget.

H.M.Jr: That is about fifty per cent correct.

Sullivan: I have got a star for you. William J. Starr.

Graves: This might be interesting to you. Our people who have been in North and South Dakota say that there is no following for Senator Nye or for the isolationist group in those states.

H.M.Jr: I would like to do an extra good job in North Dakota and Montana.

Graves: We are doing a good job already in Montana. We have been organized there for three months

and it is working well. I think we will do a good job in North Dakota.

H.M.Jr:

Thank you.

What else, Harold?

Graves:

That is all.

Barnard:

Nothing.

Kuhn:

Nothing.

Morris:

Nothing.

H.M.Jr:

You and I are going to get together Monday?

Barnard:

Yes.

Sullivan:

That sounds like a pretty close corporation, Dan (laughter). Junior (Foley) and I ran across a bad situation --

H.M.Jr:

Junior? (Laughter).

Sullivan:

..... in Brooklyn. There is a fellow up there that the Internal Revenue men have been after, an Austrian national, who apparently bought himself a job as a consular representative of Paraguay and acquired diplomatic status. He was in trouble with us on income taxes.

H.M.Jr:

What is his name?

Sullivan:

Faringer.

H.M.Jr:

That is Sam Klaus.

Gaston:

Yes.

Sullivan:

That is right. And Wednesday he blew into

- 15 -

town with one attorney to see us on taxes and the Collector of Internal Revenue in Brooklyn representing him before the State Department to prevent his being put out of the country. That brings up the old, old problem as to whether or not collectors of Internal Revenue shall continue to practice law or engage in their own business.

H.M.Jr:

Good heavens, there is a succession of orders in Internal Revenue which I got out at the time I was having my fight with Senator Bulkley in Ohio.

Sullivan:

Well, apparently more than half of them are still in business, and I think as soon as Mr. Helvering comes back we had better take that up.

H.M.Jr:

If there ever were stiff regulations, they were written at that time. You (Graves) were in on that at that time.

Foley:

They have never been put into effect.

Graves:

I don't remember that specific thing, but I was in on the --

H.M.Jr:

I mean that whole liquor case with the collector and all that.

Graves:

All that was done as a result of that was to issue a regulation or renew an old regulation absolutely prohibiting any employee in Revenue to have any interest in the liquor business, or, as I recall, tobacco business or any other business that was subject to supervision by the Bureau of Internal Revenue. I think our orders then went no further than that.

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Foley: It is something that ought to have attention, Mr. Secretary.

(The Secretary held a telephone conversation with Senator Hughes).

H.M.Jr: All right?

Klotz: You didn't give him a chance. That was marvelous.

Gaston: He says, "Ha, ha, that is too bad."

Foley: I think you ought to do it, Mr. Secretary.

H.M.Jr: What?

Foley: I think you ought to clear it with him. Yes, I do, really. I think this is wrong. I really do. I feel quite strongly about it.

H.M.Jr: Well, I feel quite strongly about it, too. We can't start it. Have a talk with Harold. He is a nice soft gentle fellow.

Foley: I know, but to get a Republican fellow in a state who may run against a United States Senator, and set him up as the head of an organization in a state, I think that is wrong.

H.M.Jr: Granted, but that doesn't mean at this stage of the game where we have got everything straightened out but New Hampshire, that I am going to let the political bosses appoint the people. We have gone through this whole thing without consulting the Senators. If we start now, where does that leave us?

We have done the whole job. As far as I

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know, this is the only complaint I have had on forty-eight states, and I think that is a great compliment to Harold Graves. It is a great compliment. Now, my heavens, if he makes one mistake in forty-eight he is better than I am. He is the only Senator that has called us.

Foley: This is the only one I have heard about, but it is a bad situation.

H.M.Jr: I think he has done an amazing job to set up a non-political organization. We have got Willkie Democrats and we have got Willkie Republicans, and we have got all kinds. Just as long as their heart is in the right place and they want to lick Hitler, they are all right with me. This is the only complaint.

Bell: I don't think you will get the cooperation of the community if you start to make the appointment, politically.

H.M.Jr: No. I think Harold has done an amazing job. The purpose of the meeting is to exchange opinions. Don't you, on second thought, think so?

Foley: This is the only case I have heard of, Mr. Secretary, and it seems to me that is awfully raw.

H.M.Jr: Well, it is the only one that there has been. All right. Where were we?

Sullivan: Brooklyn.

H.M.Jr: Well, can't we get out of Brooklyn?

Sullivan: I think as soon as Commissioner Helvering returns, we ought to.

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H.M.Jr: O.K. Incidentally, I have been making a little fun about Sammy Klaus. He wrote me a four or five page report on what he has been doing, and it is perfectly amazing what that fellow has done. It is an amazing report.

Foley: He is not modest.

Gaston: He has done a lot of good stuff.

Foley: He is not modest (laughter). I'll bet I could take the report and

H.M.Jr: Well, you will get a chance at it. All right?

Sullivan: Yes.

Foley: I have nothing.

H.M.Jr: Hell, he is your assistant.

Foley: Oh, yes? (Laughter).

Sullivan: That is one of those compromises like I had on Blough.

Foley: Well, don't rub it in.

H.M.Jr: Assistant to the General Counsel, on your payroll. You ought to be proud. You ought to say, "Well, he is one of my boys."

Foley: I would if he was.

H.M.Jr: What else, Ed?

Foley: Nothing.

Gaston: I promised to bring to you the inquiry of the American Federation of Labor as to

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whether or not it would be possible to lift the limit with respect to the purchase of Savings Bonds from union funds. That was just after I had gotten through explaining that we didn't want the union funds invested in Savings Bonds. So I am merely reporting that inquiry to you for the record.

H.M.Jr: Well, the President of the Teamsters' Union, Tobin, he has been downright nasty about it.

Gaston: Yes.

H.M.Jr: But you have reported it anyway.

Gaston: That is right. I have here a proposed Executive Order which would permit the Commandant of the Coast Guard, on the approval of the Secretary of the Treasury, to put Coast Guard personnel ashore to protect vital facilities, shore structures and so on. I think it is a desirable thing to have in case of an emergency. We have discussed it at some length.

H.M.Jr: How about the Navy? How do they feel about it?

Gaston: It is all right with them.

H.M.Jr: Is there anything to show it is?

Gaston: There is nothing here to show it.

H.M.Jr: Well, had you better get something?

Gaston: I will get something.

H.M.Jr: I will sign it, not to hold it up.

Gaston: This is a letter to the President through the Director of the Budget. I will get

- 20 -

something definite in writing from the Navy.

H.M.Jr: Anything else?

Gaston: No, I think that is all.

H.M.Jr: There was some Pittsburgh labor union wanted me to speak. I handed it to you (Kuhn) to prepare an answer.

Kuhn: Pittsburgh labor union?

H.M.Jr: Yes, they came in here. A longhand memo.

Kuhn: You spoke to Fitzgerald yesterday about it?

H.M.Jr: Yes.

Kuhn: Yes, I have it.

H.M.Jr: You are taking care of it?

Kuhn: You can't do that. I think he told them that you couldn't.

H.M.Jr: Well, you had better write it. I don't know, if anybody has not seen the March of Time picture on Norway, we are going to show it immediately now downstairs, if anybody would care to come down, he is invited. It is immediately below this room here. It is the March of Time, Norway picture. It will be shown in sixty seconds downstairs, if anybody would like to see it.

Gaston: One other little thing, we are discussing a complicated matter of Cox and Gibbs, the naval architects, for design of an ice ship. I don't know whether you are interested or not.

H.M.Jr: No.

October 17, 1941
9:54 a.m.

HMJr: Hello.

Senator
Hughes:

Hello, Mr. Secretary. How are you this morning?

HMJr: I'm fine. How are you, Senator?

H: Not so very good.

HMJr: Oh, you're not feeling well?

H: I haven't been feeling well for several days.

HMJr: I'm sorry.

H: I'm over home.

HMJr: Well, Senator, the question about appointing Buck has taken care of itself.....

H: Yes.

HMJr:because he's not well enough.

H: Huh?

HMJr: He has heart trouble.

H: Oh, has he?

HMJr: So I understand.

H: (Laughs) I don't know about that. I hadn't heard that. That's too bad. That's getting to be too prevalent.

HMJr: Well, anyway that situation is solved; and while I'm very sorry that Mr. Buck is ill.....

H: Yes, I feel very sorry.

HMJr:I'm glad to be able to do what you wanted.

- 2 -

H: Yeah.

HMJr: So we're looking around for somebody else.

H: Very good. I'll be back at Washington on Monday.

HMJr: Right. I hope you'll be feeling better.

H: Thank you very much. Hope you're well.

HMJr: Take care of yourself.

H: All right.

HMJr: Good-bye.

H: Thank you.

October 17, 1941
12:01 p.m.

Lt. Sinton's
Secretary:

Hello.

HMJr: Sinton?

S: Yes, sir.

HMJr: What are the prospects for flying this afternoon?

S: They're good, sir. We will have north winds, possibly twenty miles per hour, and a few clouds at three to five thousand feet; but the weather will be good.

HMJr: Well, the earliest that I can take off now is two-thirty.

S: Two-thirty.

HMJr: That'll be the earliest.

S: Yes, sir. Well, we can - the deadline should be three-thirty.

HMJr: The deadline should be three-thirty?

S: Yes, sir.

HMJr: Well, I won't crowd you, but the earliest that I can get over to the port would be two-thirty.

S: Yes, sir. That'll be Washington National.

HMJr: That's right.

S: All right, sir. We'll be ready.

HMJr: Thank you.

S: Good-bye, sir.

October 17, 1941
12:05 p.m.

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HMJr: Hello.

Mr.
Stoessel: Good morning, Mr. Secretary.

HMJr: How are you?

S: All right, thank you.

HMJr: I think you know the Werner Jostens very well.

S: Yes.

HMJr: I don't know whether you know he happens to be my brother-in-law.

S: Yes, I do.

HMJr: Mr. Stoessel, the reason I'm calling you is this. You may or may not know that we have three radio programs a week - the Treasury does.

S: Yes.

HMJr: And on Saturday over WOR each week we have - Alfred Wallenstein does the programs for us, and Deems Taylor is the commentator. Well, frankly I have been disappointed because I just don't think that the music is sufficiently in tune with the times. In other words, a non-musician, it seems to me that the radio audience, that we could give them a little bit more exciting music. See?

S: Yes.

HMJr: And what I'd like to do is - if you felt you could do it - would be just send you in advance the programs that they're proposing to do and then get your criticisms.

S: Well, I should be very glad to give it to you, Mr. Secretary.

HMJr:

See? Now, I have on my desk here, for instance, the program for October 25th, what they propose to do. I don't know whether, you know, it's something - whether it's the kind of music that we ought to be doing in these times or not. I mean, there's so much music that gets people aroused and makes them a little bit - feel patriotic - but on this particular program we've only been using foreign artists - foreign-born artists - I mean it's dedicated to that, you see. But a lot of this foreign composed music is exciting, and I don't think we've been putting that kind of programs on the air.

What I'd like to do, if I could, would be to put in air mail a list of what we have been doing to give you an idea.

S:

Yes.

HMJr:

And then what we propose to do October 25th.

S:

Fine.

HMJr:

And would it be rushing you too much to have an answer by Monday morning?

S:

I'd be very glad to send it to you, sir.

HMJr:

Well, that - and could I do that each week?

S:

Yes, I'd be very happy to.

HMJr:

And then possibly I'd arrange maybe - would it be possible, for instance, for you to come down here and spend an evening with me next week and we could go into it in greater detail?

S:

A week from tomorrow?

HMJr:

Well, any - no, sometime during the week.

S:

Oh, sometime during the week. Yes, any time that would suit your convenience.

HMJr:

Well, I'll get in touch with you again Monday

- 3 -

and find out.

S: Yes, sir. Do you have my home address?

HMJr: No, I don't.

S: That's 14 East 90.

HMJr: Fourteen.....

S: Fourteen East Ninetieth.

HMJr:East Ninetieth.

S: And the telephone is Atwater 95358.

HMJr: Telephone Atwater.....

S: Nine.....

HMJr: Nine.....

S:five three five eight.

HMJr:five three five eight. Well now, this will go out immediately and it ought to be delivered to your home tonight or tomorrow morning.

S: Yes, sir.

HMJr: And then if I could, say - you get something what I have in mind.

S: Yes, I have an idea.

HMJr: And I think if you see what we've done and what we propose to do, I think - well, at least you'll see why I'm disappointed.

S: Well, I'll do the best I can about it.

HMJr: That's all anybody can ask. Thank you.

S: Thank you for calling.

OFFICIAL

OCT. 17, 1941

MR. ALBERT STOESEL

JUIILLARD SCHOOL OF MUSIC

130 CLAREMONT AVENUE NEW YORK, N.Y.

ON SECOND THOUGHT BEFORE SENDING THE MATERIAL I WANT AN
OPPORTUNITY TO DISCUSS IT WITH MR. DEEMS TAYLOR AND MAKE
SURE THAT IT IS AGREEABLE TO HIM

HENRY MORGENTHAU JR

10-17-41

The Secretary

Admiral Waesche is planning to leave tonight by train for San Francisco, where he is to ~~address~~ attend the American Merchant Marine Congress and to address it on Wednesday also to look into harbor protection ~~mat~~ matters. He will return via St. Louis for ~~xx~~ a Mississippi River transportation meeting and be back in Washington Wednesday, Oct. 29. I agreed to this plan before I left for Seattle and he will go ahead according to plan unless you object. He will be in continuous contact with headquarters and can be recalled by plane at any time.


FROM: MR. GASTON

October 17, 1941
12:32 p.m.

Operator: He stepped out of his office. I'll have him in just a moment.

HMJr: Oh, for God's sake. Where is he, Miss?

Operator: She said he was just out in the hall and he's coming back.

HMJr: Get him. Get him.

Operator: All right.

HMJr: Herbert.....

Herbert Gaston: Yes.

HMJr:I'm sorry, I disagree with you. This is no time for Waesche to be outside of Washington. Do you know that there was a torpedo - a destroyer was torpedoed this morning?

G: I - yes, that's true. Yes, I hadn't thought of it in this.....

HMJr: No, I'm sorry. I want Waesche here.

G: All right.

HMJr: I positively don't want him out of Washington.

G: Yes.

HMJr: I mean, this is no time for him to be touring the country.

G: Yes. He discussed it with me - oh, it's a month ago.

HMJr: Well, times have changed, and he should stay here.

G: Yes.

HMJr: All right, then. Keep his organization on
a twenty-four hour basis.

G: Yes, right.

HMJr: Thank you.

G: Okay.

ASSISTANT SECRETARY OF THE TREASURY

October 17, 1941.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

Jim Rowe called me today to tell me that the President disapproved the appointment by O.P.M. of William A. Parker, whom the Bureau detected in an attempted tax fraud in 1937.

October 17, 1941
2:15 p.m.

RE TAX ANTICIPATION NOTES

Present: Mr. Bell
Mr. Sullivan
Mr. Morris
Mr. Buffington
Mr. Barnard
Mr. Odegard
Mr. Kuhn

Buffington: In order that tax payers may know what their tax liability is going to be annually this year and what it was last year, and to show them accurately what monthly savings will be required to pay their income taxes, we plan to send out a circular to the demand depositors. It is the only record which we have. It will go to approximately twenty-five million people, represented by all of the banks in the United States. This pamphlet, in order that they can insert it in the monthly statement of accounts to customers. The first page carries a message from the Secretary of the Treasury, and then the following pages show, beginning with a single person with no dependents, and continuing through to a married person with three dependents, what their taxes were last year, what they are this year, payments they will have to make next year on this year's income, and the monthly savings necessary, and on the back we have put a short message headed, "Start saving now to make tax payments easier," and in the center, "Consult your bank about Tax Savings Notes."

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We are not giving the taxpayer much information about the Notes, feeling that all commercial banks have the official circular on file, but rather trying first to make the taxpayer conscious of what his problem is. Once he is conscious of that, we will try to get him to go to a bank to secure detailed information about the plan. I have the proposed letter which I think everyone has looked over, which we would like to have the Secretary consider.

H.M.Jr: When you say "everybody", who has seen this?

Buffington: Mr. Broughton, Mr. Kilby, Mr. Kuhn, Mr. Graves, Mr. Bell, Mr. Sullivan, Tax Research.

H.M.Jr: Has Odegard seen it?

Buffington: Not in this last form. He has seen it up until the last changes that I made.

H.M.Jr: Have you seen it, Barnard?

Barnard: No.

Buffington: I am sorry, I didn't prepare enough copies. I didn't know how many were going to be present.

H.M.Jr: "We in America have decided upon an 'all-out' defense program that will require 'all-out' taxation. Our eyes are wide open to the sacrifices we shall all have to make in the next few years for the sake of our country's defense. Through our representatives in Congress we have expressed our preference for paying as much as possible of the cost of defense out of current earnings.

"Accordingly, our Federal income taxes have been increased so sharply that they will fall

- 3 -

heavily upon millions of individual budgets next year."

I don't like that "so sharply".

Sullivan: All right, go ahead.

Buffington: You used somewhat similar phrasing, I thought, in a previous letter of July 28. It wasn't as strong as that.

H.M.Jr: I don't like the "so sharp".

Buffington: I have prepared the letter with and without that paragraph. I have another copy.

Bell: Sullivan objects to that paragraph for other reasons.

H.M.Jr: He objects to this letter?

Buffington: No, he objects to the one that has just been read.

Sullivan: That one paragraph.

H.M.Jr: "We in America have decided upon an 'all-out' defense program that will require an 'all-out' taxation. Our eyes are wide open to the sacrifices we shall all have to make in the next few years for the sake of our country's defense. Through our representatives in Congress we have expressed our preference " --

(Mr. Odegard entered the conference).

H.M.Jr: Peter, would you come in and sit down? I am doing a rush job which I would like you to take a look at before it goes out. This is the thing to acquaint the country with what the tax program is. The other

- 4 -

people have seen it, but you haven't seen it, but it is very important that you do see it, you see. I will start again.

Odegard:

I am sorry.

H.M.Jr:

I didn't let you know. It is my fault. And I didn't tell Buffington to see you, so it is entirely on me.

Buffington:

I did see you once, Mr. Odegard. You have seen it in one form, but not in this final form.

H.M.Jr:

When I leave here, these gentlemen can go over this if I haven't got the time to polish it up.

"We in America have decided upon an 'all-out' defense program that will require 'all-out' taxation. Our eyes are wide open to the sacrifices we shall all have to make in the next few years for the sake of our country's defense. Through our representatives in Congress we have expressed our preference for paying as much as possible of the cost of defense out of current earnings.

"Accordingly, our Federal income taxes have been increased so sharply that they will fall heavily upon millions of individual budgets next year. These increases are going to be hard to meet unless we all make definite plans for accumulating tax payments well before they are due.

"Your Government, therefore, is anxious that each taxpayer know as promptly and as accurately as possible what his income tax bill will be. As a service to the taxpayers, I

- 5 -

have had prepared the following tables showing what you will have to pay in the coming year, and how much of your monthly income you should set aside regularly for tax payments.

"Tax Savings Notes are now being sold by the Treasury because thousands of citizens have already asked for a plan to enable them to save money systematically and conveniently for this purpose. When you study the attached tables you will, I think, see the usefulness of these Treasury Notes in helping you to meet your own tax payments next year. I am sure that your neighborhood bank will be glad" and so forth.

My horseback opinion is that I would leave out that first paragraph.

Bell:

First?

H.M.Jr:

The first paragraph. I mean, I wouldn't talk about the "all-out defense". I would simply say, "Your Government therefore" - I mean, I would go into the idea that - it is in the rest of the letter, but I wouldn't talk about "all-out defense" or "all-out taxation" and the sacrifices, and so forth. I think it immediately sets up a resistance. Take a look at that, Peter. I think it immediately sets up a resistance. "We are coming to you, gentlemen, and here in the first place is what we want to tell you, what it is. This is an easy way for you to figure your taxes and second, here is a suggested method of setting aside something each month out of current earnings to meet next year's tax bill." But my reaction at first blush is that you hit the

- 6 -

fellow first in the chin and knock him down and then you expect him to get up and fight for you. I am being very blunt.

Now, Odegard may disagree with me. Sullivan is going to lay an egg in a minute if he doesn't say something. Don't lay an egg in the office, Sullivan.

Sullivan: Everything you said is ancient history to me. I have been arguing this thing over and over. We are entirely in accord.

H.M.Jr: With whom?

Sullivan: You and I, on everything you have said so far.

H.M.Jr: I don't like that "so far".

Sullivan: That is right. I will help you to continue to keep pace with me here. In the letter it shows the taxes you paid this year and the taxes you paid last year. I don't see any point in the taxes last year. I think that is confusing. I further object to that for the more important reason that it is emphasizing that we are going up there to give them a sock.

H.M.Jr: Sullivan, I am pleased to say we are still together.

Sullivan: What is the date?

H.M.Jr: It isn't the 17th of March. What is St. Patrick's Day?

Sullivan: The 17th of March.

Buffington: Mr. Graves asked me to say for him in this meeting that he thought if we took out that tax of last year's it would destroy ninety per cent of the effectiveness of what we were sending out.

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Barnard: I don't agree with that. I agree with you (Sullivan) on that.

Odegard: I think, as a general proposition, it is a bad thing to make anything negative if you can make it affirmative. That is, people shy away from the things that - "cost" is a negative word. "Saving" is a plus word, and so on. I think it is a good thing to keep it as affirmative as possible.

H.M.Jr: And so you would do what?

Odegard: Well, I think that the elimination of the table showing last year's payments so that the increase is made very clear would improve it.

H.M.Jr: And leave out last year's.

Odegard: I would, yes.

H.M.Jr: How can you make it glaring unless you compare it with something. Oh, I misunderstood you. I thought you said you wanted to make the increase glaring.

Odegard: They will know that anyway.

Sullivan: That is right. I had one other suggestion, Mr. Secretary. When this is printed up I think, as a matter of courtesy, I should take it to Mr. Doughton and also to Senator George, and if he is not here, Senator Connally, just so they will know before it goes out. I think this is one of the first direct approaches we have made to the taxpayers.

H.M.Jr: That is all right, but that wouldn't --

Sullivan: Not at all.

H.M.Jr: keep him from putting - you are leaving when, tomorrow?

Buffington: Tomorrow night.

Bell: John, do you mean the table as amended and taking out the column?

Sullivan: Oh, yes. I mean after it is printed. You just don't want Doughton to--

H.M.Jr: I would go better than that. When your proof comes off the press Monday, I would show it to him.

Sullivan: I think Mr. Buffington says that it has to be printed over this weekend or they can't print them before the first of November.

H.M.Jr: Well, I would put - just as soon as he will give you a proof or a copy, I think you should go up and show it to them.

Sullivan: All right, sir.

Buffington: Dr. Odegard, hasn't this information been extensively in the newspapers, comparing last year's tax with this year's tax.

Odegard: That is right.

Buffington: Therefore, I can't share Mr. Sullivan's view or yours, when it has such a tremendous sales appeal, I feel, to the public. In other words, what my taxes were last year is behind me. I have already paid most of it, but now to see that comparison--

Odegard: Then why don't you say that? You ought to have it carried through, you see. You don't say that in the body of your letter. You don't say anything about last year's taxes. You say, "As a service to taxpayers, I have had prepared the following tables showing what you will have to pay in the coming year."

Buffington: I didn't want to repeat. The table speaks for itself. It is very clear that there is that comparison by the heading of those columns.

Bell: You do show it in the little heading at the top?

Buffington: Yes.

Odegard: There is a dangerous thing in it, too, that I don't want to exaggerate, but many people will look at that and think that that is what they have to pay. The capacity of people to misunderstand--

Buffington: That is true.

Odegard: is almost unlimited, and they will look at the statement of last year's taxes and say, "Well, that is what I have got to pay next year." Countless thousands of them, and if you keep it out, you avoid that possibility.

Buffington: It is a simpler printing job.

H.M.Jr: Where do you stand on this, Morris?

Morris: I would make it just as simple as possible.

H.M.Jr: How about you?

Barnard: I agree with Mr. Sullivan. If you can do it, I would stick a sentence somewhere in there that reads like this: "When you get your money, don't forget that it isn't all yours. Some of it belongs to the Government, and anticipate payment when it will be due," or something to that effect. "It isn't all yours."

Buffington: I had that sentence. I went so far as to

say that you must remember income tax has first claim on your income.

