

DIARY

Book 659

August 25-27, 1943

—

- A -

	Book	Page
Appointments and Resignations		
Odegard, Peter H.: Resignation - 8/27/43.....	659	240
a) President King's (Amherst College) letter - 9/2/43:		
See Book 661, page 179		
Argentina		
See Latin America		

- C -

<u>Clarínada</u>		
See Latin America: Argentina		
Congress of Industrial Organizations		
See Revenue Revision		
Correspondence		
Mrs. Forbush's mail report - 8/27/43.....		230

- F -

Financing, Government		
Savings, Estimates of: Budget-Treasury correspondence concerning consolidation of releases - 8/27/43.....		221
War Savings Bonds:		
3rd War Loan Drive:		
See also Speeches by H.M.Jr (Baltimore speech)		
Hull agrees that Ambassadors and Ministers of the United Nations and of American Republics which have severed diplomatic relationship with the Axis be approached in drive - 8/26/43.....		184
Thomas Jefferson Memorial Foundation offers Monticello for broadcast - 8/27/43.....		227

- G -

Gromyko, Andrei	
See U.S.S.R.	

- J -

Jefferson Memorial Foundation, Thomas	
See Financing, Government: War Savings Bonds (3rd War Loan Drive)	

- L -

Latin America	
Argentina: <u>Clarínada</u> - publication discussed in Nelson Rockefeller-H.M.Jr correspondence - 8/27/43.....	265

- L - (Continued)

	Book	Page
Lend-Lease		
United Kingdom:		
Aircraft despatched, week ending August 17