Barnard: That is too high-brow. That isn't direct enough. "When you get your money, don't forget it is all yours," is a lot different than saying something about income tax payments. I am not critical, but I am trying to express myself.

H.M.Jr: Well, here is what I am saying. I am not laying down any rules. I would leave off that first paragraph. I would only talk about - I would only have one table.

Buffington: You mean--

Bell: One column.

Buffington: two columns, monthly and annually?

H.M.Jr: Monthly and annually, that is all right.

Odegard: Mr. Secretary, would you leave out the whole column or couldn't you meet all your obligations by simply having it read, "We in America have decided upon an all-out defense program. Through our representatives in Congress we have expressed our preference for paying as much as possible of the cost of defense out of current earnings, and your government, and so forth."

H.M.Jr: Do that once more.

(Mr. Kuhn entered the conference.)

Odegard: It simply leaves out the negative.

H.M.Jr: Say it once more.

Odegard: "We in America have decided upon an all-out

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defense program. Through our representatives in Congress we have expressed our preference for paying as much as possible of the cost of defense out of current earnings." Then it goes on: "Your Government, therefore, is anxious, and so forth."

H.M.Jr: Well, following what Barnard says, does the man on the street know what it means, "paying out of current earnings"? Is that too high-faluting?

Odegard: Then you could add Mr. Barnards sentence.

Barnard: I am thinking of a telephone installer. He gets two thousand dollars a year. He doesn't get that language, though, and he doesn't know what you mean by tax liability. What you have got to pay under the 1941 Act for these people is what makes sense to them.

Buffington: Tax Research insisted upon having--

Barnard: I bet they did. I know damnwell they did. (Laughter) I don't blame them. So would I if I were there, but it still doesn't change the fact that to a telephone installer, "tax liability" is a big word.

Morris: But this is going only to people that have checking accounts.

Barnard: I have got a suggestion to make there, or a question. That is your first easy distribution, but there is no reason in the world why you can't send this, for instance, to every telephone company in the United States. There is three hundred thousand employees, and ask them to distribute it. So will the steel companies. So will International Business Machines. Take all the big ones, not

to make too big a job, and they will do it for you, and they will get an awful lot of people that won't go to the banks. They are not going to ask the banks. Most of these corporations will facilitate getting the information for these things.

Morris: The payroll office.

Barnard: Yes.

Buffington: My thought is that this is the first distribution.

Sullivan: You have got twenty-five million of these going out?

Buffington: Yes.

Sullivan: You are only going to have about twenty-three million returns next year, so either we are not firing in the right places--

Buffington: We had this problem, Mr. Sullivan: The January 1 income tax blanks which will go out, the envelope is full. You can't get anything in it. The next mailing of the income tax bills was going to be - will be December 1 for the December 15 bills.

Sullivan: Too late.

Buffington: The Defense Savings Bonds are sending out literature at intervals which makes that difficult, so this seemed to be the best coverage to hit broadly, and if banks want to send it out partially, they would still be available in those banks for public distribution.

Sullivan: What I mean to say is, you are hitting a very large proportion of the people who are going to file income tax returns in this one broadside.

H.M.Jr: I came back with this idea from Detroit. I picked it up in Detroit. Let me say this. I would like to make one other suggestion. "See your neighborhood bank or write me a letter, or write the United States Treasury," you see.

Buffington: I had that in before.

H.M.Jr: But don't make it just the bank. It is a little bit too much like the aspirin program. "See your neighborhood drug store".

Odegard: Had you rejected the idea, Mr. Buffington, of any mention of the collectors of Internal Revenue?

Buffington: Yes, I would stay away from --

Sullivan: No, Peter, that isn't any good. You have got sixty-four of them in America. Most of these people live hundreds of miles from a collector.

Buffington: I have tried the post office routes and this seemed to be the best focal point for the moment that we can get.

H.M.Jr: But I would like for you to add that you can see your neighborhood bank or write to the Treasury of the United States.

Sullivan: I think that is a good suggestion.

Buffington: Excellent.

Odegard: What percentage of the population live within those sixty-four cities?

Sullivan: Oh, in most states there is just one for the entire state.

Odegard: Yes.

Kuhn: He is in a big city, isn't he, John?

Odegard: He is usually in a big city and it reaches a very large number - the reason I suggested it was because I was impressed in Philadelphia with it - what I was told by the Collector of Internal Revenue there, the facilities that they have for assisting people in making out

their income tax returns and so on. I don't know, maybe it isn't worth including.

Sullivan: Peter, if the inquiries come here and we have one uniform set of replies, if they go to sixty-four different collectors, you don't get that same uniformity no matter how hard you try.

Odegard: That is true.

H.M.Jr: Or you can make it, "Or write me". That is simple enough. "See your neighborhood bank or write me."

Kuhn: And they will do it.

Bell: You will get a lot of letters.

H.M.Jr: We have got a whole staff for that.

Buffington: We plan to send this directly to the banks in the interest of time for November first mailing. It would require a covering letter from you. You may have somewhat the same criticism of the first paragraph, although that is almost identically what you told them in a previous letter.

H.M.Jr: "On July 28 I wrote you regarding the"- this is the banks?

Buffington: Yes.

H.M.Jr: "New tax savings notes which were about to be issued. I told you --" Change that. I don't tell them; I inform them, "that I thought it important that taxpayers of the Nation become aware of the unprecedented taxes they will have to pay next year on this year's income. I also suggested that they be encouraged to set aside funds now, with which to meet these later payments."

"As a service to taxpayers, the Treasury has just prepared a pamphlet entitled 'Know Your Taxes' --"

Again, I would leave out most of that first paragraph.

"As a service to taxpayers, the Treasury has just prepared a pamphlet entitled 'Know Your Taxes', showing monthly savings needed to meet individual income tax payments for 1941 salaries and wage incomes of selected sizes for single and married persons with selected number of dependents.

"Pamphlets will be sent to you by the Treasury and I request that you enclose a copy" --

I wouldn't say, "and I hope you will find it feasible or possible" -- you see.

"...That you enclose a copy with monthly statements of accounts which you send to depositors the end of October.

"Your continued cooperation in furthering the Tax Savings Plan will be appreciated."

Now, there is just one thought. This is all right. I am perfectly willing to do it, but here is an alternative. The possibility of letting the FDIC do it through all insured banks.

Bell: Well, we get all the banks through the Federal.

H.M.Jr: Do we?

Bell: Yes, they are all on the mailing list of each Federal Reserve district.

H.M.Jr: And these people, when I leave in a couple of minutes, they can stay behind right here in this

room and help you get over the thing. I am moving very fast. I would leave off that first paragraph, "As a service to taxpayers, the Treasury asks you to join me" or something. But no request, no orders. "I sincerely hope that you will do this as a service to the country and help us." You know, something like that. You have got enough talent around here that can get that spirit. Right, Peter?

Odegard: That is quite right.

H.M.Jr: You know, just that "You will join me in helping us to do this sort of work", and so forth.

Buffington: Mr. Bell, on the question of the printing office working over this weekend, is that a question that will have to be asked?

Bell: We would like to get this proof to the printer so they can work over this weekend and give you seven million pamphlets by Monday morning. If they don't work over the weekend you may not get the seven million by November first, so it will cost us about five hundred dollars.

H.M.Jr: O.K.

Bell: That isn't very much.

Sullivan: One suggestion on that opening sentence: We say, "We in America." How about, "All of us in America"?

H.M.Jr: Well, the main thing, I don't want a request. I don't want to direct them. I want to ask them to join me in a spirit of cooperation, you know. You have got enough talent around here.

Buffington: I am sorry about that letter. It has been around the circle so many times and I have changed it --

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H.M.Jr: Well, if they stay right in this room they can settle the thing.

Buffington: That is fine.

H.M.Jr: What else do you want? I don't see why you can't get it through tonight.

Buffington: That is fine, if these men will just give me a few moments time.

H.M.Jr: May I say one thing, on the whole program: In talking to a lot of people who are buying these notes on a monthly basis, they kick on two things. One is that it takes a lot of time to fill out an application, and they get the note back and they have no place to keep it, and it is a bother. That, I think, is the sales resistance.

Barnard: Mr. Sullivan and I have been talking about having a man send his check in to the collector as often as once a month in multiples of five dollars. We have an account with him anyhow. Let him pay his income taxes in advance and give him a discount and when we get the administrative bill before Congress we will put in a provision like that and cut out all of this debt structure.

H.M.Jr: Well, that doesn't have anything to do with this circular.

Bell: But I wanted to tell you and I think we ought to try to get it through so that we can have it in the next year.

H.M.Jr: Well, it doesn't go into the circular.

Bell: No, it does not.

Barnard: That is a good idea, though, awfully good.

H.M.Jr: I didn't get it, see. You will have to start in all over again Monday.

Bell: We have got some resistance on that too in the mechanical operations but I think John will be able to overcome it.

H.M.Jr: I'll tell you what I would like to do, if they could do this. I want Odegard and Kuhn to ride down to the airport with me. They could be back here at 3:15. Have you got anybody waiting in your office?

Kuhn: Yes, but he is about to go anyway.

H.M.Jr: Have you got anybody waiting in your office?

Odegard: I was to meet Lew Douglas.

H.M.Jr: Where could you meet at 3:15? Can they meet in your office at 3:15?

Bell: They can. I have got an appointment but they can meet in there.

Sullivan: They can meet in mine.

Morris: I have got lots of room.

H.M.Jr: Three-fifteen?

Sullivan: Sure.

H.M.Jr: Would you?

Barnard: All right.

H.M.Jr: And I will deliver these fellows. Three-fifteen. Can you get rid of your fellow?

Bell: Yes.

H.M.Jr: Is that all right?

Bell: Yes, sure.

H.M.Jr: I have got one idea I would like to leave with you. Have this thing photographed and we can, for two or three thousand dollars, have a short newsreel made, which we pay for, to have it run in every newsreel theater. FHA used to do that. It cost about three thousand dollars, I think, something unbelievably small to have the thing photographed and then put on every newsreel theater. Think about it. We haven't used the newsreels. We have used the radio but that would reach forty million people, supposedly. What do you think, Ferdie?

Kuhn: Better than the radio.

Buffington: We thought of putting up placards in post offices containing this table.

H.M.Jr: And the final thing, add, "If you care to ask for a copy of this circular you can get one at the boxoffice as you go out." The theaters will do that. They will do that. "If you want a copy of this circular, you can get one at the boxoffice as you go out."

Buffington: You will have to print sixty million up.

H.M.Jr: Well, you can't make too many. People are going to lose them. We are trying to collect twelve million dollars worth of taxes. Supposing we spent a hundred thousand dollars on this thing. It would be a very small amount and it doesn't begin to reach that, does it? How much is it?

Buffington: I can't get the figure yet.

H.M.Jr: But supposing we set out to spend a hundred thousand dollars. But will you remember that newsreel idea?

Buffington: Yes.

H.M.Jr:

And we have newsreel people who could help you, see, and then you would get the moving picture distributing people to handle the thing and give them a package of the things to put in the box office.

Buffington:

If we take that third column out, Mr. Sullivan might have his picture taken with it, if he would be willing to.

On July 28, I wrote you regarding the new Tax Savings Notes which were then about to be issued. I told you I thought it important that taxpayers of the Nation become aware of the unprecedented taxes they will have to pay next year on this year's income. I also suggested that they be encouraged to set aside funds now, with which to meet these later payments.

As a service to taxpayers, the Treasury has just prepared a pamphlet entitled "Know Your Taxes", showing monthly savings needed to meet individual income tax payments for 1941 salaries and wage incomes of selected sizes for single and married persons with selected number of dependents.

Pamphlets will be sent to you by the Treasury and I request that you enclose a copy with monthly statements of accounts which you send to depositors the end of October.

Your continued cooperation in furthering the Tax Savings Plan will be appreciated.

Yours very truly,

Dear Taxpayer:

We in America have decided upon an "all-out" defense program that will require "all-out" taxation. Our eyes are wide open to the sacrifices we shall all have to make in the next few years for the sake of our country's defense. Through our representatives in Congress we have expressed our preference for paying as much as possible of the cost of defense out of current earnings.

Accordingly, our Federal income taxes have been increased so sharply that they will fall heavily upon millions of individual budgets next year. These increases are going to be hard to meet unless we all make definite plans for accumulating tax payments well before they are due.

Your Government, therefore, is anxious that each taxpayer know as promptly and as accurately as possible what his income tax bill will be. As a service to the taxpayers, I have prepared the following tables showing what you will have to pay in the coming year, and how much of your monthly income you should set aside regularly for tax payments.

Tax Savings Notes are now being sold by the Treasury because thousands of citizens have already asked for a plan to enable them to save money systematically and conveniently for this purpose. When you study the attached tables you will, I think,

see the usefulness of these Treasury Notes in helping you to meet your own tax payments next year. I am sure that your neighborhood bank will be glad to help you start such a savings program.

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October 17, 1941.

MEMORANDUM FOR THE SECRETARY'S FILES

A meeting relative to the administration of Executive Order 8389 was held in Mr. Foley's office at 3:30 p.m. on October 16, 1941, attended from time to time by the following:

Messrs. Foley (Chairman), Pehle, B. Bernstein, Dietrich, Lawler, and Timmons for the Treasury; Messrs. Acheson, Luthringer, Fisher, and Miller for State; Messrs. Shea, Swidler, Jurenev, Kreeger, and Rosenwald for Justice; and Mr. Knapp for the Board of Governors of the Federal Reserve System.

Mr. Pehle referred to approximately fifty applications, involving \$2,000,000, which seek to transfer funds from blocked Rumanian, Dutch, Belgian and Estonian accounts to Swedish account. The Swedish Legation in Washington has requested the reconsideration of these applications, stating that the funds involved represent purchases of merchandise by Sweden in various European countries, which merchandise was not delivered. Mr. Pehle pointed out that it has not been the policy of the Foreign Funds Control to license such reversal payments for several reasons. Several despatches from the British Government have indicated that should the Swedish banks receive these reversal payments they would then proceed to pay Rumania through other channels, possibly Switzerland. One application for a reversal payment from the Netherlands to Bulgaria was cancelled and the Attache of the Bulgarian Legation stated that Bulgaria had received payment through other channels, presumably the Berlin clearing arrangement. In view of all the considerations involved, the Committee unanimously reaffirmed the denial of these applications.

Mr. Acheson reported that with respect to the three Japanese boats which are coming to the United States to remove Japanese nationals, it has been made perfectly clear to the Japanese that such boats will not be allowed to bring cargo into the United States nor to carry any cargo from the United States.

In connection with the recent denial of the Maywood Chemical Company application by this Committee, Mr. Bernstein said that a new proposal had been submitted. It is now proposed that the

German subsidiary of the Socony-Vacuum purchase the Maywood Chemical Company stock owned by Mrs. Janner, a resident of Germany, and place such stock in a blocked account in the United States in the name of the German subsidiary. The Committee agreed that this amendment to the previous application should be denied.

Mr. Bernstein informed the Committee that Messrs. Pehle, Miller and himself had spoken with Mr. White, the New York State Superintendent of Banks. Mr. White was requested to take no strong action with respect to the Yokohama Specie Bank without consulting with the State and Treasury Departments. Mr. White was also informed that this Committee is prepared to license the payment of Japanese diplomatic expenses in the United States out of the Yokohama Specie Bank. Mr. White is to proceed with his discussions with the Yokohama Specie Bank looking toward the escrowing of sufficient assets to safeguard the interests of the American creditors. Mr. White also reported that the New York State banking license of the Yokohama Specie Bank had been extended for three months.

Mr. Foley described to the Committee certain steps being taken by the Treasury in connection with its public relations program on freezing control. An article on Foreign Funds Control will appear in the November issue of Banking Magazine and the Secretary is addressing a letter to the president of each bank in the United States pointing out the importance of freezing control and requesting cooperation and suggestions. The Secretary is also addressing a letter to each state banking association, which states that speakers will be available to address meetings on various aspects of the freezing control. A committee consisting of Mr. Loree and other bankers from New York is to meet in Washington with representatives of the various Federal Reserve Banks, at which time a series of discussions throughout the country will be planned.

Mr. Acheson reported to the Committee that Mr. Stopford of the British Embassy had recently called on him with two British insurance men. Mr. Acheson suggested that inasmuch as they wished to discuss insurance problems in connection with the freezing control and the Proclaimed List, these matters should be taken up with the

Treasury Department. Mr. Shea stated that the Department of Justice was looking into the possibility of the leakage of information through maritime insurance companies. He said that he would receive in two weeks a report from the Pilot Reinsurance Company and that he would send copies thereof to the Treasury Department.

Mr. Lawler submitted a sub-committee report with respect to the plan of Sterling Products to obtain complete ownership of Laboratories Suarez. Sterling Products now owns 86% of the shares of such company. I. G. Farben has some sort of an equitable interest in 75% of 51% of the stock of Laboratories Suarez. The shares were originally paid for with Sterling Products money and the amount owing to Sterling for such purchase was to be deducted from profits accruing to I. G. Farben. It is now proposed to form a new corporation of which Sterling will own 86% of the stock, and liquidate the old corporation. It seems clear that I. G. Farben will not realize any funds from this transaction. Representatives of Sterling Products have been informed that approval in this transaction under Executive Order 8389 implies nothing as to the legality of such transaction under Argentine law or the morality of the transaction. The Committee unanimously adopted resolution of the sub-committee that this transaction should be approved.

Mr. Lawler also reported for the sub-committee on the sales outlets being developed in Latin America by Sterling Products for ethical pharmaceuticals. Seven corporations have been formed in the larger countries and Sterling proposes to use agents satisfactory to the American Commercial Attaches in the others. It is proposed to insert in the names of the corporations a reference to Winthrop, as it is planned to sell products made by Winthrop. It has been represented that this use of the Winthrop name is necessary because of various sanitary requirements and because Winthrop has compiled the necessary clinical records over a period of years to support the sale of its ethical pharmaceuticals. The report of the sub-committee was adopted, and Mr. Lawler is to make clear to a representative of Sterling Products that this action does not in any way prejudice the Committee's freedom of action in passing on any application that may be filed by Sterling to buy out General Aniline & Film's interest in Winthrop.

Mr. Fisher referred to a note and oral statement which the State Department proposes to transmit to the Italian Embassy. In such note it is pointed out that American foreign service officers in Italy are unable to cash drafts drawn on the Secretary of State, and they have been forced to receive funds for their maintenance through Argentina and Switzerland. Of late the State Department has been experiencing some difficulty in remitting funds through these channels. It is pointed out to the Italian Government that it is expected that such State Department drafts will be accepted and when presented for payment they will be paid in free dollars, which funds may be utilized for the payment of Italian diplomatic expenses in the United States and for conversion into the currencies of non-blocked countries. Should, however, the American Government be forced to continue to effect remittances to Italy through Switzerland, we will require that the dollars necessary for the replenishment of Italian official accounts in the United States also be transferred to the United States from Switzerland.

Mr. Fisher also read a telegram to Ambassador Grew in Tokio stating that in view of the fact that the contemplated payment of Japanese diplomatic expenses out of the Yokohama Specie Bank will represent a depletion of the very limited assets of such bank, this Government will require that dollar funds accruing to Japan as a result of encashment of the State Department drafts be paid into an account with the Yokohama Specie Bank as a partial offset to Japanese payments. The Committee agreed to the despatch of such telegram.

October 17, 1941

To: HAROLD N. GRAVES
Subject: PROGRESS REPORT FROM DEFENSE SAVINGS STAFF

SALE OF BONDS

Actual cash receipts from the sale of E, F and G Bonds from October 1st through October 15th were \$134,552,000, which is an increase of 9.5 per cent over the same period in September. Sales from September 1st through September 15th were \$116,608,000. Sales from August 1st through August 15th were \$151,742,000.

(Federal Reserve and other banks in many states were closed on Monday, October 13th, in celebration of Columbus Day.)

SALE OF STAMPS

Sale of Stamps as of September 30th reached a total of \$18,998,000 for five months. September sales were \$4,978,000, largest of any month, an increase of 11.8 per cent over August. In September 2,942,000 more Stamps were sold than in August. Total number of Stamps sold through September 30 was 61,855,000.

DIRECT MAIL

Total receipts from all mailings (which began on June 21st) are \$4,175,264. The industrial mailing has brought to date orders of \$2,381,816; the customer mailing orders of \$1,480,621. Both of these mailings are still pulling.

Mailings for November, now being prepared, will include the following: To approximately 2,000,000 prospects of "over \$5,000 income" in seventeen Grade A States; 400,000 corporations, etc.; twelve tests to 120,000 prospects; enclosures to 210 mail advertisers for their use.

HOTEL COOPERATION

Distribution of three million posters and folders to 6,000 hotels started this week, marking the participation of the American Hotel Association in the Program. In connection with this activity, an experimental sales and information booth for Bonds, Stamps and Tax Notes was opened in the Willard Hotel lobby.

POST OFFICE MANUAL

Fifty thousand manuals describing and illustrating available display material and literature, prepared in cooperation with the Post Office Department, are being sent to postmasters. (Copy Attached).

TREASURY BOOTHS

Stamps, Tax Notes and Bonds have been sold at the four Washington booths since the opening dates (indicated), as follows:

<u>Garfinckle's</u>	(Oct. 3)	<u>Woodward & Lothrop</u>	(Oct. 6)
Stamps	\$186.30	Stamps	\$678.70
Tax Notes	25.00	Tax Notes	50.00
Bonds	375.00	Bonds	2,493.75
	<u>\$586.30</u>		<u>\$3,222.45</u>
<u>Lansburgh's</u>	(Oct. 10)	<u>Willard Hotel</u>	(Oct. 15)
Stamps	\$142.50	Stamps	\$10.25
Bonds	281.25	Bonds	37.50
	<u>\$423.75</u>		<u>\$47.75</u>

Total sales -- \$4,280.25

EXHIBIT

The Baltimore National Defense Exhibit and Automobile Show was held in the Fifth Regiment Armory from October 11th to 16th. An entire floor was devoted to the defense

exhibit which included equipment from all armed services and a Defense Savings Booth manned by the Baltimore Post Office Department.

FIELD OFFICE

Since October 10th North Dakota and South Dakota have been moved from the white to the yellow group. There are now only three states in which an organizational beginning has not been made - Delaware, Louisiana and New Hampshire. (See map attached).

Two new field representatives have finished their training and are leaving for the field. Four other newly appointed representatives are completing the course.

BUSINESS PUBLICATIONS

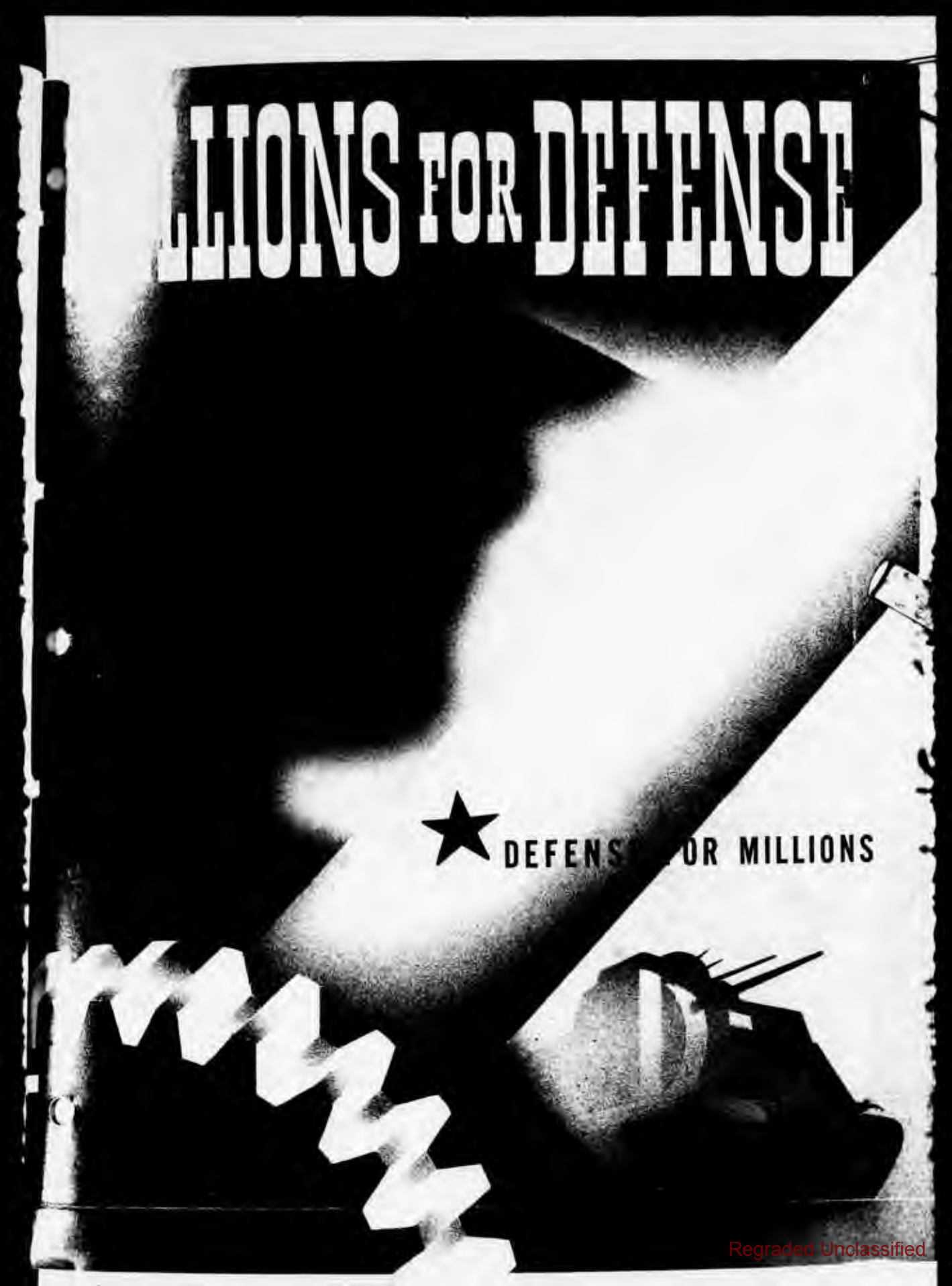
Printed copies of the first four supplements for insertion in business publications are ready. (See copies attached).

RADIO

Many stations report that they are able to use as many as ten football announcements per game. Returns show that announcements were broadcast last week-end 378 times over 111 stations.

(Farm announcements attached).

MILLIONS FOR DEFENSE



DEFENSE FOR MILLIONS



Soldiers in the drafting room—a meticulous army whose plans precede our fighting machines.

“THE MEN BEHIND THE MEN BEHIND THE GUN”

He doesn't wear a uniform, nor man a gun, nor guide a plane, nor peer from the port-hole of a fighting ship, but he—the man behind the man behind the gun—is the soldier of the factory, honorable and indispensable volunteer in a key corps of America's army for defense. It takes five such of him for each fighter on the front line. Sweat and sacrifice, we must know now, are the dues demanded of those who would enjoy for themselves, their own, and their posterity the blessings of democracy and freedom. Your defense dollars are needed to keep the man behind the man behind the gun in action.



Soldiers in the shipyard—the unsung army which gives the Navy the floating power to protect our commerce and our shores.



Soldiers in the factory—millions of men and women who make up the army that helps provide the arsenal of democracy.



Soldiers on the assembly line—wizards of the tool and wrench in Uncle Sam's army of mechanics behind the scenes.



The Unions—skilled specialists in the defense army of industrial America.



Soldiers on the farm—gigantic army of the soil to sustain America's total army for defense.

Put Your Patriotism Into Action—Buy Defense Bonds and Stamps

Regraded Unclassified

A PERSONAL MESSAGE

(This space is reserved for a personal signed message exclusively written for this **MILLIONS FOR DEFENSE** supplement by an outstanding and distinguished leader of the industry represented by the participating publication. It is suggested that in this message the industry leader personally endorse the Defense Savings Program, indicate his personal sponsorship of the Defense effort in his industry and indicate why it is specifically important and appropriate for people in his industry to support the program. Where possible, reference should be made to the industry's current contributions to the National Defense activity as a whole and to the Defense Savings Program in particular. If possible, also, the message should mention **MILLIONS FOR DEFENSE** as a continuing contribution of the industry.)

THE PAY ROLL ALLOTMENT PLAN PUTS PATRIOTISM INTO ACTION

Many of the Nation's leading industrial firms, both large and small, have established Pay Roll Allotment Plans which permit their employees to set aside regularly a portion of their income for the purchase of Defense Savings Bonds and Stamps.

The establishment of the plan is voluntary on the part of the employer, as is the use of the plan by the employees. The plan is flexible so that if it becomes necessary the employee can discontinue participation.

Pay Roll Allotment Plans have been endorsed by the American Federation of Labor, Congress of Industrial Organizations, and the Railroad Brotherhoods.

By establishing a Pay Roll Allotment Plan, employers provide a sound method for their employees to participate in America's Defense efforts. At the same time, employees have the opportunity to build for themselves a financial reserve that will protect them against future economic changes.

The establishment and operation of the plan is simple. Full details have been worked out by the Treasury Department and will be sent to you upon request without obligation. Simply address your letter to Department A, Defense Savings Staff, U. S. Treasury Department, Washington, D. C.



This supplement is a special section of THIS BUSINESS PUBLICATION published in cooperation with the United States Treasury Department in behalf of the Defense Savings Program.



REVENGE FOR MILLIONS



"WE, THE PEOPLE OF THE UNITED STATES . . ."

"... to provide for the common defense and secure the blessings of liberty to ourselves and our posterity . . ."—so stated, in the length of a single prophetic sentence, was the purpose of "We, the people of the United States," in formulating that charter of law and liberty which we call our Constitution. Common people, we would call these men of the Congress of 1787 whose signatures were affixed to that scroll—common men with uncommon fortitude and uncommon vision. By only a decade removed from the role of "colonists," these simple, unsophisticated patriots set themselves to the task of building and built a framework for a free government.

We, the people of the United States today, the posterity of whom our forefathers were mindful, are again engaged in a great national effort "to provide for the common defense and secure the blessings of liberty to ourselves and our posterity." The prophetic phrase of 1787 is the complete and precise description of the purpose for which we are asked to purchase today Defense Savings Bonds and Stamps.



Posing on this page for its collective portrait—the greatest society of free people in the world—the people of the United States. Men and women from many lands, of many callings and of many minds, but of one united will—to provide for the defense of the country that is their home; the opportunity, their children's most precious inheritance.

Put Your Patriotism Into Action—Buy Defense Bonds and Stamps

A PERSONAL MESSAGE

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What a Business Man Should Know About

DEFENSE SAVINGS STAMPS

Defense Savings Stamps were created because everybody isn't always able to buy a minimum Defense Savings Bond. Defense Savings Stamps give every man, woman, and child in America an opportunity to participate in our Nation's Defense Program.

Defense Savings Stamps are sold in denominations of 10 cents, 25 cents, 50 cents, \$1, and \$5. They may be redeemed in cash at any time. No interest is earned on the amount invested in them until they have been accumulated in sufficient amount and exchanged for a Defense Savings Bond.

Defense Savings Stamps are on sale at hundreds of thousands of retail stores throughout America. Even though you have a sufficient income to purchase Defense Bonds regularly, you may find many uses for Defense Stamps.

They are a wonderful way to encourage thrift and patriotism in children. Help them to get started by getting them an album and encouraging them to buy stamps regularly.

Business men who understand the importance of system and habit will quickly appreciate the value of this one. As you make a retail purchase get a part of your change in Defense Stamps.



This supplement is a special section of **THIS BUSINESS PUBLICATION** published in cooperation with the United States Treasury Department in behalf of the Defense Savings Program.

"WOMAN FOR DEBATE"

CJR SCOFFER AND GIVE N (E)RS
AICOUR ATHER RUGIT T CUTH
ACONIFCONTNEU EVN D T N
TNGED IN B F NE D V
NN " PROPOSITION
CREATED EQU

10. WE ARE ENGAGED IN A GREAT CIVIL WAR TESTING WHETHER THAT NATION OR ANY NATION SO CONCEIVED AND SO DEDICATED CAN LONG ENDURE. WE ARE MET ON A GREAT BATTLEFIELD OF THAT WAR. WE HAVE COME TO DEDICATE A PORTION OF THAT FIELD AS A FINAL RESTING PLACE FOR THOSE WHO HERE GAVE THEIR LIVES THAT THAT NATION MIGHT LIVE. IT IS ALTOGETHER FITTING AND PROPER THAT WE SHOULD DO THIS. BUT IN A LARGER SENSE WE CAN NOT DEDICATE—WE CAN NOT CONSECRATE—WE CAN NOT HALLOW—THIS GROUND. THE BRAVE MEN LIVING AND DEAD WHO STRUGGLED HERE HAVE CONSECRATED IT FAR ABOVE OUR POOR POWER TO ADD OR DETRACT. THE WORLD WILL LITTLE NOTE NOR LONG REMEMBER WHAT WE SAY HERE BUT IT CAN NEVER FORGET WHAT THEY DID HERE. IT IS FOR US THE LIVING RATHER TO BE DEDICATED HERE TO THE UNFINISHED WORK WHICH THEY WHO FOUGHT HERE HAVE THUS FAR SO NOBLY ADVANCED. IT IS RATHER FOR US TO BE HERE DEDICATED TO THE GREAT TASK REMAINING BEFORE US—THAT FROM THESE HONORED DEAD WE TAKE INCREASED DEVOTION TO THAT CAUSE FOR WHICH THEY GAVE THE LAST FULL MEASURE OF DEVOTION—THAT WE HERE HIGHLY RESOLVE THAT THESE DEAD SHALL NOT HAVE DIED IN VAIN—THAT THIS NATION UNDER GOD SHALL HAVE A NEW BIRTH OF FREEDOM—AND THAT GOVERNMENT OF THE PEOPLE BY THE PEOPLE FOR THE PEOPLE SHALL NOT PERISH FROM THE EARTH.



DEFENSE FOR MILLIONS



America Means Freedom
From Fear for Your Family—Foundation Unit of
American Democracy and
the American Way of Life.

America Means Freedom
To Own Your Own Land,
Till Your Own Soil, Win
Your Own Share of a
Natural Abundance.



"... SHALL NOT PERISH FROM THE EARTH!"

There is beauty in America: clean-lined New England with its quiet verdant hills, pleasant valleys, and the bridal whiteness of her little towns; the still Southland, blazing bright, luxuriant with flower and fruit; the great sweep of the Western plains under a canopy of stars; the matchless grandeur of the Rockies and the thick Coastal forests sloping down to the deep Pacific's shore.

There is bounty in America: Southern fields gleaming with cotton; fat kine feeding on the rich-grained prairies; Western mountains bedded with ores, oil flowing deep under Southwestern plains, and power pulled from the churning streams of the East.

From American minds and laboratories sprang most of the scientific wonders of the modern world: the steamship, the telegraph, trans-oceanic cable, telephone, electric light, the automobile, and the airplane.

These things are America's, and above all, the conception of free men governing themselves in order and prosperity and guarding the freedom of each to worship as he wishes, freedom to speak truth as he sees it, freedom to work and enjoy the fruits of his labor.

It is inconceivable that the last drop of American blood and the last dollar of American resource should not be pledged to the proposition that this bounty and blessing that is American democracy shall not perish from the earth.

Put Patriotism Into Action—Buy Defense Bonds and Stamps



Regraded Unclassified



America Means Freedom to Work—and Freedom to Choose the Time and the Place and the Kind of Work You Want.



America Means Freedom to Live in City Country Lane—and in Peace



America Means Freedom to Worship—Each Man in His Own Conscience, Each Man by His Own Creed.



America Means Freedom to Dream, to Hope, to Take a Long Look Forward.



America Means Freedom to be Loyal, to be Proud, to Give Devotion to the Undictated Desires of Your Own Heart.

A PERSONAL MESSAGE

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HOW YOU CAN PUT YOUR PATRIOTISM INTO ACTION

WHEN should you buy Defense Savings Bonds?

Now. They are the most urgent investment in America today. As the momentum of our defense program grows daily, the need for action on Defense Savings grows with it.

WHY should you buy Defense Savings Bonds and Stamps?

Because that is *your way to put your patriotism into action so that *The American Way* "shall not perish from the earth."* Because it provides you with a unique opportunity to save systematically by putting your money into the soundest investment on the face of the earth—the United States of America—and at liberal interest rates.

WHO should buy Defense Bonds and Stamps?

You should. No one else can take your place in this program—no one else will buy *your share*.

WHAT type of Defense Bonds should you buy?

Whichever type best suits your purposes. There are three types of Defense Bonds to fill three different needs. Your bank will explain what they are and help you plan a program for purchasing them.

HOW much should you invest in Defense Savings Bonds?

As large a portion of your income as you are willing to contribute to the Defense of America. The main point is to set up a *regular* program for your continuing participation in Defense Savings.

WHERE can you buy Defense Bonds and Stamps?

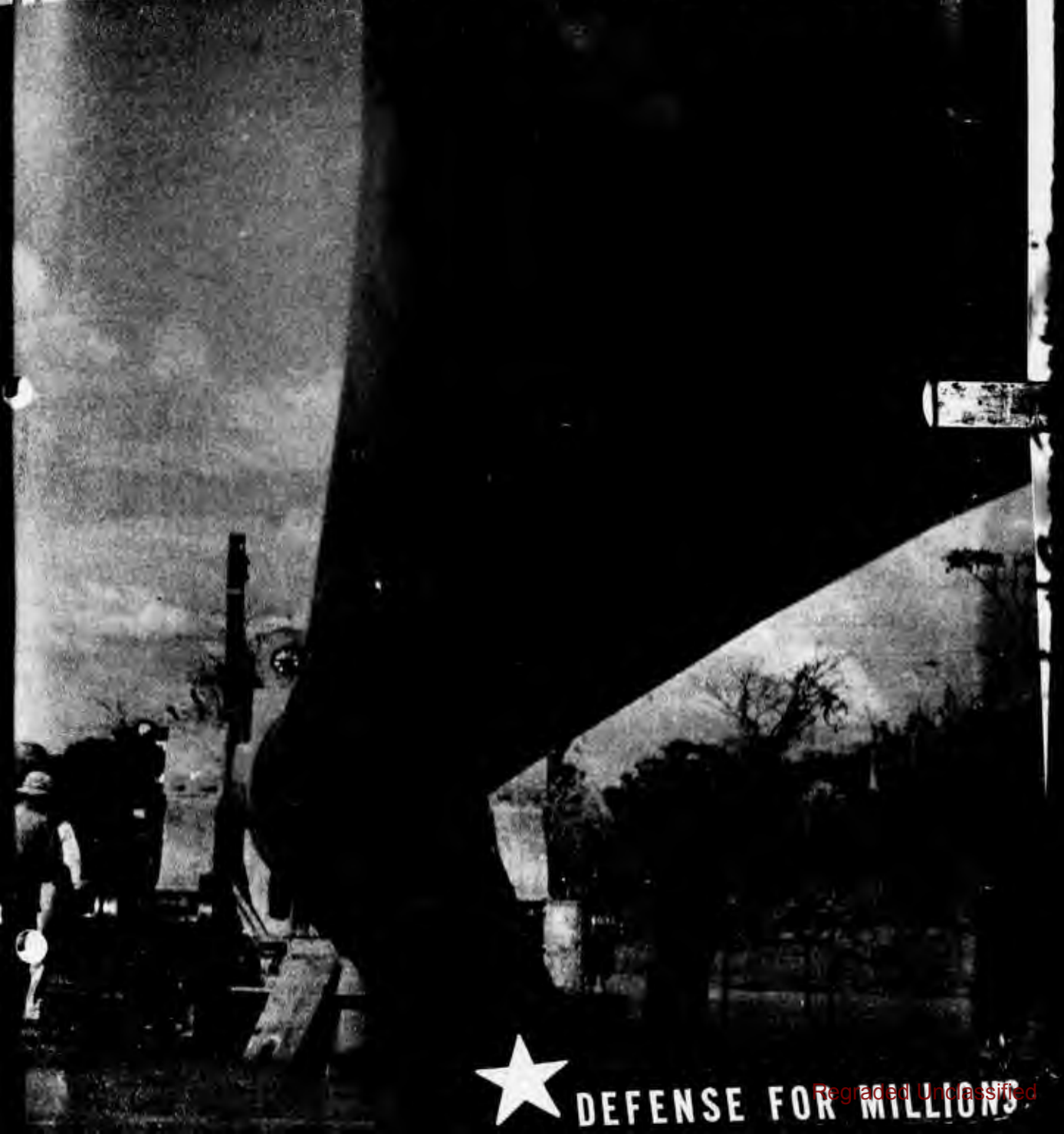
Defense Bonds are on sale at banks, savings and loan associations, all U. S. Post Offices, and other designated agencies. Defense Stamps are on sale at hundreds of thousands of retail establishments all over America.

Buy a Bond Today, Start Saving Stamps Now!



This supplement is a special section of **THIS BUSINESS PUBLICATION** published in cooperation with the United States Treasury Department in behalf of the Defense Savings Program.

MILLIONS FOR DEFENSE



DEFENSE FOR MILLIONS

Regraded Unclassified



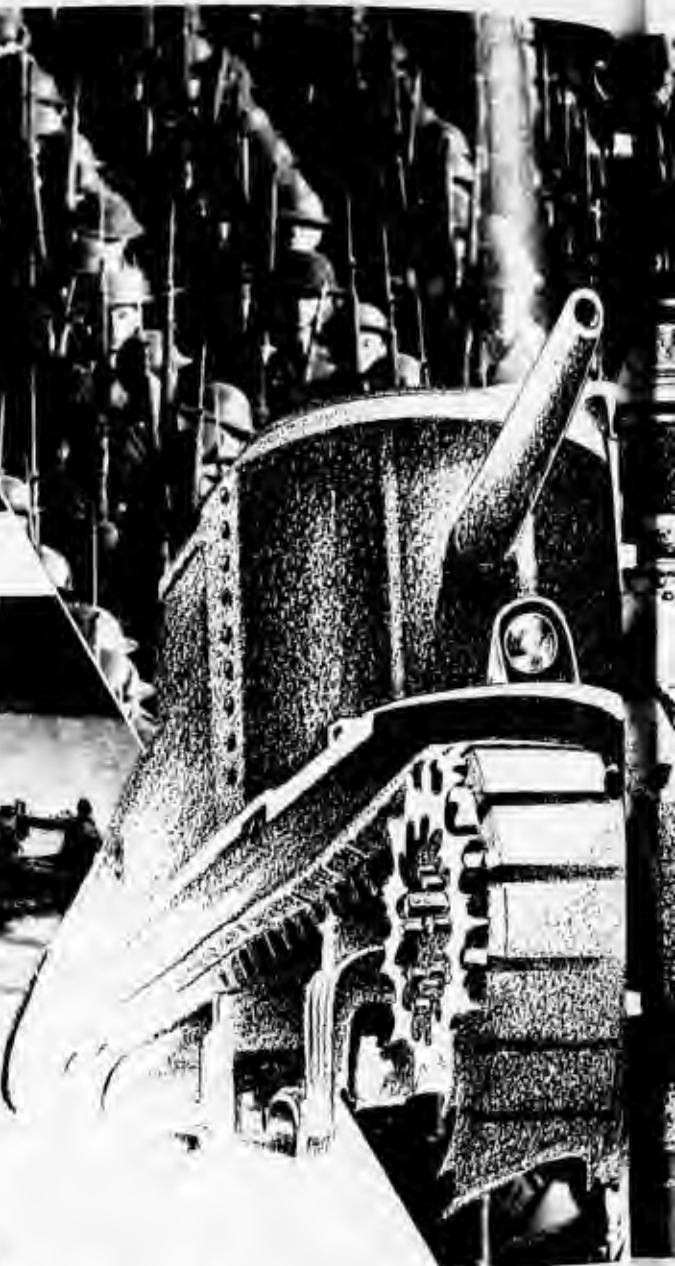
America Needs Guns for the Arsenal of Democracy.



America Needs Scout Cars for the Arsenal of Democracy.



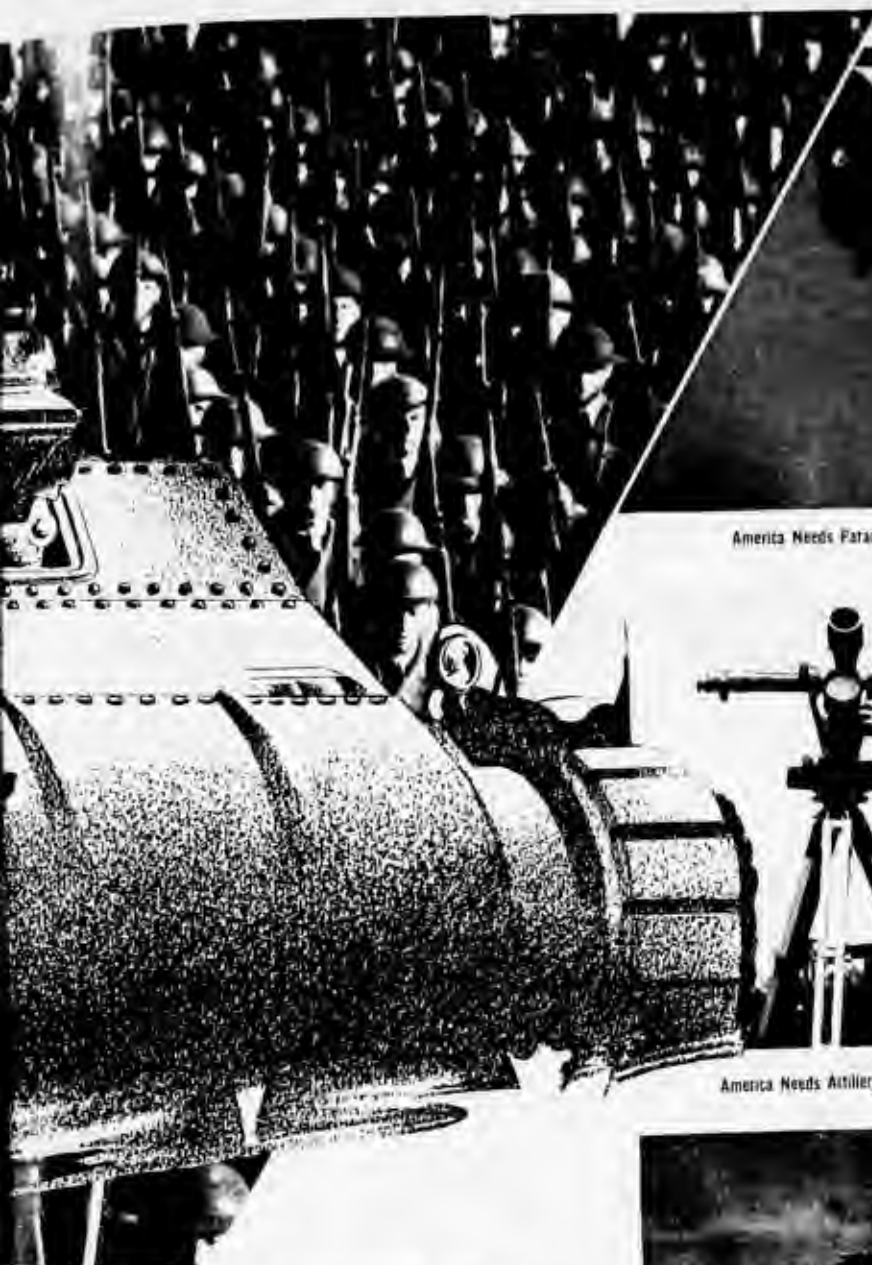
America Needs Planes for the Arsenal of Democracy.



"THE WORLD'S BEST TOOLS TH

Once America could be, and was, defended by a thousand lean lads who reached for the rule book in their cottage walls and marched off to victorious battle. Today the high-caliber, rapid-firing automatic is the mildest weapon in the modern army's arsenal. Intold tonnage, guns of great bore and a vast array of mechanical monsters and marvels are basic tools for the forces who would forestall the blackout race on this Hemisphere. Before tanks and guns can roll with regularity from the assembly

PUT YOUR PATRIOTISM INTO AC BUY



America Needs Parachutes for the Arsenal of Democracy.



America Needs Artillery Eyes for the Arsenal of Democracy.

THE WORLD'S BIGGEST JOB!"

American factories, tools of supreme strength and minute precision must first be forged, great workshops built, technicians trained. Defense of Democracy is the biggest yet attempted by America in this world; calls for the financial contribution ever asked of its citizens; demands for each soldier in the field, tens of thousands of dollars for his protection and equipment. The biggest defense bond you can buy makes one American soldier the equal in armament of his potential opponent in battle.

BUY DEFENSE BONDS AND STAMPS



America Needs Aircraft Carriers for the Arsenal of Democracy.

A PERSONAL MESSAGE

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SYSTEMATIZE YOUR SAVINGS FOR DEFENSE

The best way to buy Defense Savings Bonds is on a systematic basis—a bond every week, every month, or whatever space of time is most convenient.

While it helps pay for National Defense, your money will be *safe*. It will be *growing*. It will be *available* if you need it.

Under the Government's *Regular Purchase Plan* you receive reminders at the interval you select. You may without penalty and at any time increase or decrease the amount of Defense Bonds you buy, stop and begin again, change the interval, or discontinue altogether.

Write to the Treasury Department, Washington, D. C., and ask them to send you a request form for the Regular Purchase Plan on Defense Savings Bonds. For your country's sake, for *your* sake, do it today.

Buy Defense Bonds on the Regular Purchase Plan



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FIELD ORGANIZATION *News Letter* ⁸³

DEFENSE SAVINGS STAFF

TREASURY DEPARTMENT, WASHINGTON, D. C.



October 18, 1941 NUMBER 22

TO THE FIELD STAFF:

Sales of Defense Bonds reached \$1,504,411,000, as of September 30. September sales were \$232,327,000. Stamp sales as of the same date totaled \$18,998,000 for the initial five months.

The exact number of individual bonds purchased and the number of individual owners are unavailable. We can tell you that in five months individual stamps sold totaled 61,855,000 pieces, divided by denominations as follows: TEN-CENT, 12,370,000; TWENTY-FIVE-CENT, 40,404,000; FIFTY-CENT, 5,511,000; ONE-DOLLAR, 3,123,000; FIVE-DOLLAR, 346,000.

In our program to reach millions of Americans, the Series E (The People's) Bond and the Stamps loom large as criterions of success. Either accumulations through Stamps or payroll allotment deposits will swell eventually the number of E Bonds owned. Therefore, every payroll allotment plan and every Stamp sale promotion builds into the long-haul program.

However, to syphon off any real surplus from the rapidly growing national income, Bonds must go to owners monthly in increasing numbers. There are many, many thousands of Americans who should be so motivated by our Field Organization's activities that they will BUY A BOND A MONTH.

Every convenient method to make buying a regular monthly habit should be established. Our local committees should encourage banks to establish the Depositors Draft Plan and to let depositors know it is available. The Treasury's direct mail plan should be widely known. In payroll allotment plans there should be many regular monthly purchasers of bonds from each allotment.

Our task is to so promote our program that the number of Bond buyers increases steadily month by month. The best method is that which starts an individual on a systematic thrift program which will be followed automatically.

Sincerely yours,

GALE F. JOHNSTON

Field Director, Defense Savings Staff.

News Letter

"YOU, TOO, CAN ANSWER YOUR COUNTRY'S CALL"



- By C. E. B. Klessig, Sheboygan Press, Sheboygan, Wisconsin.

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- BANKS Have Depositor Draft Plans - Pages 10 and 11
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- TO THE LADIES - Page 12
- FARMERS Learn of Program - Page 13
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MISSOURI

School Program Outlined; Many Local Committees Active

CITY AND COUNTY SCHOOL SUPERINTENDENTS from all parts of Missouri, more than 600 of them, met September 10 in Jefferson City and voted enthusiastic endorsement of an eight-point program of preparedness instruction outlined by Lloyd W. King, state superintendent of public instruction. Instruction in thrift and the economics of Defense Savings is to be an important part of this general program.

AN EIGHT-PAGE MEMORANDUM outlining in detail a suggested plan for school participation in the Defense Savings Program has been distributed to school executives and teachers through Missouri. State Administrator Dan M. Nee reports that this program outline has been extremely well received and that "Defense Savings Councils" have been formed in many schools.

MISSOURI STATE GOVERNMENT EMPLOYEES are accepting the systematic savings idea with enthusiasm. Two Departments already report 100% participation.

A CONCERTED EFFORT to get every city and town in the State to adopt a pay roll allotment plan is now underway. The City of Columbia was the first municipality to install the plan, according to the magazine of the Missouri Municipal League.

HIGHLIGHTS:-

In Flat River, the Lions Club has unanimously voted for 100% participation in the Defense Savings Program.

In Hannibal, every member of the Retail Merchants Bureau has agreed to handle Defense Savings Stamps "for the duration"; the schools have organized a thrift and savings program; and a group of insurance men is actively at work assisting the Local Committee in connection with the installation of pay roll allotment plans. O. A. Brown is the active chairman of the Hannibal Committee.

In Independence, a Defense Savings essay contest was conducted by the schools in cooperation with the Chamber of Commerce. \$24 in Defense Stamps were awarded as prizes.

In Nevada, Dr. John S. Newlon is offering to cancel all unpaid accounts of \$5 or less if his patients will take the money they owe him and buy Defense Stamps.

In Norborne, the Farm and Farmyard Fair this year awarded premiums in Defense Stamps.

In Perryville, a Defense Bond rally in the courthouse yard addressed by State Administrator Dan M. Nee, attracted a crowd of more than 3,000. The rally was heralded by a flight of Army pursuit planes over the city in the late afternoon and later by the school band, which presented a program of patriotic selections.

News Letter

NORTH CAROLINA

School Program Underway: Allotment Plan Adopted by Shelby Mills

SCHOOL SUPERINTENDENTS throughout the state have received from State Administrator C. E. Robertson the suggestion that in each school an assembly period be set aside for a presentation of the Defense Savings Program by either the school superintendent or principal or by a representative of the local Defense Savings Committee. Administrator Robertson has also arranged for each school superintendent to receive, direct from the Office of the Field Director, an ample supply of Defense Savings folders and posters for all schools under his supervision.

COUNTY FAIRS now being held in all parts of the State will, in most instances, have Defense Stamp Booths, staffed by attractive volunteer salesgirls and decorated with official posters.

TOBACCO FARMERS who are now gathering in the big leaf tobacco warehouses in the Eastern part of the State to sell their crops are receiving Defense Savings literature. Deputy Administrator Forrest G. Miles reports, after a visit to this part of the State, that farmers throughout the section are responding in a fine way to the Defense Savings appeal.

PROMINENT NEGRO CITIZENS are cooperating wholeheartedly with the Defense Savings Program, according to Administrative Robertson. Chairmen of local Defense Savings Committees in the State have been asked to organize Negro Sub-committees. These sub-committees have been formed and are already at work in a number of places, including Durham, Charlotte, Winston-Salem, and Alamance County. T. E. McKinney, dean of Johnson C. Smith University, is Chairman of the Negro Sub-committee in Charlotte, and George W. Hill, President of the Winston Mutual Life Insurance Company, is the Chairman of the Negro Sub-committee in Winston-Salem.

* * *

HIGHLIGHTS:-

In Charlotte, teachers of the fifth through twelfth grades are having their pupils write essays on reasons for buying Defense Bonds and Stamps, and the banks of Charlotte are offering \$25 Bonds as prizes for the best essays.

In Goldsboro, the city committee, R. M. Davis, General Chairman, has prepared a folder listing the chairmen and members and outlining the scope and functions of each of its nine sub-committees.

In Raleigh, organization of the city committee was completed at a dinner meeting at the Sir Walter Raleigh Hotel on the evening of September 8th. G. P. Geoghagan, Jr. is chairman of this important committee which consists of 125 persons, organized into 15 divisions.

In Shelby, the following cotton mills have announced allotment plans: Shelby Cotton Mills - 525 employees; Cleveland Cloth - 670; Dover Mill Co. - 550; Lilly Mills Company - 500; Esther Mills Company - 526.

LOCAL INITIATIVE AND RESOURCEFULNESS PRODUCED THESE
ATTRACTIVE BOOTHS AND EXHIBITS



Booth at Mississippi State Fair. From left to right: Mrs. Mitchell Robinson; Mississippi State Administrator, Eugene Fly; E. L. Hynes, field representative, Defense Savings Staff; Mrs. Bell; Orrin H. Swayze, Deputy State Administrator; and Mrs. Joe Robinson, Chairman, Women's Division, and Russ M. Johnson, General Chairman, Hinds County Committee.



Stamp booth on main floor of Davison-Paxon Company in Atlanta. From left to right: Marion Allen, Georgia State Administrator; Mrs. Paul Seydel Jr., Mrs. Bill Wise and Mr. Charles H. Jagels, President of Davison-Paxon Company.



A typical local Defense Savings Headquarters. Booth in the Crutcher Hotel, McAlester, Oklahoma. From left to right: Mrs. Melvin Wilkins, Mrs. Nettie Mae Bedingfield in charge of headquarters and Mrs. Harry J. Bettes.



Booth at the Indiana State Fair sponsored by the Marion County League of Building & Loan Associations.



Display at Franklin County Fair, Farmington, Maine. A postal clerk was on duty at all times to sell Defense Bonds and Stamps.

News Letter

WASHINGTON

Seven Thousand Seattle School Children Saving For Bonds

SCHOOL CHILDREN in Seattle and King County are actively participating in the Defense Savings Program. On September 30, 1733 children received Defense Bonds for which they had completed payment, at formal ceremonies held in practically every school in the county. This outstanding action was possible because of the well developed school savings plan which has been in operation in Seattle schools for some years, in cooperation with the Washington Mutual Savings Bank. More than 7,000 King County school children are now saving regularly to buy Defense Bonds. Each Seattle school child, when he completes payment on a Defense Bond, receives a fine letter of encouragement from State Administrator Saul Haas, with which is enclosed a copy of the telegram in which Secretary Morgenthau instructed Mr. Haas to convey his sincere congratulations to the boys and girls, and to their parents and teachers, for their "patriotic devotion and sacrifice."

TWO IMPRESSIVE EXHIBITS featured Defense Savings at the Central Washington Fair in Yakima, where one booth was staffed by volunteers of the Women's Committee and another by Boy Scouts in uniform. Flag raising and flag lowering ceremonies each morning and evening were among the events which attracted attention to the booths.

MANY STUNTS helped put over "Retailers for Defense Week". For example:

Seattle's original cable car, which is now mounted on a motorized chassis, was appropriately decorated with such signs as "Lick a Defense Stamp and you lick an 'ism'" and paraded through downtown Seattle by members of the Junior Advertising & Sales Club.

"Uncle Sam's Stampede", an original half-hour radio program, was broadcast Sunday evening, September 13, over Station KIRO. On this program, listeners were invited to telephone in and order Bonds or Stamps, appropriate announcements were made, and Western Union messengers dispatched to deliver Bond order forms or Defense Stamps and to collect for the securities. The program was sponsored by the Retail Trade Bureau and the Advertising & Sales Club of Seattle and resulted in the sale of \$9,000 worth of Defense Bonds and Stamps.

Special booths, staffed by volunteers from various women's organizations, were set up in all of the larger downtown stores.

HIGHLIGHTS:

In Bremerton, the Carpenters Union has voted to invest \$5,000 in Defense Bonds.

In Longview, pay roll allotment plans have been announced by the Long-Bell Lumber Company, Weyerhaeuser Timber Company and the Longview Fibre Company.

Highlights From Other States:ILLINOIS

MAYOR EDWARD J. KELLY has accepted Honorary Chairmanship of the Defense Savings Committee for Chicago. He was photographed purchasing a Defense Bond on the occasion of his acceptance.

MANY STATE STREET STORES arranged Defense Bond windows for Chicago's "Retailers for Defense Week". . . . Marshall Field had four such windows.

MEMBERS OF CHICAGO LOCALS of the Amalgamated Clothing Workers of America had bought \$25,000 worth of Defense Stamps by the first of September, through their "group agents", and had taken \$500,000 as their goal.

MAINE

PRACTICALLY ALL COUNTIES now have functioning Committee organizations.

TICKET OFFICES of the Bangor and Aroostock Railroad are selling stamps, and in some communities with no post offices, are the only source of supply.

FIRST GROCERY STORE in the State to adopt the salary allotment plan is Shrero's Market in Waterville.

INSTALLATION OF AN ALLOTMENT PLAN by the Central Maine Power Company has recently been announced. Walter S. Wyman, President of the Company, is Chairman of the State Committee.

AT MAINE FAIRS: Defense Bonds were prizes on 4H Club Day at the Windsor County Fair. . . An Army "jeep" helped boost sales at the Skowhegan Fair, where Postmaster Frank Madden arranged a booth for the sale of both bonds and stamps.

AN EDITORIAL COMMENT:

"While showers of household gadgets are very nice for young ladies contemplating matrimony, they have certain notorious faults. They do, it must be conceded, stock the prospective home well with can openers, dish cloths, luncheon napery, ash trays, and even such fine things as linen, dishware, cooking utensils, and aprons. . . All this is a tedious way of approaching a suggestion, which is both timely and practical. It is that friends of those who are about to wed depart from the time-worn shower tradition and sprinkle the happy couples instead with Defense Bonds and Stamps.

"In this way, eight olive forks and 19 book ends would be avoided; Uncle Sam would have his defense program helped along; and the couple would start out with money in the bank and the means of buying what they really want when they get settled and seriously think about home making." —Portland Press Herald, Portland, Maine.

News Letter

DEFENSE SAVINGS IN THE SCHOOLS

The week preceeding Armistice Day this year has been proclaimed "School Defense Week" by the Governor of Texas. His proclamation reads:

"WHEREAS, there exists in America today an urgent need for everyone to do his part in the National Defense Program; and

"WHEREAS, the Defense Savings Staff for Texas is soliciting 'all-out aid' to make every citizen of Texas, old and young, Defense Bond and Stamp conscious by putting on an educational program in every school in Texas to acquaint the students with the importance of buying Defense Bonds and Stamps and through this medium pass the information and idea on into the homes of Texas; and

"WHEREAS, the citizens of the Sovereign State of Texas, have heretofore in every crisis in the affairs of this great nation been willing and proud to do their full duty, and

"WHEREAS, it is now the duty of the citizen of Texas, to invest in Defense Savings Stamps and Bonds;

"NOW, THEREFORE, I, Coke Stevenson, Governor of the State of Texas, do hereby proclaim and designate the week of November 3, 1941 to November 11, 1941 as SCHOOL DEFENSE WEEK in Texas, and urge all Texans to cooperate with the Defense Savings Staff for Texas and the school children of this State in this undertaking."

TO ASSIST SCHOOLS in developing special programs for "School Defense Week", State Administrator Frank Scofield has circulated to school principals a manual prepared by two school teachers of the city of Austin, which contains many specific suggestions for relating class room work in music, art, penmanship, spelling, English, public speaking, social studies, arithmetic, reading, dramatics, etc., to Defense Savings. This manual also contains many suggestions for school activities designed to sustain the interest of school children in Defense Bonds and Stamps throughout the year.

* * * *

OTHER SCHOOL NEWS:

SCHOOL THRIFT PROGRAMS, which are conducted in many cities in cooperation with local banks and savings institutions, have in several cases been related specifically to Defense Savings by providing that a savings account at the option of the depositor may be used to purchase Defense Bonds each time the account reaches \$18.75. This has been done in Seattle, Washington; Dallas, Texas; Rochester, New York and New Haven, Connecticut, among other places.

STAMPS ARE ON SALE one day each week in the class rooms of many schools. This is the plan used generally in Michigan where many schools inaugurated "Stamp Bank Day" last spring. Teachers and students work together to keep the necessary records, collect the money and purchase and distribute the stamps.

OTHER SCHOOL NEWS (Continued)

IN RURAL AREAS and some smaller towns letter carriers, and postal officials have arranged to visit schools periodically with ample supplies of stamps and to relieve teachers and students of a large part of the task of handling sizeable sums of money.

REPLICA "STAMP BANKS" and "post offices" have been built by some schools as semi-permanent fixtures in school corridors, class rooms or assembly halls.

A REVIVAL OF BELIEF in the virtue of thrift is deemed by many to be one of the important by-products of the Defense Savings Program. Bearing upon this point is a report from an up-state New York town where a large consolidated school has arranged to have postal officials visit the school once each week and distribute Defense Savings Stamps through student banking committees. The report adds: "For several years the school maintained a banking service for its pupils but this was discontinued during the depression years."

EVERY SCHOOL PUPIL in Marshfield, Massachusetts has started on the road towards ownership of Defense Bonds. In that community, early in the current school year, every child in the elementary grades and all students in the junior and senior high schools received albums each containing one Defense Stamp. The distribution was made possible by the generosity of members of the Board of Trade, Kiwanis Club and Woman's Club and was arranged by the Marshfield Defense Savings Committee, Shirley E. Crosse, Chairman.

TYPEIFYING THE ENTHUSIASTIC RESPONSE of school children is a report from Schenectady, N. Y. At Nott Terrace High School in that city the student council sponsored a band concert early one morning before school opened. The supply of Defense Stamps was exhausted in ten minutes. Later in the morning the school assembly period was devoted to a Defense Savings Program and Principal Loydd S. Michael purchased the "first" stamps sold at the stamp booths sponsored by the school's three classes.

**DEFENSE SAVINGS
FLOAT**

This float attracted much favorable attention at the "Corn Carnival" parade held in Granger, Texas, September 24, 1941.



News Letter

MANY BANKS MAKE DEFENSE BOND DRAFT PLANS AVAILABLE TO CUSTOMERS

From all parts of the country come reports that bankers have made it possible for their customers to participate in the Defense Savings Program by simply authorizing periodic drafts on their accounts to purchase Defense Bonds of specified series and denominations. The following is a partial list of banks which have installed this convenient "Buy A Bond A Month" plan:

ALABAMA - Bank of Fairhope. CALIFORNIA - Bank of America, San Francisco. COLORADO - First National Bank of Colorado Springs. CONNECTICUT - Riverside Trust Co., Hartford; Shelton Trust Co.; American Bank & Trust Co., Community Bank & Trust Co., First National Bank & Trust Co., New Haven Bank, Second National Bank, and Trademans National Bank - all of New Haven. DELAWARE - Delaware Trust Co., Wilmington; Equitable Trust Co., Wilmington.

DISTRICT OF COLUMBIA - Lincoln National Bank; Riggs National Bank. FLORIDA - Lewiston State Bank, Tallahassee. GEORGIA - Trust Company of Georgia, Atlanta; National Exchange Bank, Augusta; Fourth National Bank, Columbus; First National Bank & Trust Co., Macon; First National Bank, Rome; Liberty National Bank & Trust Co., Savannah.

ILLINOIS - National Security Bank, Chicago; Third National Bank, Rockford. INDIANA - First National Bank, Elkhart; Farmers National Bank, Remington. MAINE - First National Bank, Damariscotta. MASSACHUSETTS - Hyannis Trust Co.; Winchester National Bank; Guaranty Bank & Trust Co., Worcester. MICHIGAN - Commercial & Savings Bank, Albion; State Savings Bank, Escanaba; Farmington State Bank.

MINNESOTA - First National Bank, Austin; Farmers & Merchants State Bank, Clarkfield; First National Bank, Deer River. MISSISSIPPI - Bank of Greenwood; Citizens Bank, Hattiesburg; Capital National Bank, Jackson; Deposit Guaranty Bank & Trust Co., Jackson; Bank of Morton. MISSOURI - Cotton Exchange Bank, Kennett; United Bank of Union.

MONTANA - First National Bank, Great Falls; Great Falls National Bank; Montana Bank & Trust Co., Great Falls. NEW JERSEY - Sussex County Trust Co., Franklin; Leonia Bank & Trust Co. NEW MEXICO - First National Bank, Albuquerque; First National Bank, Santa Fe. NEW YORK - First National Bank, Glens Falls; First National Bank, New Rochelle; National Bank & Trust Co., Norwich. (This list is continued on the next page.)



THIS DISPLAY BOOSTS BOND SALES

This Defense Bond replica tank which belongs to the Hartford-Connecticut Trust Company is on the sidewalk in front of the Greenwich-Connecticut Trust Company. Since it was on duty in Hartford (see NEWS LETTER No. 15) it has been in Bridgeport and several other Connecticut towns. Everywhere it goes bond sales jump.

BANK DEFENSE BOND DRAFT PLANS (Continued)

NORTH CAROLINA - National Bank of Lumberton; Scottish Bank, Lumberton; Citizens National Bank, Gastonia; National Bank of Commerce, Gastonia; American Bank & Trust Co., Monroe; Security National Bank of Raleigh; Peoples Bank & Trust Co., Rocky Mount. OHIO - Peoples State Bank, Granville; Greenville National Bank; National Bank of Lima; Savings Deposit Bank, Medina.

OKLAHOMA - First National Bank of Tulsa. OREGON - Bank of California, N. A., Portland. PENNSYLVANIA - Abington Bank & Trust Co; Pioneer Dime Bank, Carbondale; Girard National Bank; Peoples National Bank, Norristown; Third National Bank & Trust Co., Scranton. SOUTH CAROLINA - South Carolina National Bank; First National Bank of Columbia; Bank of Hartsville; Citizens & Southern Bank.

TENNESSEE - American Bank, St. Joseph. TEXAS - First National Bank, Alpine; Commercial National Bank, Brady; Commercial State Bank, El Campo; Commercial Bank, Mason; National Bank of Commerce, San Antonio; Citizens National Bank, Waco; City National Bank, Wichita Falls. VIRGINIA - Bank of Lancaster, Kilmarnock. WASHINGTON - Seattle First National Bank.

IMPRESSIVE SALES RECORD HUNG UP BY PEORIA BANK

More than \$1,200,000 worth of Defense Bonds and Stamps were sold during the past five months by the Commercial Merchants National Bank & Trust Company, Peoria, Illinois (population 105,000). Since early in May this bank has used newspaper advertisements and special lobby displays to call attention to the Defense Savings Program.

A new promotional program is now being developed around the song "Any Bonds Today?" Tellers' windows will be decorated with the front cover of the sheet music souvenir edition of the song; and ten times during banking hours a recording of the song will be played and distributed at low volume from twelve loud speakers located near the tellers' windows.

Pictured below is the bank's attractive floral display which featured more than 1200 red and white peonies.



TO THE LADIES



Mrs. Lytle Hull and Miss Vivian Bolster of Hearn's Volunteers selling Defense Stamps together at Bonwit Teller's Fifth Avenue Store in New York City.

Some Useful Ideas from New York

In New York, Mrs. Lytle Hull, vice-chairman of the State Committee in charge of women's activities, and her Executive Assistant, Mrs. Marion Miller, have already made most of their committee appointments throughout the State. They were able to find the kind of women they wanted in each municipality, they report, by going to big statewide women's organizations, like the state affiliates of the PTA, the General Federation of Women's Clubs, and the Women's Trade Union League, and asking who the most active workers of those organizations were in each locality. Newspaper editors and women's page writers were also asked to supply the names of leaders in women's activities in each town, and the names of organizations which would probably want to work with local Defense Savings Committees.

"Flying Squadron"

In New York City, a "Flying Squadron", has been formed composed of society women, club women, and business girls, who have volunteered to help the Defense Savings Program in any way they can.

During "Retailers-for-Defense Week", these volunteers tended Defense Stamp booths in department stores. Helping out on this particular project, too, were the "Hearn's Volunteers", an organization of salesgirls from Hearn's Department Store, who are giving one day every week to National Defense work.

INSTRUCTING VOLUNTEERS

From long experience with volunteer workers, Mrs. Hull and Mrs. Miller know the importance of providing them with detailed instructions. For example, the volunteers who are helping to sell Defense Stamps in stores are given mimeographed sheets setting forth such suggestions and instructions as:

1. Tell shoppers who stop to examine the literature on display, where Defense Stamps are on sale (at the booth or cashier's desk) and that Bonds can be bought at any post office or bank.
2. Distribute albums with the first stamp sold if the shopper does not already have one.
3. Read the Defense Savings informational pamphlets in order to be able to answer questions intelligently.
4. Keep a record of stamps sold, and, if possible, of the number of people who make inquiry about Stamps or Bonds or pick up literature.

FARMERS LEARN OF DEFENSE SAVINGS PROGRAM
TRIPLE A CHECKS BUYING DEFENSE BONDS

FARMERS are being encouraged to invest in Defense Bonds. All Triple A soil conservation and parity payment checks (about 6,000,000 are distributed each year) are now being delivered accompanied by a new Defense Savings folder entitled: "12 Facts For American Farmers About Defense Savings Bonds and Stamps."

MEMBERS OF THE 800 RURAL ELECTRIFICATION COOPS., who represent approximately 1,000,000 farm families, are now receiving the folder "Freedom for the Future" (referred to in NEWS LETTER NO. 18).

ALL FIELD OFFICES AND AGENTS of the Departments of Agriculture and Interior are cooperating to keep Defense Savings before the rural families whom they serve. Field representatives of these Departments have been instructed to cooperate closely with state and local Defense Savings Committees and to do all that they can to stress to farmers the importance of substantial and continuous investment in Defense Bonds and Stamps.

OTHER NEWS FROM THE FARM FRONT:-

All Creameries in Vermont, including both privately owned and cooperative creameries, are distributing folders giving information about the Defense Savings Program. In addition, some of them are developing plans whereby the creameries help farmers buy bonds by making authorized deductions from milk checks. This is a plan which operates for farmers in much the same way that the pay roll allotment plan operates for wage earners and salaried employees.

Future Farmers of America, organizations of boys studying vocational agriculture, are investing reserve funds in Defense Bonds. The Mississippi FFA organization reports the investment of \$3,000; Florida, Louisiana and New Mexico organizations each report purchases of \$1,000 Defense Bonds, and the Vermont group has made an initial purchase of a \$100 bond.



His fine Jersey cow produced the milk which brought the money which Danny Eugene Farrow, 4H Club boy of Spring Creek, Yell County, Arkansas, saved to buy the Defense Bond he proudly displays in the picture at the left. Danny's father, Glenn Farrow, in 1931 won the Future Farmers of America award as Master Farmer.

Rural Electrification cooperatives throughout the country have invested \$650,000 in Defense Bonds. In Missouri, every such cooperative has purchased Bonds.

A Minute Man Sculptured in Butter was the principal attraction at the exhibit of the Bestrice Creamery Company of Topeka, at the Kansas Free Fair in that city.

News Letter

NEW DISPLAYS AVAILABLE FOR OUTDOOR ADVERTISERS

OUTDOOR ADVERTISING is doing much to keep the objectives of the Defense Savings Program before the American public. Already in scores of cities, banks and savings and loan associations and other local users of the outdoor advertising medium, and some national advertisers, notably the Wrigley Company, have placed Defense Savings messages upon outdoor displays which they either own, lease or contract for. Pictures of a few of these billboards have already appeared in previous issues of this NEWS LETTER.

A NEW PROGRAM of outdoor advertising is now getting underway. The newly established Outdoor Display Section of the office of the director of information has just announced that arrangements have been made with the Outdoor Advertising Industry for the production of a series of Treasury-approved designs which will be made available at cost to users of outdoor advertising space and to the "plant operators" engaged in this business.



A SMALL BOY AND A DOG (above) feature the design of the poster which is the first in this series to become available. This design was provided by the Mass Marketing Institute of Chicago. Colored miniatures of this design were mailed on October 14th by the Treasury Department to approximately 12,000 banks, insurance companies, and other financial institutions throughout the United States, together with a letter announcing the availability of these posters and outlining the procedure by which they can be obtained. The large 24-sheet posters for this design are now in the process of production, and should be available to advertisers about October 20th.

FOR PAINTED BULLETINS, the two designs now available have been provided by Outdoor Advertising Incorporated. Both feature the Minute Man, and differ only as to the wording of the headlines.

One says: "OWN A SHARE IN AMERICA.
Buy United States Defense Bonds and Stamps."

The other reads: "FOR DEFENSE AND SECURITY.
Buy United States Defense Bonds and Stamps."

DEFENSE SAVINGS ON THE AIR
Leading Programs for the Coming Week

Monday, October 30	<u>FOR AMERICA WE SING</u>	9:30-10:00 P.M. (EST)
Tuesday, October 31	<u>MILLIONS FOR DEFENSE</u> (The Treasury Hour)	8:00-9:00 P.M. (EST) NBC Blue Network
Saturday, October 25	<u>AMERICA PREFERRED</u>	9:15-9:45 P.M. (EST)

THESE THREE PROGRAMS are dedicated exclusively to Defense Savings. In addition, many regularly sponsored programs during the week will include announcements and other boosts to remind America's radio audience to "Buy a Share in America."

* * *

"ANY BONDS TODAY?" IN FIRST POSITION
IN NATION'S 300,000 AUTOMATIC PHONOGRAPHS

A nation-wide campaign to place "Any Bonds Today?" and other popular National Defense records as they become available in the No. 1 position on the nation's 300,000 automatic phonographs has been launched by the Automatic Phonograph Manufacturers Association and representatives of all major recording companies. Records which receive this position are played more often than any others in the machines.

Each recording company will make special stickers, cards and title slips for distribution to all places where the automatic phonographs, popularly known as "juke boxes", are installed. This material is now in production, and the week of November 9 to 16 has been fixed as "Automatic Phonograph Operators Cooperating in the Promotion of United States Defense Bonds and Stamps Week."

In Michigan, automatic phonograph operators got the jump on the rest of the country and, through the efforts of Roy Small, Conciliator for Local 737, United Phonograph Operators Association, CIO, and the United Music Operators Association of Michigan, "Any Bonds Today?" was given the preferred position on all 5,100 music boxes in Detroit and Wayne, Macomb and Oakland counties.

Late in September, when Secretary Morgenthau made his trip to Detroit to discuss pay roll allotment with labor and business leaders, Frank H. Isbey, Michigan State Chairman, offered him \$100 if he could find a juke box on which "Any Bonds Today?" was not the first tune. The Secretary took up the challenge and, accompanied by State Administrator Giles Kavanagh, Chairman Isbey and one or two others, went to more than a dozen places, buying hot dogs and dropping nickels in the slots of automatic phonographs. Reports have it that the personal investigation cost the Secretary a pocketful of nickels and that Chairman Isbey kept his \$100. "Any Bonds Today?" was in the top spot on every machine!

News Letter

QUOTABLE QUOTES

"In this, the most perilous hour in the entire history of civilization and Christianity, it becomes the duty of all who believe in the preservation of American freedom and the American way of life to do everything possible in behalf of the perfection of national defense. Every member of the Moose Lodge can increase his contribution to the nation's security and the perpetuation of his own liberty by purchasing Defense Savings Stamps and Defense Savings Bonds to the limit of his capacity. . . . Therefore, every member of the Loyal Order of Moose is urged to buy at least one Defense Savings Stamp a day and at least one Defense Savings Bond a month."

— Mathew M. Neely, Supreme Governor,
Loyal Order of Moose, Governor of West Virginia,
and Honorary Chairman of his State's Defense
Savings Committee.

"The time has come for us to take our American Citizenship seriously. We have accepted the privileges afforded us by our form of Government as a matter of course, forgetful of the price our forefathers paid that we might be free. That freedom, and the Government under which we enjoy it, is not only challenged, but it is threatened. Let the bankers as a class take the lead in a great movement to arouse our people to the dangers which threaten, and try to make them conscious of their individual obligation and responsibility to our Government. Let us pledge anew our allegiance to the flag of our country, and rededicate our lives to its protection and perpetuation."

— Ed. L. Weathers, President,
Kentucky Bankers Association.

"Our job is to sell every individual--without coercion and with each one the judge of his own limitations--the obligation of **THRIFT FOR DEFENSE**."

— William H. Bartley, State Defense Savings
Administrator for Montana.



— "BO", Comic strip character by Frank Beck,
McNaught Syndicate, Inc.

Page 91: "Program for Guidance of
Postmasters for Defense Savings
Bonds and Stamps": See Book 450, p. 735

SECRET

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

92

DATE Oct. 17, 1941

TO Secretary Morgenthau

FROM Mr. Haas

Subject: Employment in the Aviation Manufacturing Industry

1. Employment in the aviation manufacturing industry is reported at 289,000 for August 1941, the latest month for which data are available. A total of 230,000 of these employees was engaged in the manufacture of airplanes and parts, and the remaining 59,000 in the manufacture of airplane engines. These figures do not include employment in the Ford and Buick engine plants, estimated at 4,000 workers.

2. More workers were employed in the industry in August 1941 than in any previous month. There were 9 percent more employees than in the preceding month, 73 percent more than at the beginning of this year, and 132 percent more than a year ago.

3. Since the first of the year the industry has expanded by 121,000 employees. All of the larger companies reported gains in employment during this period. Lockheed showed the greatest advance of the airplane manufacturing companies, with 15,000 additional workers. The largest increment for the engine companies was 7,000 at Pratt & Whitney.

4. The attached chart shows total employment in the industry, and in selected companies, since January 1937. Data from which the curves were plotted are given in the accompanying tables.

Attachments

Employment in Aviation Manufacturing Industry
(Airplanes and Airplane Engines)
1937-1941

	1937	1938	1939	1940	1941
Airplanes					
Jan.	22,100	23,700	25,251	58,000	138,900
Feb.				60,500	149,700
Mar.	24,100	24,200	27,875	64,500	155,800
Apr.				67,000	167,048
May				73,000	175,371
June	25,200	22,800	35,973	80,000	190,200
July				90,000	210,729
Aug.				97,448	229,644
Sept.	23,400	22,050	41,425	105,362	
Oct.				115,241	
Nov.				123,492	
Dec.	23,800	24,450	52,800	131,200	
Airplane Engines					
Jan.	5,500	6,500	6,989	13,900	38,550
Feb.				15,800	40,468
Mar.	6,000	6,600	7,825	17,300	42,869
Apr.				18,600	44,849
May				20,800	48,546
June	6,600	6,900	8,727	22,900	51,816
July				25,400	54,702
Aug.				27,019	58,882
Sept.	6,400	6,772	9,289	28,981	
Oct.				32,633	
Nov.				34,199	
Dec.	6,600	6,847	12,600	36,045	
Total Industry -- Airplanes and Airplane Engines					
Jan.	27,600	30,200	32,240	71,900	177,450
Feb.				76,300	190,168
Mar.	30,100	30,800	35,700	81,800	198,669
Apr.				85,600	211,897
May				93,800	223,917
June	31,800	29,700	44,700	102,900	242,016
July				115,400	265,431
Aug.				124,467	288,526
Sept.	29,800	28,822	50,714	134,343	
Oct.				147,874	
Nov.				157,691	
Dec.	30,400	31,297	65,400	167,245	

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

October 16, 1941

Source: Bureau of Labor Statistics.

STRICTLY CONFIDENTIAL

Employment of Selected Aircraft Manufacturing Corporations

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1937-1941

	1937	1938	1939	1940	1941
<u>Bell Aircraft Corp.</u>					
Jan.	615	222	654	859	4,309
Feb.				865	5,043
Mar.	850	290	912	896	5,754
Apr.				840	6,540
May				873	7,036
June	808	440	1,410	1,192	7,738
July				1,480	7,743
Aug.				1,963	8,677
Sept.	718	235	703	2,413	
Oct.				3,355	
Nov.				3,597	
Dec.	213	606	799	3,865	
<u>Boeing Aircraft Co. -- Seattle</u>					
Jan.	1,834	1,493	2,380	5,137	6,939
Feb.				4,942	8,104
Mar.	1,726	1,700	2,749	4,759	7,960
Apr.				4,198	7,740
May				5,190	7,739
June	1,249	1,736	2,989	5,882	7,920
July				6,571	8,720
Aug.				6,926	11,145
Sept.	1,109	1,798	3,985	6,940	
Oct.				6,391	
Nov.				5,351	
Dec.	1,380	2,285	4,749	5,657	
<u>Consolidated Aircraft Corp.</u>					
Jan.	3,169	2,540	968	2,837	13,135
Feb.				3,477	14,097
Mar.	3,246	2,518	819	3,807	14,251
Apr.				4,349	13,886
May				5,040	13,547
June	3,099	2,104	832	5,821	14,007
July				6,743	15,238
Aug.				7,836	18,484
Sept.	2,617	989	1,408	9,289	
Oct.				11,018	
Nov.				12,355	
Dec.	2,580	981	2,540	12,118	

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

October 16, 1941.

Source: Bureau of Labor Statistics.

Regraded Unclassified

Employment of Selected Aircraft Manufacturing Corporations
1937-1941
(continued)

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STRICTLY CONFIDENTIAL

	1937	1938	1939	1940	1941
<u>Curtiss-Wright Corp. -- Buffalo</u>					
Jan.	1,241	2,211	3,802	4,380	8,273
Feb.				4,744	8,902
Mar.	1,500	2,347	2,939	5,016	9,607
Apr.				5,213	9,946
May				5,698	10,537
June	1,933	2,310	2,848	6,314	11,431
July				6,531	13,191
Aug.				6,597	13,966
Sept.	2,202	2,736	1,562	6,824	
Oct.				7,682	
Nov.				7,889	
Dec.	2,007	3,491	3,447	8,010	
<u>Douglas Aircraft Co., Inc.</u>					
Jan.	5,591	6,328	4,334	11,952	17,054
Feb.				12,077	18,057
Mar.	5,961	6,173	4,177	13,119	19,313
Apr.				14,033	21,502
May				14,656	22,678
June	6,653	4,672	5,445	14,957	25,019
July				14,662	25,940
Aug.				14,898	25,647
Sept.	5,532	4,028	6,318	14,219	
Oct.				14,158	
Nov.				14,726	
Dec.	6,771	4,110	10,362	16,120	
<u>Lockheed Aircraft Corp.</u>					
Jan.	910	1,577	2,305	5,157	11,544
Feb.				4,768	12,031
Mar.	1,094	1,594	3,509	4,362	13,028
Apr.				4,400	14,829
May				5,016	15,418
June	1,338	1,797	5,699	5,591	19,640
July				6,599	23,865
Aug.				7,296	26,247
Sept.	1,383	1,997	5,324	7,582	
Oct.				8,517	
Nov.				10,056	
Dec.	1,428	2,123	5,156	10,904	

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

October 16, 1941.

Source: Bureau of Labor Statistics.

STRICTLY CONFIDENTIAL

Employment of Selected Aircraft Manufacturing Corporations
1937-1941
(continued)

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	1937	1938	1939	1940	1941
<u>Glenn L. Martin Co.</u>					
Jan.	1,364	1,814	2,905	10,984	14,039
Feb.				9,407	13,771
Mar.	1,716	1,892	4,092	9,133	13,216
Apr.				9,010	15,482
May				9,357	16,180
June	2,044	2,134	6,029	9,133	18,313
July				9,513	21,082
Aug.				11,200	23,299
Sept.	2,032	2,341	10,070	10,019	
Oct.				11,414	
Nov.				12,871	
Dec.	1,818	2,777	11,174	13,829	
<u>North American Aviation, Inc.</u>					
Jan.	829	1,713	2,223	4,049	7,767
Feb.				4,324	8,247
Mar.	889	1,935	2,457	4,154	8,736
Apr.				4,371	9,590
May				4,336	9,803
June	841	2,400	3,125	4,782	9,770
July				4,918	9,693
Aug.				4,916	9,986
Sept.	1,272	2,685	2,992	5,111	
Oct.				5,828	
Nov.				6,064	
Dec.	566	2,530	3,795	6,867	
<u>United Aircraft Corp.</u> (excluding Pratt & Whitney)					
Jan.	2,350	2,245	1,826	2,757	7,011
Feb.				3,051	7,652
Mar.	2,444	2,168	1,766	3,488	7,418
Apr.				3,735	7,492
May				3,912	7,718
June	2,497	1,972	1,952	4,282	7,974
July				4,823	7,963
Aug.				5,016	8,224
Sept.	2,439	1,880	2,123	5,445	
Oct.				6,010	
Nov.				6,105	
Dec.	2,338	1,774	2,588	6,401	

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

October 16, 1941.

Source: Bureau of Labor Statistics.

STRICTLY CONFIDENTIAL

Employment of Selected Aircraft Manufacturing Corporations

1937-1941
(continued)

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	:	1937	:	1938	:	1939	:	1940	:	1941
<u>Vultee Aircraft, Inc.</u>										
Jan.						364		742		4,057
Feb.								938		4,325
Mar.						440		959		4,544
Apr.								1,008		5,096
May								1,334		5,022
June				560		533		2,127		4,955
July								2,618		4,864
Aug.								2,857		4,842
Sept.				430		288		3,531		
Oct.								3,652		
Nov.								3,733		
Dec.				334		662		3,851		

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

October 16, 1941.

Source: Bureau of Labor Statistics.

STRICTLY CONFIDENTIAL

Employment of Selected Airplane Engine Corporations

1937-1941

98

	1937	1938	1939	1940	1941
<u>Allison Engineering Co.</u>					
Jan.	218	262	454	1,114	6,422
Feb.				1,261	6,720
Mar.	229	297	466	1,610	7,012
Apr.				1,958	7,114
May				2,766	7,670
June	238	339	558	3,254	8,133
July				3,917	8,420
Aug.				4,595	9,192
Sept.	238	382	642	5,282	
Oct.				6,280	
Nov.				6,295	
Dec.	266	439	901	6,394	
<u>Continental Motors Corp.</u> (Airplane Engine Division)					
Jan.	151	153	134	288	953
Feb.				344	1,057
Mar.	153	152	138	358	1,063
Apr.				368	1,186
May				378	1,235
June	162	144	171	388	1,245
July				398	1,230
Aug.				382	1,240
Sept.	135	146	203	567	
Oct.				732	
Nov.				855	
Dec.	152	142	243	875	
<u>Lycoming Division of Aviation Manufacturing Corp.</u>					
Jan.	849	729	519	581	1,607
Feb.				638	1,661
Mar.	889	704	521	657	1,645
Apr.				711	1,695
May				765	1,717
June	901	549	573	819	1,729
July				873	1,706
Aug.				970	1,859
Sept.	756	514	644	1,080	
Oct.				1,459	
Nov.				1,320	
Dec.	762	506	689	1,576	

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

October 16, 1941.

Source: Bureau of Labor Statistics.

Regraded Unclassified

STRICTLY CONFIDENTIAL

Employment of Selected Airplane Engine Corporations
1937-1941
(continued)

99

	1937	1938	1939	1940	1941
<u>Pratt & Whitney Aircraft</u>					
Jan.	1,931	2,567	2,264	5,642	12,287
Feb.				6,549	13,483
Mar.	2,119	2,489	2,659	7,158	14,286
Apr.				7,541	14,865
May				7,765	15,824
June	2,384	2,555	3,066	8,504	16,633
July				9,121	17,524
Aug.				9,449	17,959
Sept.	2,471	2,384	3,394	9,406	
Oct.				9,794	
Nov.				10,377	
Dec.	2,618	2,227	5,022	11,228	
<u>Wright Aeronautical Corp.-- Paterson</u>					
Jan.	2,254	2,607	3,398	5,411	12,847
Feb.				6,081	13,136
Mar.	2,515	2,705	3,771	6,537	13,415
Apr.				6,984	13,849
May				7,882	14,241
June	2,800	2,930	3,997	8,682	14,643
July				9,491	15,150
Aug.				10,151	15,602
Sept.	2,690	3,184	4,026	10,726	
Oct.				11,240	
Nov.				11,864	
Dec.	2,608	3,374	5,141	12,408	

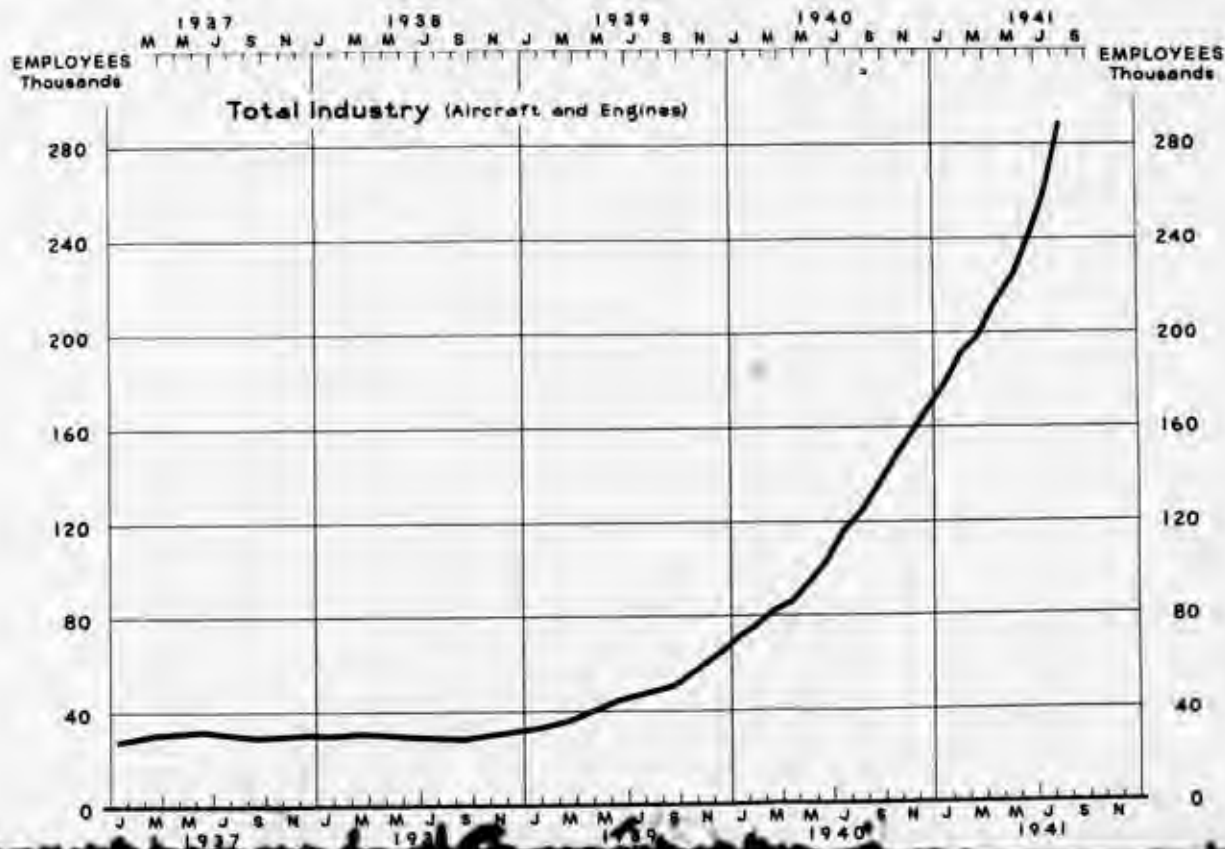
Office of the Secretary of the Treasury,
Division of Research and Statistics.

October 16, 1941.

Source: Bureau of Labor Statistics.

EMPLOYMENT IN AVIATION MANUFACTURING INDUSTRY

Factory Wage Earners



Selected Aircraft Manufacturing Companies

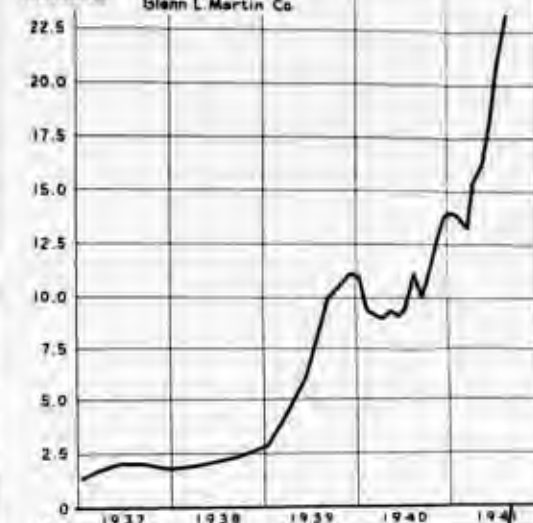
EMPLOYEES
Thousands

The Douglas Aircraft Co



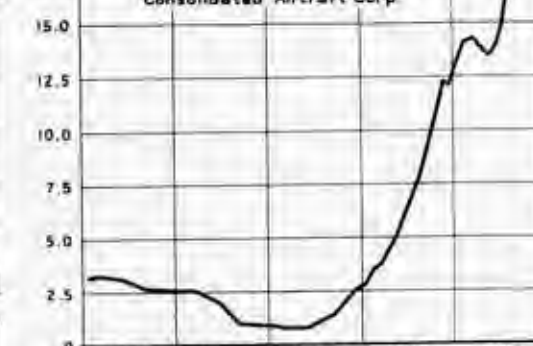
EMPLOYEES
Thousands

Glenn L. Martin Co



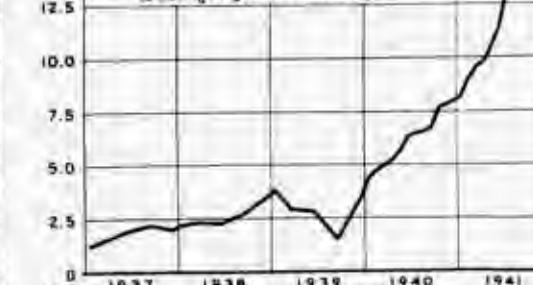
EMPLOYEES
Thousands

Consolidated Aircraft Corp.



EMPLOYEES
Thousands

Curtiss-Wright Corp.
(Excluding Wright Aeronautical Corp.)



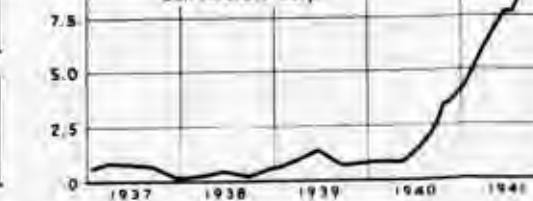
EMPLOYEES
Thousands

North American Aviation, Inc.



EMPLOYEES
Thousands

Bell Aircraft Corp.



Selected Airplane Engine Companies

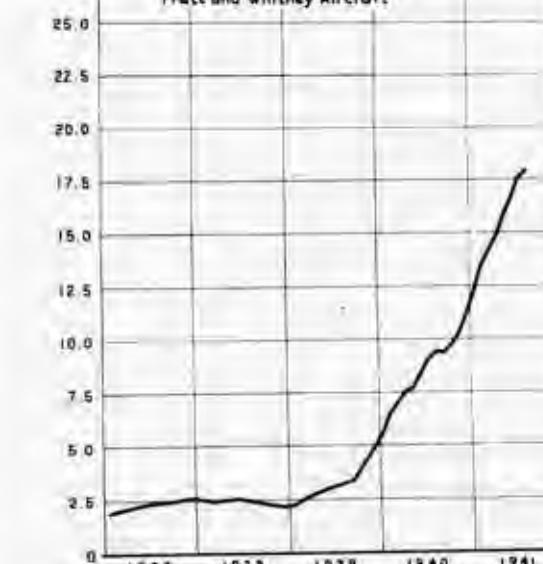
EMPLOYEES
Thousands

Wright Aeronautical Corp. - Paterson



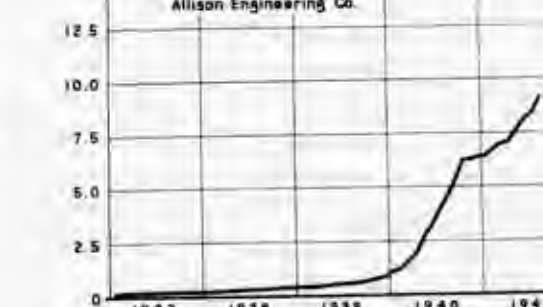
EMPLOYEES
Thousands

Pratt and Whitney Aircraft



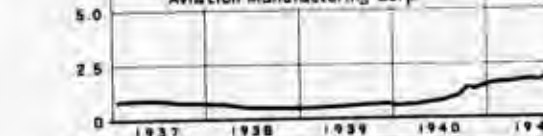
EMPLOYEES
Thousands

Allison Engineering Co.



EMPLOYEES
Thousands

Lycoming Division of
Aviation Manufacturing Corp.



EMPLOYEES
Thousands

Continental Motors
(Aircraft Engine Division)



**BRITISH AIR COMMISSION****1785 MASSACHUSETTS AVENUE****WASHINGTON, D. C.****TELEPHONE HOBART 9000**

PLEASE QUOTE

REFERENCE NO. _____

With the compliments of British Air Commission,
who enclose Statement No. 2, covering aircraft
shipped, for week ending October 14, 1941.

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

October 17, 1941

British Air Commission
October 16, 1941.

Most Secret

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STATEMENT NO. 2.

AIRCRAFT DESPATCHED FROM UNITED STATES WEEK ENDING OCTOBER 14, 1941.

TYPE	DESTINATION	ASSEMBLY POINT	BY SEA	BY AIR	FLIGHT DELIVERED FOR USE IN CANADA
<u>BELL</u>					
Aircobra	U. K.	U. K.	20	--	--
<u>BOEING</u>					
Boston III	U. K.	U. K.	7	--	--
<u>CHRYSLER</u>					
T-50	Canada	----	---	--	22
<u>CONSOLIDATED</u>					
Catalina	Australia	Melbourne	--	1	--
Liberator II	U. K.	U. K. (via Gander)	--	9	--
<u>CURTIS</u>					
Wittyshek	Middle East	Port Sudan	44	--	--
	Canada	----	--	--	4
<u>DOUGLAS</u>					
Boston III	U. K.	U. K.	21	--	--
	Middle East	Port Sudan	8	--	--
<u>LOCKHEED</u>					
Boston III	U. K.	U. K. (via Gander)	--	1	--
<u>PERVY MARTIN</u>					
Baltimore	Middle East	Port Sudan	5	--	--
<u>WORTH AMERICAN</u>					
Harvard II	Middle East	Port Sudan	7	--	--
	Canada	----	--	--	15
<u>UNITED</u>					
Chesapeake	U. K.	U. K.	1	--	--
TOTAL			115	11	41

Regraded Unclassified

My Dear Mr. Secretary:

On September 23, 1941, Lieutenant Martin K. Connelly of the United States Army was fatally shot by Customs Guard John E. Young at Honolulu, T. H., as the former was leaving the United States Army Transport **FRANKLIN D. ROOSEVELT**.

I am informed by the acting collector of customs at Honolulu that the shooting occurred while the guard was on official duty, in connection with an attempt of Lieutenant Connelly to pass through the customs line with a package without submitting it to inspection upon the guard's request.

The Customs Agency Service of this Department is conducting an investigation to ascertain the facts and evidence in the case. It is believed that two United States naval officers in Honolulu are in possession of important information in the matter, but the local naval officials have refused to permit these officers to be interviewed. Criminal prosecution of Mr. Young for the shooting has been instituted in the local courts and I am informed that the trial may take place in the near future.

In view of the seriousness and urgency of the matter, and of the information received from the acting collector that the shooting occurred in line of duty, I shall be obliged if you will instruct the appropriate naval officials at Honolulu by telegraph to permit the Customs Agency Service to interview the naval officers mentioned above regarding the matter.

Very truly yours,

(Signature)

Acting Secretary of the Treasury.

The Honorable

The Secretary of the Navy.

NSchl 10-16-41

FAVORABLE LETTERS

Comments on the Secretary's Speeches

Mrs. Ralph A. Metzger, San Francisco, Calif. I greatly admire your stand on the various issues which have come up from time to time, especially your suggestion of a 100% tax on all profits above 6%. I hope the latter is enacted into law for the period of the emergency. I hope this letter reaches you personally.

T. A. Crook, South Boca Grande, Fla. 100% in favor of your recently expressed opinion. How about passing it along to FDR? "Man in the street" doesn't mind heavy taxes, but violently opposed to excessive profits, and hopes you won't be fooled by the loud voice of Big Business. * * * Boca Grande still beautiful and would be nice if you could vacation with us again this winter. Hope you can arrange it.

J. P. Harrison, Texas Theatre, Denton, Texas. I am one of the 130 million Americans you mentioned in your speech, a small town theatre operator in a little college town down here in North Texas, but regardless of my status, I have been trying to figure out the main events that seem to cast the most gasty shadow over the future. * * * Your speech enlightened me more and at the same time it fascinated me by its simplicity and its abundance of good old hard common horse sense. And just as a humble citizen that I am, I want you to know that I am one of our 130 million Americans who are behind you in your mastodonic task. In the language of a showman, I have some other good adjectives that describe it such as: Colossal, Gigantic, and Stupendous.

R. E. Masterson, Beaumont, Texas. Your address is put in such a concise and interesting manner that one cannot fail to read it thoroughly. The principles set forth in the address should be supported by all Americans, but I imagine the pressure groups in Washington will probably hinder the inauguration of same, and there will be "back" to pay in the "sweet bye and bye".

D. G. Merkel, East Orange, N. J. Your pamphlet, "A Speech and a Pledge", which you were so kind as to send me has impressed me greatly. I wish to thank you for this admirably clear and far-sighted speech, with which I heartily agree. * * * When I listen to the men of my own profession, college professors and teachers, I am seriously worried. There is no doubt that they agree completely with the aims of our Government's foreign policy. But there is on the other side a rising bitterness about the fact that the Government up to now was not able to prevent the rise of the cost of living.

E. H. Beardsley, Jacksonville, Florida. I have read of your suggestion to limit the amount of profits to the stockholders of corporations to 6%, and think they are all very good. * * * Corporations are made up largely of small people, like myself, who save and invest, and seldom if ever see over 6%. The directors and special heads at the time of their organization for the year, vote themselves a large salary (possibly they are worth it), which is known to the stockholders. Then at the end of the year they figure out a small amount to said investing stockholders, and take the surplus for themselves in the form of a bonus. * * * I have seen recently where the Courts ordered a president of a tobacco company to refund his bonus to the rightful stockholders. This if followed up might put a lot of money in circulation, where it rightfully belongs, and help increase taxes.

Comments on Bonds

Jella Bilgrey, N. Y. C. I thank you for your letter of September 26. I was very happy that you thanked me personally for having bought a \$20 Savings Bond. I am proud that I could buy a Savings Bond with the first \$20 I earned in the United States. I am a Dutch boy who fled from the Germans in May, 1940; on July 23, 1940, my parents and I entered the United States. During the past year, I attended the Long Island City High School, from which I graduated with honor in June. On June 17, my seventeenth birthday, I received the amount of \$20 from the Manufacturers' Trust Company, this representing the First Prize for an essay contest, "Why Everybody Must Buy National Savings Bonds". I purchased my Bond on the following day.

David A. Williams, Cleveland, Ohio. I have not only used what surplus funds my monthly income permits for the purchase of Defense Bonds, but have disposed of some other holdings and transferred same into this type of security. * * * I am sometimes discouraged to find the lack of recognition that prevails among the run of men in the steel plants with regard to the critical situation that is presented to our great democracy. I do not mean to infer that I am pessimistic but feel quite certain that one of the biggest problems facing our Government today is to impress upon the individual in every way just what a critical situation it is, and how necessary it is for everybody to put his shoulder to the wheel.

Phil S. Dickinson, Chicago, Ill. As you know, this section of the country is probably the center of the controversy as to the wisdom of our President's foreign policy. I am one of those who believes that the most important problem before the American people today is to see that Hitler is licked, and so I personally am heartily in accord with everything he is doing to see that aid is given to the forces opposing the Axis Power. I likewise realize that under present conditions all the members of our Administration are under terrific pressure. Finally, I am in sympathy with what I conceive to be many of the social reforms that the Administration has instituted. There are, however, several things which are giving to those who do not agree with the President's foreign policy, arguments which are hurting the general program. First, your statement that all corporate profits should be limited to 6% of invested capital. * * * It has, unfortunately, tremendously increased the feeling of dissatisfaction. Second, many of the group who disagree with the President's foreign policy, and even many of those who agree with it, feel very strongly that if the country as a whole is asked to make sacrifices, the Government should help us likewise by seeing to it that non-defense expenditures are cut to the bone. * * * All citizens of the country must change their scale of living, give up things they have had in the past, and make sacrifices, which they are quite willing to do, at the same time that our own Government, which asks us to do so, is not following this procedure at all.

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Quite the gem of the week's mail comes from Mildred Shane, Chicago, Ill. She has invested her "widow's mite", \$2,000, in U. S. Bonds. She writes that in order to buy more she will have to get a job, and suggests that the Secretary can help her out. However, there is an alternative -- she could get married again. The drawback to this is -- "My boy friend is in jail. Perhaps you can do something about releasing him in my custody. He just drifted and got into wrong company, but he is smart and has a little money which could be invested in U.S. Bonds. We need help and if you furnish it, we will help you by buying Bonds". Name and address are given in order to make the assistance an easy matter for H.M.Jr.

William Roben, Omaha, Neb. Appreciate very much your letter of Oct. 10 regarding Defense Savings plan, and wish to advise I have contracted through my employers whereby I am buying a certain number of the U. S. Defense Bonds each month. * * * Every paragraph of your letter is inspiring but sometimes I wonder if we are all doing our share, especially when a certain number of citizens cooperate and then in almost every daily paper we find strike after strike mentioned, which in practically every case has something to do with delaying the output of tanks, planes, and other valuable equipment necessary and for the purpose of defeating Hitler and the Axis Powers.

Henri Schuëg Chassin, Santiago de Cuba. Taking its inspiration from the very forceful and stimulating campaign which the Treasury Department developed under your leadership for the sale of Postage Saving Stamps and Defense Bonds, and as a contribution to the good cause of Continental solidarity and Continental defense, this Company has originated and adopted the design which appears on the postal license stamp used on the envelope bearing this letter. It shows an eagle and a condor with claws outstretched in a gesture of mutual protection, and the legend -- both in English and in Spanish -- "The Americas will save liberty". The same slogan, with a similar design, is now being used in all of our Latin-American advertising. * * * In submitting this design to you, we would like you to regard it as a token of the friendly sentiments which the peoples to the south of the Rio Grande entertain towards the United States.

UNFAVORABLE LETTERS

Comments on the Secretary's Speeches

Robert Withington, Northampton, Mass. Your franked speech entitled, "The Fight Against Inflation", reached me yesterday, and it is worth the postage for me to acknowledge it, although my letter may never get to your desk. Of course I agree with you that the subject is one of supreme importance to every American, and I am glad you are concerned with it. I presume that you have read the remarks on "Taxation" in TIME for October 6th (p. 23), and Mr. Robey's comments on your latest proposal to limit profits in NEWSWEEK of the same date (p. 38). I enclose the articles, hoping that you will note the fallacies in your reasoning. * * * You do not (I fear) stress in your speech the need for limiting wages as well as prices, of which wages are an integral part. It would also be nice if the Government could cut its non-defense spending and so cut its taxes. * * * I write as a salaried teacher, whose wages are not likely to go up. Our salaries are paid from money received for tuition and from funds received from the investments of the college. If parents cannot afford to send their children to college, one source is affected; if the return on stocks is reduced, the other source is dried up. At the best, our salaries are so small that we cannot save much; and with the increased taxes cannot soon save anything at all. We must listen to your appeal to buy Defense Savings Bonds with a wry face, for, with the best will in the world, we cannot afford to buy them.

Dr. A. H. Claggett, Upper Darby, Pa. I agree with you and pledge my whole-hearted support in this crisis. Because of changing conditions, encroachment on private practice by Social Agencies, and age, I am on the way out, but I, as a patriotic American whose ancestors fought in the Revolution, will continue to do my bit as to economy. * * * As the representative from our County Medical Society, I attended a meeting in the Court House at Media, called for defense. I was under the impression that it was to deal with emergencies and disasters arising in the County from invasion or sabotage. I went prepared to offer the services of every physician in the County and had done considerable work in arranging means for rendering emergency service in times of disaster. A call of the Roll revealed that there were representatives from Bar Tenders Unions, Barbers' Unions, Labor Unions, Women's Auxiliaries of all kinds. I was amazed when a Resolution was passed asking the Federal Government for a loan of several hundred thousand dollars to construct a few playgrounds and a swimming pool at a public park near Swarthmore. I went from that meeting with a bad taste in my mouth and will attend no more. Playgrounds and pools are of little use when a shipyard on the Delaware is blown up and human beings are scattered over the surrounding countryside.

Comments on Bonds

W. F. Keynor, President, The Waterbury Button Co., Waterbury Conn. I am forwarding you under separate cover just a sample of what the business executive is greeted with most every morning. (Bond literature) These advertisements, in many cases, as you can well see, cost good and plenty. It seems to me that this is a type of expenditure that ought to be brought to a minimum at this time.

Miss Rahna Benson, Brooklyn, N. Y. To whom it may concern, whether you be President of these United States, or one of the clerks in the office of the Treasury, where there must be an over supply to be able to send me one of these every few months. We would not have to pay such large taxes if you clerks at that end tried to save a little of our money. DO NOT SEND ME ANY MORE BOND LITERATURE, I AM BUYING MORE BONDS THAN THE MAJORITY OF PEOPLE MAKING TEN TIMES MORE MONEY THAN I. Your office should get in touch with the Defense Bond sales office and get the names of the purchasers.

Mrs. J. E. West, Jamestown, N. Y. Some time ago I bought for each of my 12 grandchildren a "Baby Bond", all in my name, but each grandchild named as "Co-owner" - they not even knowing I have done so - have also done the same for each of my 5 children. * * * Now each month I get from 12 to 17 duplicate letters, addressed in each of their names. I do not like waste, and as each of these are just thrown into my waste-basket, I am writing to see if there is any way to stop you sending them to me constantly. We are all doing all we can to buy Defense Bonds and save, and I would greatly appreciate thinking there might be some effort of economy on the part of our Government.

Miss Jennie T. Schrage, Madison, Wis. Your letter thanking me for buying U. S. Savings Bonds and urging me to buy them regularly is probably the 20th or 30th letter of that type which you have sent me. By this time, it seems to me that the automatic sending of letters with a lot of expensive enclosures every time anyone does buy a bond is a bit wasteful. After all, the purchase of these bonds is supposed to furnish money for Government use in necessary expenditures.

A. J. Gillet, The Harter Corp., (Manufacturers of modern metal furniture, posture chairs, etc.), Sturgis, Mich. I appreciate your letter of October 3rd, thanking me for buying \$10,000 worth of United States Savings Bonds, and requesting that I endeavor to buy these systematically. I have just returned from our factory at feel very disheartened. * * * Our factory has a Government contract which takes 25% of our normal production, and I have just been advised by them that you have cut them down from 100% to 40%. When you take the 25% out of the 40% it only leaves 15% balance which we can ship to our regular customers. * * * I also understand that our factory has been compelled to lay off quite a number of workers due entirely to our inability to secure the necessary materials to keep them working. You surely realize that people out of work and without incomes cannot do their part in buying defense bonds. Is there anything that you can do about all this?

Mrs. Joseph K. Elder, Henderson Ky. On June 30th I took every cent I had out of the bank and bought U. S. Defense Bonds because I thought it was a patriotic duty and a good investment. On July 3rd, while coming home from work, an Army truck ran through a red traffic light and struck my automobile. It was raining hard and no officer was on duty to warn of approaching trucks. * * * I have signed a number of affidavits and given all information requested, however, if any definite progress is being made to reimburse me, I am unaware of it. My last letter of inquiry was unanswered. * * * This damage probably seems small to you in your capacity of handling millions and billions of dollars, but it has worked a very severe hardship on me. * * * I do not think our Government should withhold payment any longer on this just claim. I do not know how to proceed further and I hope you will do what you can to help me so that I can start buying U. S. Defense Bonds again.

Herm White, The Carpenter Advertising Company, Cleveland, Ohio. While your courtesy in sending out this letter is appreciated, let me remark that this is the duty of the citizen, even though he has to do it with his fingers crossed. I say with his fingers crossed, because I am becoming more and more convinced that the entire fiscal policy of this Administration is headed for disaster. I say disaster, because if it goes any further, it will simply give the President an excuse to proclaim some sort of national socialism or quasi-Communism as the only way out. * * * In an effort to analyze the reasons for the total lack of national unity, I am forced to the conclusion that it is due to the people's inability to believe any more of the President's promises. Frankly, it has me more confused than ever before and I am therefore hoping that by some stroke, one way or the other, this European war will be over before we too will find ourselves under the same kind of rule that we have been so valiantly opposed to.

Franklin Lindsay, Austin, Texas. If your bonds are no sounder than your suggestion that profits of corporations be limited to 6% of their invested capital, I have enough of them.

Arthur J. Neppel, Chicago, Ill. What shameful waste to keep on sending letters and all the printed matter that goes with them to persons whom your records must clearly indicate are buying bonds regularly, such as I am doing. There must be thousands upon thousands of people in my category, and I'm sure I am expressing their sentiments and those of millions of others when I venture the opinion that it indicates an utter lack of inefficiency, and it is high time that your Department, and all others connected with our national Government, strive to cut down to an absolute minimum all this deplorable and unnecessary expense.

George M. Morris, Lawyer, American Security Bldg., Washington, D. C. I am tremendously interested in the financing of the defense of the United States, but I must confess that when I read in the New York Times the reports of the Senate Finance Committee hearing in which a Government officer admits that he refused a contract for housing to a bidder (with a \$900,000 bid) who was over \$400,000 lower than his nearest competitor on the assigned ground that the bidder's methods would revolutionize the building industry and would cause trouble with one of the national labor organizations, my faith turns a little faint.

Carl Scholz, Consulting Mining Engineer, Charleston, W. Va. Periodically I receive from you a letter thanking me for my subscriptions to United States Savings Bonds. This, I am always glad to do as far as my means permit, but there is one feature which causes concern, not only to myself, but to many others situated like myself, and that is - our Administration is not making any effort to curtail expenditures not directly connected with our defense program. * * * Is it possible that the attitude of our Administration is to create employment at a time when there is a scarcity of labor for the defense program, and the impelling motive is entirely of a political and vote gathering effort? I am frank to say that this attitude is spreading very rapidly, and since it is your duty to find money, I think we are entitled to your help in having the Administration reckon with this feature.

Prof. Harold L. Reed, Cornell University. I have bought the maximum amount possible of Series E and its predecessor in each of the last three years, and I am therefore especially vulnerable to a further increase in prices and the cost of living. * * * It is absolutely necessary that the Government deal realistically with the wage problem, particularly wages in the war industries. * * * I am alarmed at such information as I receive regarding waste of Government funds in the construction of ammunition depots, camps, and so forth. May I therefore say that I am one of the number of persons who has done his part and I am now waiting for official Administration to forget politics and do its part.

Miss M. E. Dobson, Springfield, Mass. I have just received the numerous pieces of literature on Government Bonds enclosed in your letter of Oct. 5th, and in return would like to ask why this Government feels that it is necessary to spend so much money for advertisement in connection with these bonds when every intelligent citizen of this country, who could afford to buy one, knows what they are. * * * I feel that by this discontinuance of needless spending of money, the Government could do its part along this line which would help greatly to curtail the chances of inflation.

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F. L. Burroughs, Odessa, Texas. If we make application to work for the Government on a defense project to rush up work to give aid to England, unless we join a labor union that we do not wish to join, we are refused work. Then the Government calls on us to buy bonds and fight in the army, nothing is said about the labor union.

Mrs. Henry V. Colby, Berkeley, Calif. I have deliberately refrained from buying U. S. Savings Bonds, since I disapprove strongly of the Administration's foreign policy and the use to which the money you are attempting to raise in this way, is being spent. I write you this in answer to your form letter of September 16th, thanking me for "entire cooperation", because I believe disapproval cannot be expressed too often if we are to avoid at least some of the catastrophe towards which we are being led.

George R. Walter, Niles, Mich. These bonds are without doubt as safe and sound as any investment in the world. But I have stopped buying them because this is the only opportunity given me to register my opposition to the Government's war policy. Furthermore, I believe a majority of the citizens of this nation oppose this war policy.

Fred Schick, Berkeley, Calif. Unfortunately I have come to the conclusion that the defense savings program, or any similar borrowing in the future will be disappointing since it will not reach the full earning capacity of the American people. The lesson which I have learned as an economic observer in practically all European countries during and after the first World War has taught me that inflation - whatever its causes may be - and appeals to serve a country by making investments in Government Bonds are hardly reconcilable.

French E. Wolfe, Cincinnati, Ohio. Why doesn't the Federal Government be honest with its taxpayers and cut down non-defense expenditures by eliminating N.Y.A., C.C.C., and W.P.A. and other wasteful outlays known to people all over the country? If citizens are asked to sacrifice and economize to pay heavy and burdensome taxes, our Government must first practice what it preaches. At any rate, election days are coming and new officials will be elected to do the job.

Comments on Taxation Policies

Dr. Lawrence G. Hallock, Los Angeles, Calif. We ordinary Americans have been struggling to provide for our families and our future in the face of ever mounting taxation, but the biggest obstacle to our welfare has often been the careless utterances of some of our high placed economic Quislings, like yourself, Mr. Morgenthau, who would betray all business, big and little. Maybe you also "shed crocodile tears" for our big farmers and insurance companies who get fat checks from the rest of us taxpayers for not planting cotton or what not on lands that never saw a good crop of anything. That's the kind of thing that makes us small middle class investors weep and its not crocodile tears either. The New Deal and its appeal to the mob.

Myer Frussish, Detroit, Mich. I suggest the Department change its procedure as to the amount of interest payable on Tax Anticipation Bonds. A differential has been set up wherein the large man is penalized and the small man is given preference. I believe about two and one-half per cent is paid on the money, and the big man who purchases a large amount does not get this. In this way, there is a distinction between the two, and it should not be so.

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General Comments

E. D. Moses, Bluffton, S. C. I don't mind being bled white for this nation's defense. I don't mind being bled white to help England. I can even hold my nose and not gag too audibly over helping Russia - but always with the wistful hope that Hitler and Stalin will annihilate one another. As a taxpayer, I have bought farm and labor votes for politicians so long that I can take that with a grain of salt. But what I want to know is where you get the sheer nerve to ask the already hard-pressed and overburdened taxpayer to pay \$30,000,000 for Mexican roads? If the idea is to bankrupt this democracy out of existence, it is well on its way to fulfillment. Disgustingly yours, E. D. Moses.

William M. Mill, Worcester, Mass. I received the enclosed circular today. (P. O. - "National Letter Writing Week" pamphlet) We are asked to conserve supplies and now you will note the Government is urging us to use them. It seems rather a pity to raise the question, but this type of thing with others is what I feel is the inconsistency of Government expenditures. This costs money and time.

C. C. King, North Tonawanda, N. Y. Here is an item for your official scrap book to show the lengths to which certain institutions are going. Today I cashed a City of North Tonawanda official check for \$65.00 at the State Trust Co., the official depository for the City, requesting in addition to \$61.00 in bills, \$4.00 in silver and nickels. The Teller refused to accommodate me with the four dollars worth of change unless I paid a fee of 1 1/2 cents per "roll" for the silver and nickels. No request was made that the change be rolled. * * * It would be interesting to know whether the Bank was acting legally in refusing change without payment of the above fee.

Albert Schwartz, Pennsylvania Glass Bottle Co., N. Y. C. There is a great waste of materials and fuel in replacing whiskey bottles now being destroyed after contents are emptied, pursuant to a ruling of one of the Federal Departments. We would like to know more about this ruling and whether same cannot be suspended for the duration of the Defense Program. The bottles now being destroyed can be redistributed to the original owners for use, thereby making a tremendous saving in fuel and other important materials.

As usual, after an offering of Government securities, there have been complaints saying that the offering of bonds was so timed that small subscribers could not get their bids in, or information was not obtainable in time to take advantage of the opportunity.

Amos Burt Thompson, Lawyer, Cleveland, Ohio, writes, "It is unfair to the small investor to make an offering in the morning and close the books in the afternoon, because certainly this gives a very great advantage

to the insurance companies who are able to and, in fact, do have officials that are in constant touch with the matter, and, of course, everybody recognizes that the banks have about all the U. S. bonds they should have. The point of the matter is that no individual can possibly keep in touch with what you are going to do if you do it in the morning and close the books in the afternoon. * * * I had accumulated some funds that I intended to use for the purchase of bonds offered yesterday, but the manner in which the matter was handled prevented my doing so."

Edwin B. Mayer, Lawyer, Chicago, Ill., writes, "Yesterday subscriptions were open for the new 2½% issue, and books closed last night. I have so many friends and clients - persons in moderate circumstances and men of considerable means - who would like to have subscribed and become owners of blocks of these bonds, ranging from \$500 to \$5,000. They feel, however, that their position is hopeless. There is no preference given to the small subscriber. * * * Would it not be well to set up a priority in subscriptions up to a definite amount? I would like to know personally that if I want up to \$5,000 worth of my Government's bonds, that I have a right and can get them without resorting to the subterfuge of a large subscription and a scale-down."

Stanley Satterwhite, San Diego, Calif. I was recently employed by Aetna Casualty and Surety Company on a National Defense Project here in San Diego. I was paid by check twice monthly, and would stop in at the Bank of America, located at the corner of 6th and Broadway in this city, to have my check cashed. The bank did cash some three or four of my checks, then suddenly refused because I was not known. The Aetna Casualty and Surety Company was not known, the Bank of America didn't know who (what bank) Aetna did business with, the check was drawn on a bank in New York, and I didn't have an account with Bank of America. * * * You know and I know that banks are responsible for doing business with checks. We might as well receive our salaries in the form of any other useless paper if we cannot cash our checks. Bankers have a church ritual of courtesy and politeness when one goes in to deposit a dollar. Go in to cash your check or withdraw a dollar and notice the change.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE October 17, 1941

TO Ferdinand Kuhn, Jr.

FROM Herbert Merillat

PRESS COMMENT ON
PRICES AND WAGES

There has been a noticeable slackening of editorial discussion of the price-control bill. Organized labor, however, responding to the pressure for wage-control, is carrying on a vigorous campaign to prevent the inclusion of wage-restrictions in the bill.

The farm conference in Washington, called by Senator Thomas, has received little editorial attention. Scattered comments from papers in farming regions, however, indicate wide approval for the refusal of Farm Bureau President O'Neal to endorse the demands of the conference.

The more moderate newspapers in farming states have been afraid that the farmers' cause would be more injured than benefited by extreme demands -- for a guarantee of minimum farm commodity prices, for no ceilings on such prices, and for revision of the parity formula to gain further advantages for farmers. This moderate element has taken its stand on the parity principle and asks for no more, no less, than parity prices for farm products.

The Des Moines Register, applauding O'Neal's walk-out, had this to say: "For agriculture to press now for more and more, indifferent to the effects that success in further demands would have on the dangerous upward price spiral, would in our very sober judgment be imprudent to the point of folly." Agriculture, it said, cannot consistently demand proper restraints on wages while making extreme demands itself. "It can't be 'whoa' for the other groups and not also 'whoa' for agriculture."

Wage-Control

Organized labor, for its part, is busily developing a case against wage-control as part of a price-control bill. "Labor," the paper of the railroad brotherhoods, for three successive weeks has carried editorials to bolster labor's arguments. One assailed Mr. Baruch as an "ambassador from Wall Street," seeking "to place war burdens on farmers and workers, while profiteers escape." Another welcomed the testimony of Dr. Isador Lubin, to the effect that recent wage increases had not been a significant factor in price increases.

A report of the American Federation of Labor claimed that wage increases had been unjustifiably used to excuse large price increases. Wage increases, it said, have added only two percent to manufacturing costs.

The C.I.O. News again repeated at length the arguments of C.I.O. President Murray against freezing wages in connection with price control.

New Treasury Borrowing

The Treasury offering of \$1.2 billions of long-term bonds was the occasion for much editorial pondering of Federal borrowing policy. The terms of the bonds were considered well-designed to attract investors other than commercial banks. There is considerable editorial alarm, however, at the inflationary risks in relying to any great extent on borrowing from such banks.

The alternative, say the commentators, lies in heavier taxation, much larger sales of defense bonds, and curtailment of non-defense spending. In particular a more vigorous sales campaign for defense bonds is urged. The press is disappointed at what it regards as a slump in sales. It points out that relatively few bonds are being bought by low-income groups and that heavier purchases by such persons are desirable, not only to raise money for the Treasury but to cut mass purchasing power.

TREASURY DEPARTMENT

121

INTER OFFICE COMMUNICATION

DATE October 17, 1941

TO Ferdinand Kuhn, Jr.

FROM Alan Barth

EDITORIAL OPINION
ON FOREIGN AFFAIRS:
THE CRUCIAL TEST

Firmness

Rumblings from Tokyo, culminating in the resignation of the Konoye Cabinet, have given the press an expectation of dramatic events in the Far East. As to their form, the editorial writers are uncertain; the preponderant view is that the Japanese will stab at the Russian rear.

There is a corresponding vagueness as to the course which the United States should pursue. The Washington Post, for example, concludes an editorial on the subject in the following rather enigmatic fashion: "The situation is thus one of explosive potentialities which the United States and every other nation endangered by Japanese aggression must be prepared to meet with promptness and vigor." The press as a whole desires to avoid conflict with Japan, yet insists on the sternest resistance to Japanese aggression.

The general editorial attitude toward Japan continues to be bellicose and even contemptuous. It has been assumed during the past week that negotiations between the United States and

Japan have broken down. A number of commentators, in fact, have insisted that there was never any basis for such negotiations and that the Japanese had been employing them merely as a device to stall for time until the Russo-German situation should be clarified. Continuance of the talks has given rise to some apprehension that a deal might be made at the expense of the Chinese. In virtually all comment, this or any other species of "appeasement" is vigorously denounced.

Doubt

In both news and editorial pages, the nation's press has fostered a feeling that the battle now raging around Moscow represents a crucial test for the forces opposing Hitler. The popular reaction, in the event of an imminent Russian collapse, would almost surely be one of deep disheartenment.

Perhaps still more dangerous is an impression created by the newspapers that there is little or nothing America can do to influence the decision. Editorials even in strongly interventionist papers reiterate that insuperable problems of production and transportation make it impossible for effective aid to flow from this country to the Soviet Union. No great optimism is expressed for the survival of Moscow; and there is occasional expression of the fear that Stalin may come to

terms with the Nazis. Much of the current comment, indeed, is in the form of a wringing of editorial hands.

The future, in the event of a decisive German victory on the Eastern Front, baffles and frightens the commentators. Suppose, says The Omaha World-Herald, that Hitler, "having polished off his friend Stalin, having taken possession of the riches of the Ukraine and Crimea, chooses to call it a day ... he may say: 'I've got all I want ... Britain may keep her empire. I've no war with America. Let's quit. If you don't want to quit -- come and get me, if you can!'"

The World-Herald, along with a great many other moderate or tepid supporters of Administration foreign policy, views such a proposal of "peace" with contempt. But it sees as an alternative only a long, bloody stalemate with an American Expeditionary Force fighting abroad. And it quails frankly before the choice.

It appears inevitable that a Russian defeat would give rise to a serious wave of defeatism among a considerable body of press and public alike.

Disappointment

American newspaper commentators experience a natural abashment in discussing the advisability of a British invasion of the European continent. Since most of them are opposed to an American Expeditionary Force at this time, they hesitate to exhort the British to such an undertaking. But the degree to which they desire it was attested by the rejoicing with which they greeted the mere rumor that British forces had landed at Archangel.

There seems to be a general understanding among American papers of the enormous difficulties in the way of an invasion effort. These are recited whenever the subject is discussed. Most commentators agree that the British lacked the manpower, training or equipment requisite for a sustained offensive. Yet through all the comment runs an undercurrent of disappointment and the sense of a great opportunity lost and unlikely to recur.

Impatience

In the face of such grave and immediate dangers as loom on the Eastern Front and in the Far East, the press has been inclined to consider the current debate over arming American merchant ships as relatively trivial. The torpedoing of the destroyer Kearny can scarcely fail to aggravate this feeling.

It is the spirit, rather than the letter, of the Neutrality Act which the newspapers wish to see erased. There appears to be a rather widespread feeling that the modification proposed by the Administration is timid and inadequate. Many commentators doubt that guns or gun crews are available in sufficient number or that they will afford effective protection against Axis U-boats and raiders. They argue that access to British ports is of far greater importance, that abandonment of all pretense to neutrality is most important of all.

October 17, 1941

Dr. Felo

Mr. D. V. Bell

STRICTLY CONFIDENTIAL

Would you please send the following cable to Ambassador Vinant at London:
"For Ambassador Vinant from the Secretary of the Treasury.

In reply to your No. 4782 of October 8, 1941, the Treasury will
press for the administration of export arrangements being handled in
the United States and will support you in maintaining the position
you are taking on this point."

FD:lap-10/17/41

CABLE TO WINANT FROM THE SECRETARY OF THE TREASURY

In reply to your No. 4782 of October 8, 1941, the Treasury will press for the administration of export arrangements being handled in the United States and will support you in maintaining the position you are taking on this point.

Wm/1

October 17, 1941

Mr. Feis

Mr. D. W. Bell

Will you please send the following cablegram to the American Embassy, London:
"For forwarding from the Secretary of the Treasury."

To facilitate the flow of supplies to Russia, the United States Treasury has agreed to buy gold from the Russian Government in advance of delivery and on this basis the Russian Government has agreed to sell thirty million dollars of gold. The British Treasury representative here has been informed about this. Will you please inform Ambassador Winant and Mr. Shervinn."

(Signed) D. W. BELL

FD:cms 10/17/41

FOR CANADAY AMERICAN EMBASSY LONDON
FROM THE SECRETARY OF THE TREASURY

To facilitate the flow of supplies to Russia, the United States Treasury has agreed to buy gold from the Russian Government in advance of delivery and on this basis the Russian Government has agreed to sell thirty million dollars of gold. The British Treasury representative here has been informed about this. Will you please inform Ambassador Winant and Mr. Harriman.

A handwritten signature in dark ink, appearing to be 'H. H. H.' or similar, written in a cursive style.

October 17, 1941

Files

Mr. Dietrich

Attached is a letter from the Federal Reserve Bank of New York dated October 16 enclosing photostats of a letter dated September 27 received by the Federal Reserve Bank from the Stabilization Board of China, Hong Kong, which lists the names of the members of the Board in English and in Chinese characters.



FD: dm: 10/17/41

C
O
P
Y

FEDERAL RESERVE BANK
OF NEW YORK

October 16, 1941.

S i r : Attention: Mr. Frank Dietrich

In accordance with your telephone request, we are forwarding herewith eight photostats of a letter dated September 27, 1941, received by us from the Stabilization Board of China, Hongkong.

Respectfully,

/s/ D. J. Cameron

D. J. Cameron,
Manager, Foreign Department.

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

Encs.

Copy:vw:10-18-41

平 準 金 基 要 員 會
STABILIZATION BOARD OF CHINA

CENTRAL BANK BUILDING
TAOMENKOU, CHUNGKING

CABLE ADDRESS
"SINOSTABO"

VIA AIR MAIL

27th September, 1941.

Reserve Bank,
HONGKONG.

Dear Sirs,

We wish to confirm the following message which
we sent you on September 25th:

ON SEPTEMBER 20TH SENT YOU THROUGH U.S. TREASURY FOLLOWING
MESSAGE:

WITH KEBVA LABUX EFIPS MERIA PEEGY OWBYC CULIE INHUY KAZOR
CULIE EVFYE CULIE RUMJI ETXUG CADEV XUWYX OWBYC CULIE KYHFY
UNQUOTE

THE BOARD OF CHINA HAS BEEN ADVANCING FUNDS TO BOARD AND WE ARE
WILLING TO RETURN AMOUNT SO ADVANCED CABLE WHETHER BOARDS
AMOUNT IS AVAILABLE

(Signed) STABILIZATION BOARD OF CHINA
HONGKONG BANK BUILDING
HONGKONG

Yours truly,
STABILIZATION BOARD OF CHINA

Robert H. Lee

General, Secretary

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking, China, Via N. R.

DATE: October 17, 1941, 9 a.m.

NO. 418.

This telegram has reference to Shanghai's telegram No. 1472, 9 p.m., under date of the 15th of October 1941.

In complete accord with the views of the Consul General in Shanghai.

This telegram is being sent to the Department and is also being repeated to Shanghai, China.

GAUSS

NPL

811.51693/132

FFME

TO THE SECRETARY
OF THE ARMY
FROM THE
CHIEF OF THE

RECEIVED
OCT 18 1941

RECEIVED
OCT 18 1941

FROM: AMERICAN EMBASSY, ANKARA.
TO: Secretary of State, Washington
DATED: October 17, 1941, 7 p.m.
NO.: 388

CONFIDENTIAL — NOT FOR PUBLICATION

First. The exchange of goods valued at 96 million Turkish pounds, divided into two groups, is provided for in the Turkish-German commercial arrangement (comprising commercial agreement with protocol and thirteen confidential exchanges of notes, and payments agreement with confidential protocol and two exchanges of notes) which entered into force provisionally on October 9 and is to remain in force until March 31, 1943. Exchange is to be made for specific German goods c.i.f. value of 55 million Turkish pounds of which the most important are 18 million war materials, iron and steel (?) machines, means of transport, thirty, and copper manufactures of which copper content is not to exceed 1,000 tons two point five by Turkish goods of similar value f.o.b. of which the most important items are 10 million minerals and metals (copper, chrome "to be delivered after January 15, 1943" and antimony), olive oil, seven, cotton seven, mohair and other goats' hair six, skins five, and oleaginous seeds four point five. Tobacco 20 million, figs six point five, hazel nuts five point four, raisins three, fish two point five, and other Turkish goods to total 41 million are to be exchanged to the extent of 50% for German goods specified in first group with

with the exception of war material, copper manufactures and sugar beet seed; and hardware, iron and other metal manufactures and to the extent of 50% for any other sort of German goods.

A confidential exchange of notes provides for a margin in each group of 10% of value of goods to be exported, although the commercial agreement stipulates that export of Turkish goods will be authorized to the value of German goods in corresponding category arriving in Turkey in customs. The meaning of this apparently is that the Germans could import from Turkey at the beginning Turkish goods in group one to the value of 5,500,000 Turkish pounds prior to the arrival in Istanbul of any German goods. Either Government may take measures necessary to restore equilibrium when the margin is exceeded according to provisions in the agreement. It was agreed in a confidential note that the Turkish Government would issue export licenses to Germany for seven thousand tons of cotton, eight thousand tons of olive oil, forty-five thousand tons of chrome and twelve thousand tons of copper. It is worthy of note in this connection that the export of copper, chrome and antimony to Germany was not authorized under the previous Turkish-German commercial agreement. There has also been an increase in the quantities of olive oil and cotton.

Second. The two Governments agreed in a confidential exchange of notes, to conclude before March 31, 1943 an agreement concerning the delivery to Germany of Turkish chrome to be effected up to December 31, 1944 on the following

conditions: (1) in schedule 1-A the amount of war materials specified must be entirely liquidated by delivery to Turkey of the materials in the conditions the agreement specified; (2) the two Governments will agree upon the further war materials for which chrome to be exported from Turkey will form the counter value: (3) exportation will be authorized by the Turkish Government of an annual quantity of chrome amounting to ninety thousand tons, for the periods from January 15 to December 31, 1943 and from January 1 to December 31, 1944, that is a total from the 15th of January, 1943 to the end of 1944 of one hundred and eighty thousand tons.

Germany is to deliver to Turkey these war materials: heavy machine guns, forty relined Bochum guns, spare parts for German planes, Krupp guns 7.5/60 with sights and ammunition, Bochum guns 7.5/20 with ammunition, pontoons and engineering material spare parts for trucks and motorcycles.

Third. In addition to payments arising out of commercial exchanges, the payments agreement which is similar to 1938 agreement, covers financial transfers of all sorts between the two countries. In a supplementary note provision is made for the utilization of excess blocked funds in Germany of persons residing in Turkey for the purchase by German banks for Turkish account of obligations of the Anatolian Railway, Port of Maydar Pasha and Turkish debt 1933 in circulation in Germany or in German-occupied territories.

MACMURRAY

Copy:hr:10-23-41.

PM

GRAY

Berlin

Dated October 17, 1941

Rec'd 6:38 p.m.

Secretary of State,
Washington.

3798, October 17, 2 p.m.

This morning's press announces that in view of the fact that German funds in America are frozen, interest on dollar issues of the Dawes and Young loans will no longer be transferred. Holders of dollar issues of American as well as non-American registry will be paid by means of deposits to their credit at the Treuhand Gesellschaft Von 133 MBH in Berlin. Special agreements in effect will not be affected. Details follow in air mail despatch.

MORRIS.

KLP

TREASURY DEPARTMENT

138

INTER-OFFICE COMMUNICATION

DATE October 17, 1941

TO ~~Secretary~~ Chauncey
For Secretary Morgenthau
FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£44,000
Purchased from commercial concerns	£ 9,000

Open market sterling held steady at 4.03-1/2, and there were no reported transactions.

The Canadian dollar, which closed at a discount of 11-1/4% yesterday, improved to a final quotation of 11% today.

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

Argentine peso (free)	.2360
Brazilian milreis (free)	.0505
Colombian peso	.5775
Mexican peso	.2070
Uruguayan peso (free)	.4650
Venezuelan bolivar	.2670
Cuban peso	1/8% discount

We purchased \$1,125,000 in gold from the earmarked account of the Bank of Mexico.

No new gold engagements were reported.

In London, spot and forward silver were again fixed at 23-1/2d and 23-7/16d, respectively. The U. S. equivalents were 42.67¢ and 42.55¢.

The Treasury's purchase price for foreign silver was unchanged at 35¢. Handy and Harman's settlement price for foreign silver was also unchanged at 34-3/4¢.

We made no silver purchases today.

A

RESTRICTED

G-2/2657-220; No. 521 M.I.D., W.D. 11:00 A.M., October 17, 1941

SITUATION REPORTI. Eastern Theater.

Ground: Little definite information is available on the progress of the fighting around Moscow. Powerful German forces appear to be making steady progress.

North and south of Kharkov, the slow German advance continues.

The Germans claim to have established a bridgehead north of Taganrog.

The Rumanian High Command states that their troops have penetrated the defense lines of Odessa.

Air: German sources claim that much damage is being done against Moscow defenses during the present operations by air attacks. They also report heavy activity against Leningrad and shipping outside Odessa.

II. Western Theater.

Air: Raids carried out by the R.A.F. last night were said to have been widespread, including the Ruhr Valley and the invasion port docks. German reports claim attacks on British shipping and harbor facilities, while the British say that no bombs were actually dropped.

III. Middle Eastern Theater.

Air: Reports from both sides indicate a successful bombing by the R.A.F. of Naples. Malta and Benghazi were other objectives of the British in this theater.

Ground: No significant information.

RESTRICTED

MEMORANDUM

October 18, 1941.

TO: The Secretary
FROM: Mr. Sullivan

Mr. Buffington and I called on Chairman Doughton this morning and explained to him our purpose in sending to taxpayers the pamphlet disclosing their tax liabilities. Mr. Buffington explained the pamphlet and our objectives and the Chairman approved what we were doing.

After Mr. Buffington left the room I sounded out Mr. Doughton on the question of our assimilating into the national debt and directly guaranteeing the obligations of the Federal agencies, which are now only indirect obligations of the Federal Government. He was somewhat reluctant to approve it but suggested that he would think it over this weekend and call me on Monday.

Senator George was in Georgia. Senator Connally was in Texas. Senator Barkley was out of the city. Senator McNary could not be reached.

I had a long conference with Senator Vandenberg who heartily approved your contemplated action in regard to the obligations of the Federal agencies which are guaranteed only indirectly by the Federal credit but he thought that it would be a mistake to accord the same treatment to the two billion two hundred million obligations of Federal agencies which we do not guarantee either directly or indirectly.

As I was leaving Senator Vandenberg asked me about Social Security. I told him that I did not know what was going to be done about it. He then urged that you give very serious consideration to the consequences of syphoning off increased earning power through the medium of Social Security taxes before you finally decided to do it. He said he thought that that would get the Treasury into the worst possible mess and that it would spell the end of Social Security as an insurance trust fund.

JMS

*Hold for release
Saturday - noon, Oct 15, 1941*

REPORT ON NON-DEFENSE EXPENDITURES IN THE 1942 BUDGET

Submitted by the Bureau of the Budget
in Conformance With
Resolution of Senate Finance Committee,
Adopted on August 28, 1941

October 15, 1941

REPORT ON NON-DEFENSE EXPENDITURES IN THE 1942 BUDGET

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APPENDICESAppendix

- A Resolution of Senate Finance Committee
- B Items Classified as "National Defense" in the Budget Documents for 1940, 1941 and 1942 and as of October 1, 1941
- C Non-Defense 1942 Appropriations and Expenditures, and Hypothetical Revisions to Cut Budget Estimates of Expenditures by \$1 billion, \$1.5 billion and \$2 billion
- D 1942 Non-Defense Expenditure Estimates by Type of Commitment
- E Chart: Income and Industrial Production
- F Chart: Employment and Unemployment
- G Chart: Prices, Cost of Living and Earnings
- H Reductions in Individual Programs Compared with Total Reductions
- K Chart: Number of Persons Receiving Work Relief

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I. INTRODUCTION

This report is in response to the Resolution of the Senate Committee on Finance, requesting the Director of the Bureau of the Budget to supply a revision of the estimated 1942 expenditures on the assumption of an instruction to reduce non-defense estimates by \$1 billion, \$1.5 billion and \$2 billion respectively, and, further, to indicate changes made in the classification of defense or non-defense expenditures since the submission of the 1940 Budget. The request of the Committee is based upon provisions of the Budget and Accounting Act which direct the Bureau of the Budget to furnish aid and information to the committees of the Congress having to do with the finances of the Government.

The Resolution of the Committee specifies that the Director shall submit his report by October 15, 1941. With this time limitation it obviously has been impossible to prepare the equivalent of three Budgets for 1942. An annual budget, as the Committee knows, contains one thousand pages of detail and is the product of four months of intensive hearings with every Department and agency of the Government. Since it has been impossible to employ the usual process of hearings and detailed examination of individual estimates, it must be assumed that the Committee had in mind a hypothetical approach involving a broad review of Federal programs to achieve arbitrary reductions of

- 2 -

\$1 billion, \$1.5 billion and \$2 billion.

This report is based upon such an hypothesis. The allocations of the Committee's reductions must not be considered as recommendations of the Director of the Budget for cuts in non-defense expenditures. It should be clearly kept in mind that it is the responsibility of the President alone to submit budgetary recommendations to the Congress.

In preparing the report many difficulties of definition and classification have been encountered. The Committee's resolution implies that the term "non-defense expenditures" has precise meaning and that such expenditures can definitely be segregated in the Budget. In a period of total defense effort such a segregation has little significance. Even if the interpretation of defense were restricted to military activities, segregation of non-defense expenditures could not be made simply and precisely.

For example, the beach patrol of the Coast Guard is paid from the same payroll as its neutrality patrol in the North Atlantic. The Tennessee Valley Authority, the Bureau of Reclamation, and the War Department are transforming peace-time water control projects to meet the power needs of defense. The Federal Trade Commission, the Interstate Commerce Commission, and the Tariff Commission are shifting their normal programs in order to meet the demands for information essential to defense. The General Accounting Office has an enormous new load of auditing defense expenditures. The Bureau of Internal Revenue has the

- 3 -

job of collecting new taxes. In every department of the Government there are similar instances of the interrelation of "defense" and "non-defense" activities.

Because of the magnitude of the defense portion of total current expenditures, there has been a natural tendency to lump all other expenditures under a general term "non-defense". In this approach, directness of relationship to defense effort is the primary determining factor in classification. Necessarily, this requires determinations which are arbitrary. Such determinations as have been made are set forth in a table in Appendix B in specific answer to the Committee's request. There is but one item -- U. S. Maritime Commission Ship Construction Fund -- included as "non-defense" in the 1940 budget and subsequently changed to a national defense classification.

In summary, this report makes three arbitrary revisions of the 1942 Budget, without regard to the function of the Bureau of the Budget to estimate expenditures "necessary for the support of the Government". It is apparent that many of the indicated downward revisions would seriously impair the defense effort and other vital Governmental activities.

The normal process of budget building has not been followed. The Departments have not been consulted; no hearings have been held; and there have been no conferences with the President.

In response to the request of the Committee, the Director

- 4 -

wishes to reiterate that three arbitrary revisions of a budget prepared ten months ago should not be interpreted as recommendations with respect to the remaining months of the fiscal year 1942 or in any sense as a forecast of the President's Budget for 1943.

- 5 -

II. THE PROBLEM OF REVISING NON-DEFENSE EXPENDITURES

The Resolution of the Senate Finance Committee (See Appendix A for full text) requests detailed revisions of 1942 estimated expenditures on the assumption that the Budget Director had been instructed to reduce original 1942 appropriations by \$1 billion, \$1.5 billion and \$2 billion. The specific request is as follows:

" . . . such detailed revisions of the estimates of expenditures for the fiscal year ending June 30, 1942, as he would make if he had been instructed to prepare three budget estimates for such fiscal year in which the total annual expenditures for non-defense purposes were less by one billion dollars (\$1,000,000,000), by one and one-half billion dollars (\$1,500,000,000), and by two billion dollars (\$2,000,000,000), respectively, than the total amounts appropriated for such non-defense purposes for such fiscal year . . . "

A. Base Used for Revision

The Resolution of the Senate Finance Committee does not specify the base for the requested revision. The Director of the Budget has adopted as a base the estimates of expenditure in the original 1942 budget. Estimates of expenditures rather than appropriations have been used because in many instances appropriations made for a fiscal year may be spent in future years.

B. Magnitude of Revisions

The significance of the \$1 billion, \$1.5 billion and \$2 billion reductions which the Senate Finance Committee has asked the Budget Director to allocate can be easily underestimated if these

- 6 -

amounts are related to total expenditures for defense and non-defense of \$25 billion for the fiscal year. On such a basis, a \$2 billion cut amounts to 8 percent of the total expenditures. The same cut applied only to non-defense expenditures would amount to 30 percent.

The following table illustrates the general effect of the reductions proposed by the Committee. The first column of figures shows the percentages for over-all reductions of \$1 billion, \$1.5 billion and \$2 billion, respectively, in total non-defense expenditures of \$6.6 billion for fiscal 1942. The second column gives the percentages if expenditures of \$3,196 million that are "fixed" by contractual and legislative commitments are excluded. Such exclusions amount to almost 50 percent of all non-defense expenditures. Appendix D gives a breakdown of non-defense expenditures according to the type of commitments.

It would not be reasonable to view all legal and legislative commitments as sacrosanct when a drastic revision of important governmental services is under consideration. Thus, balanced judgment would seriously question a policy of cutting sharply into such important items as expenditures for law enforcement, work relief, and the like, while leaving untouched agricultural benefits or grants-in-aid for Federal highways because they are based on prior commitments.

For these reasons the third column of the table gives the percentage reductions if the exclusions of fixed commitments are

- 7 -

limited to an amount of \$2,094 million for interest on the public debt, veterans' pensions, and the other commitments enumerated in the footnote.

Percentage Reductions Required to Lower All or Part of
Estimated 1942 Non-Defense Expenditures by \$1 Billion,
\$1.5 Billion and \$2 Billion

Over-all Reduction of	Reduction Based on All Non-Defense Expenditures	Reduction Based on Non-Defense Expenditures after Excluding:	
		All Fixed Commitments	Certain Fixed Commitments *
\$1.0 Billion	15%	30%	22%
\$1.5 Billion	23%	44%	33%
\$2.0 Billion	30%	59%	44%

These percentages indicate the drastic nature of the over-all reductions of \$1 billion, \$1.5 billion and \$2 billion posed by the Senate Finance Committee. Because of their magnitude, the Budget Director in distributing the over-all reductions among Federal programs, has assumed that certain changes will be made in legislative and other commitments.

C. General Aspects of Revising Estimates

In arriving at the hypothetical revisions of estimates which are presented in the following section of this report, certain general considerations are relevant. In general, there are three major approaches to budget reduction:

* The fixed commitments excluded are interest on the public debt, veterans' pensions and insurance, transfers to trust accounts, refunds, the Federal contribution to the District of Columbia, and legislative and judicial establishments.

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1. By performing functions in a more economical manner through improvements in administrative management;
2. By reducing economic and social aid programs to adjust for improved business conditions;
3. By curtailing or eliminating functions.

1. Performing Functions More Economically

The Bureau of the Budget and the various departments and agencies continuously study organization and procedures in order to evolve more efficient and economical administration. Constant effort is made to eliminate duplication and overlapping of functions.

Reductions in expenditures from further improvements in government machinery will at best contribute in minor degree to any major budgetary revision. Moreover, they may require considerable time to become effective. In many cases improved administrative management is reflected in the ability to carry an increased work load rather than in a reduction of expenditures.

2. Adjusting Programs to Improved Business Conditions

(a) Improvement in production, employment and income.

Employment and income have increased markedly during the past year. This increase has been even more rapid than was expected a year ago because it has been necessary to expand and accelerate the defense effort. Hence

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the expenditures for certain programs will be lower than was planned in the President's budget for the current fiscal year. The revisions in this report are based on the assumption that the intensification of economic activities could have been foreseen last December when the original estimates were formulated, and would have been fully effective throughout the fiscal year.

Various charts which picture the improvement in economic activities are attached (Appendices E and F). Appendix E shows the increase in agricultural incomes. Enlarged sales and increased prices brought higher farm receipts. Because of this favorable development, reductions of total payments for farm aid are incorporated in the overall reduction programs requested by the Senate Finance Committee.

General statistics showing improvement in income and production are, however, somewhat deceptive guides for the revision of estimates. The improvement of income and employment conditions is largely due to the tremendous increase in defense production. Various parts of the country, various groups of farmers, and various groups of labor are differently affected by the defense effort. Defense "prosperity" is spotty in its effects. There exist side by side scarcities for some types of labor, and unemployment for other types; scarcities of some farm products, and excesses of others; boom conditions in certain regions, and slack conditions in others. Therefore, an improvement in agricultural or employment conditions would not necessarily justify a corresponding reduction in farm or relief programs.

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(b) Continuous adjustment to changing conditions. If, in December of 1940, the improvement in business conditions could have been fully foreseen, smaller appropriations for the economic and social programs would have been recommended. This improvement has been captured in the process of budget administration.

Although the budget document is only submitted once a year to the Congress, its execution is revised constantly. Budget execution is a continuous economy drive. The President's recommendation to the Congress in May of 1941 for the WPA appropriation for the current fiscal year was \$109 million below the estimate in the original budget document. The lower figure contemplated that average WPA employment would be 23 percent below the average on which the original budget estimate was based.

The Administration can, within certain limits, adjust current expenditures to changing needs. In apportioning available funds a certain portion of the appropriations may be placed in reserve if it is believed that a department or agency has appropriations in excess of actual needs. This reserve is withheld until the department or agency can demonstrate that the money is essential to its program.

For the fiscal year 1942 reserves of \$450 million have been established. This unusually large amount appears possible in the light of improved business conditions. A larger reserve could not be established at this time without a revision of the functions and programs which are the result of Congressional enactments.

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Even if intense economic activity persists throughout the present fiscal year, the lowest of the three hypothetical figures requested by the Committee implies curtailment of government functions.

(c) Price and wage increases. During the last year not only production, employment and income, but also prices and wages have increased. While an improvement in economic activities permits the reduction of certain expenditures, price and wage advances may cause a rise in other items.

The considerable increases in prices and wages during the last year are indicated by the chart in Appendix G. In the downward revision of estimates, the possible effect of price increases upon government expenditures has been disregarded. First of all, price increases affect defense expenditures much more than non-defense expenditures. About 90 percent of defense costs are for weapons of all kinds, food, equipment, and construction, which are immediately affected by price rises. In contrast, only about 10 percent of non-defense expenditures are for direct purchase of material and equipment which are immediately affected by price increases. Some other items, such as rents and service contracts, will eventually be affected by price increases, but the direct effects in this field are not yet of great significance.

The effects of future price developments must be borne in mind. If higher costs of living cause an increase in wages and salaries,

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a substantial rise in non-defense expenditures will take place. Thus, it is likely that a part of the economies which are now possible are only temporary and may subsequently be offset by increasing costs due to higher prices.

3. Curtailing or Abolishing Functions

All three proposals for reductions involve curtailment or abolition of some functions of government. In judging relative urgency of functions it is inevitable that the following factors be taken into consideration:

(a) Defense implications. Many expenditures of defense importance are included in the so-called non-defense classification. All government functions have more or less direct relationship to defense in an era of total war and total defense. In many cases this relationship is so close that curtailment of the activity of a regular department would necessitate reestablishing the same functions, possibly at a higher cost, as an activity in some new defense agency. Numerous examples could be cited.

On the other hand, it must be recognized that every possible curtailment of non-defense use of labor and material that is needed for defense must be effected. Postponement of non-defense construction may be a definite contribution to national defense. This is a factor of prime importance in any budget readjustment.

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(b) Post-defense aspects. Preparedness for the post-defense period is an integral part of the whole program for the defense of democracy. During the last decade experiments were made and governmental policies and instruments were developed for an effective fight against depressions. It is essential to preserve and improve these instruments so that they may be available for immediate use in the post-defense period.

It must also be assumed that the normal functioning of the government and the execution and enforcement of laws must be maintained. It would, for example, be utter waste to wreck the machinery for law enforcement now only to rebuild it later. The damage done to the well-developed operating machinery would be entirely out of proportion to the immediate saving. Abolition of an agency would be preferable to a drastic reduction which would leave an inefficient and demoralized organization.

D. Legal Implications of Revisions

The President emphasized in the Budget Message of January, 1941, that almost half of non-defense expenditures are for so-called "fixed commitments". These fixed commitments include contractual and legislative commitments such as the payment of interest, pensions, transfers to trust accounts and legislative commitments which cannot be changed without amendment or repeal of statutes. In many cases,

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especially with respect to highway grants to State governments, commitments are made a year or more in advance and curtailments could not become effective immediately without breach of prior commitments. Although an effort has been made to minimize the legislative changes implied in the revisions of this report, the major revisions could not be made without many such changes.

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III. ALLOCATION OF COMMITTEE'S REDUCTIONS

In allocating the hypothetical reductions requested by the Senate Finance Committee, the Director of the Budget was guided by the principles set forth in the preceding section, although different weight can be given to the various criteria. It must be emphasized, however, that the reductions discussed in this report are in no sense a product of the normal budgetary process of request, review, and recommendation.

The normal budget process could not be followed within the framework of the Senate Finance Committee request. Reductions presented in this study have not been discussed with the agencies affected nor do they reflect the policy of the administration. They serve only as illustrations of a possible distribution of the over-all reductions, required by the Committee, among the different government agencies and programs.

To facilitate an understanding of the revisions by major types of activities, a summary table of percentage reductions is presented on the next page. The amounts of expenditures on which the percentages are based are shown in Appendix C. Another table, Appendix H, indicates the ratio of the three over-all reductions which has been allocated to each agency and program.

The following text discusses most of the major groups of governmental activities shown on the accompanying full page table.

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REVISIONS OF ESTIMATED EXPENDITURES REQUIRED BY REDUCTIONS OF
\$1 BILLION, \$1.5 BILLION AND \$2 BILLION SPECIFIED BY SENATE FINANCE COMMITTEE*

Activity (Current Classification)	Estimated Expenditures in 1942 Budget (In Millions)	Percentage Reductions to Achieve Total Cut of		
		\$1 Billion Per Cent	\$1.5 Billion Per Cent	\$2 Billion Per Cent
Legislative, Judicial & Executive	\$41	0	0	0
Civil Departments and Agencies	833	9.4	12.4	16.0
General Public Works Program	533	10.3	16.1	19.9
Veterans' Pensions and Benefits	564	2.1	2.3	2.5
Aids to Agriculture	1,061	28.6	44.1	45.5
Aids to Youth	363	51.0	67.5	94.8
Social Security	463	0.6	1.3	11.0
Work Relief	1,034	31.6	49.3	73.9
Refunds	89	0	0	0
Interest on Public Debt	1,225	0	0	0
Transfers to Trust Accounts	275	4.4	6.9	10.9
Supplemental Items- Regular	100	25.0	50.0	75.0
Total, excluding debt retirement	<u>\$6,581</u>	15.2	22.8	30.4

* These revisions reflect allocations of the total reductions posed by the Senate Finance Committee, and are not to be considered as recommendations of the Director of the Budget.

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A. Civil Departments and Agencies

To achieve over-all reductions of \$1 billion, \$1.5 billion, and \$2 billion, cuts of 9, 12 and 16 percent, respectively, of original estimates of 1942 expenditures have been allocated to the general category of civil departments and agencies. Related expenditures for these services do not become less urgent because of improved business conditions. Moreover, it must be remembered that many of the functions have direct and immediate importance for defense although they are included in the so-called non-defense operations of the Government. Practically all Government agencies have reoriented their so-called non-defense activities to do their part in the defense program. In many cases, this adjustment has occurred without special defense appropriations or defense reimbursements.

The Census Bureau, for instance, supplies information essential to many defense agencies. This work imposes a heavy additional burden which it has been possible for that Bureau to assume only by reduction of other activities. The work of the Bureau of Internal Revenue is another example of a "non-defense" agency which has a greatly increased work load.

Reductions which have been applied to the expenditures of many of the independent offices and commissions would require postponing or restricting established regulatory activities--as in the case of the Federal Communications Commission, Federal Trade Commission, Securities and Exchange Commission and the Interstate Commerce Commission. Other reductions would necessitate greatly decreasing the number of services

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supplied both to the Government and to the public at large by such agencies as the Bureau of Standards and the Coast and Geodetic Survey. The postponement of maintenance work on rivers and harbors would increase expenditures in future years.

The Post Office Department showed an estimated deficit of \$51 million in the budget document submitted last January. Because post office business has exceeded expectations, the deficit will be smaller than anticipated. If the postal deficit were to be erased, it would be necessary to raise postal rates or reduce services to the public. With the increasing demand resulting from present business conditions, the latter course is difficult. Nevertheless, the \$2 billion over-all cut might well require the elimination of the postal deficit.

B. General Public Works Program.

The General Public Works Program would be cut 10, 16 and 20 percent, respectively, under the three reductions proposed by the Senate Finance Committee.

In the original 1942 budget, public works expenditures were cut 10 percent below the estimated expenditures for the fiscal year 1941. From the point of view of non-defense work the cut was even greater because of a shift to large power and other projects essential to the defense effort.

Subsequent to presentation of the budget, it became necessary to request additional appropriations for important public works projects

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such as new power projects under the Tennessee Valley Authority and the Department of the Interior. These projects are classed as "non-defense" expenditures, although they obviously spring directly out of the defense program.

Reclamation, river and harbor, and public building projects, not directly related to defense but already under way, were continued when stoppage would have meant waste. Their rate of construction is now being spread over a longer period of time than originally planned. No new public works other than those vital for defense are planned for the current fiscal year.

A big item in the public works program is the grants to states for Federal highways. These expenditures, to a large extent, reimburse states for the cost of work authorized and entered upon in the previous year. A reduction in the 1942 estimates for this function would be in conflict with legislative commitments.

Given all these circumstances, a further reduction in public works is practically impossible without curtailing works essential for defense or breaking legislative commitments. Application of the percentages of reduction mentioned in the opening paragraph of this section would require elimination of items such as the appropriations for public land highways, many activities of the TVA, and the preparation of projects which may be essential in a post-defense period.

C. Aids to Agriculture

Of the \$1 billion, \$1.5 billion, and \$2 billion cuts, the

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tabulation shows that the Agricultural Aid programs would have to contribute 29, 44 and 46 percent, respectively, of their original budget estimates.

The original 1942 estimates were slightly below those for the preceding year. The war in its initial period affected various sectors of American agriculture in very diverse ways. Certain groups of farmers faced increasing difficulties because of the loss of foreign markets while other groups benefited from improved domestic conditions. In December of 1940, when the original program for 1942 was formulated, a small reduction in outlays for farm aid appeared reasonable. Congress, however, went beyond the President's recommendations.

In recent months the agricultural situation has shown a marked improvement as compared with conditions at the end of 1940. Influenced by further increases in domestic purchasing power and to an even greater extent by large scale food purchases for Great Britain, farm incomes have risen rapidly (see Appendix E).

General improvement in farm conditions, extending to almost all types of farmers, will permit a substantial reduction of Government aid at some future time. The words "future time" are used because there is a considerable interval between the time when farm conditions improve and the date when reduction in farm aid payments is possible. Parity payments are intended to make up for the disparity between the farm prices of the preceding year and the parity prices of the same period. In other words, the amount of payments made in fiscal 1942 depends largely

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on farm conditions which existed in the calendar year 1940.

Likewise, payments for conservation and use of agricultural land resources cannot be suddenly curtailed without repudiating moral obligations. The Department of Agriculture announces its program in the fall so that the farmer can decide whether or not he intends to participate in the program for the ensuing crop year. Thus, in the late fall of 1940 payment rates for participating in the 1941 crop program were announced. These payments, in turn, will be made out of funds provided by 1942 appropriations.

In order to achieve curtailments of the magnitude indicated above, parity payments have been reduced by \$50 million.

Payments for soil conservation have also been decreased by \$100 million in the first, and \$250 million in the second and third of the hypothetical cuts. The second and third reductions might have far-reaching economic consequences. It must be remembered that the Agricultural Adjustment program now aims at planned increases in production of many commodities as well as curtailments in those crops which contribute heavily to our major surpluses. It is possible that a sharp reduction of this program would cost consumers more in the form of higher prices than it would relieve tax burdens. This consideration does not preclude, of course, the possibility that a lesser reduction in outlays may be feasible without impairing the fundamental objectives of the program.

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In order to attain the total reductions it was also necessary in each case to eliminate the annual appropriation for the disposal of surplus commodities--\$100 million in the original budget estimate and \$125 million in the actual appropriation. In all three revisions a separate \$100 million permanent appropriation was left untouched. This is an amount equal to the 30 percent of customs revenue which is permanently allocated to the Disposal of Surplus Commodities and mainly used for financing the stamp plan and similar projects.

Elimination of the annual appropriation means, therefore, a curtailment of the funds available for the stamp plan, free school lunches, etc., by one-half of the original estimates for 1942. In making such a revision it should be emphasized that these programs have proved to be highly beneficial in improving the diet of low income groups among our citizens.

The revisions for agriculture show only a slight increase under the \$2 billion cut, as compared with the \$1.5 billion cut. A further reduction would compel either repudiation of the commitments made for parity payments or a change in the law permanently allocating an amount equal to 30 percent of customs revenue to agricultural aid. Otherwise the only other alternative would be disruption of the machinery developed for agricultural adjustment.

D. Aids to Youth

To achieve the three over-all cuts, reductions of 51, 68 and 95 percent, have been indicated for the youth program.

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A substantial contraction of the CCC and NYA programs is already under way. Employment opportunities for youth have increased to such an extent that the number of enrollees is decreasing. (See Appendix K). This development has been taken into account in the reserve established for 1942.

There still remains a body of American youth for whom these programs provide worthwhile training and healthful activities. In the larger perspective of national defense this work is not without significance.

Certainly there can be little doubt that some sort of youth program will be necessary in the post-defense period. It would be costly to wreck existing organization which may be urgently needed later.

E. Work Relief

The original budget estimate for work relief in 1942 was 29 percent below the expenditures of the preceding year. Subsequently the President recommended a further cut of about 10 percent in view of increased employment. (See Appendices F and K).

To achieve the over-all cuts posed by the Senate Committee work relief expenditures were reduced by 32, 49, and 74 percent of the original estimates. In considering such further curtailment of work relief, it must be remembered that the defense program has not affected certain types of workers and certain regions of the country. There are groups of people who are employable but who have great

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difficulty in finding employment even in a tight labor market because their technical or other abilities do not fit the qualifications for the available employment. Many such people are now producing useful work on public programs.

The defense program is expected to absorb additional millions of persons, but it is probable that, temporarily at least, increasing defense employment will be wholly or partly offset by rising dismissals in the consumer goods industries which are forced to lower production because of the lack of material, machinery, transportation facilities or skilled labor. While most of these people will be eligible for unemployment compensation, needy persons who exhaust their rights before new work is found will be eligible for WPA employment.

It also must be understood that 32 percent of present WPA workers and 38 percent of WPA expenditures are for defense projects. Whether WPA is or is not the most appropriate agency for such defense work, the fact remains that elimination of such WPA defense projects would necessitate the work being done by some other agency.

A major reduction in work relief may increase the number of general relief cases which must be taken care of by state and local governments. The question whether or not such a development is desirable is related to the whole problem of Federal-state-local fiscal relations.

Under the \$2 billion reduction program, about three-fourths of work relief expenditures has been eliminated.

F. Social Security

Reductions allocated to Social Security programs are relatively minor--\$3 million, \$6 million, and \$51 million, respectively, for the three cuts of \$1 billion, \$1.5 billion, and \$2 billion.

The 1942 budget provides for a 4 percent increase in Social Security expenditures over the preceding year. The increase is caused primarily by additions to federal grants necessary to match state payments to a rising number of aged persons and to match state payments for increased assistance to dependent children.

The Social Security public assistance programs are not related to defense, but are part of the declared long-range policy of the Congress to aid the helpless indigent. The payments do not directly reduce either labor or materials available for defense.

Like any income payment, assistance payments may contribute to the inflationary pressure through making more funds available which the recipients can spend. But by providing a minimum income to people on the bottom of the income pyramid, such payments create purchasing power which is used primarily for goods and services that are neither scarce nor compete with defense.

* * * * *

In allocating the Committee's reductions this report has precluded revisions of certain fixed commitments such as debt service; minimized reductions involving legislative changes; and avoided reductions which would disrupt law enforcement and other essential operations of the Government.

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Under this approach, those social and economic programs which are not fixed by legal commitments, must bear the brunt of any major reductions.

A substantially different result is obtainable only if the approach is changed. If, for instance, to make a \$2 billion reduction, veterans' pensions were cut, debt service reduced, and Federal grants-in-aid curtailed, then it would be possible to preserve a substantial part of the social and economic programs. Still other approaches to allocation of reductions are possible.

This report presents one schedule of revisions based on the Resolution of the Committee.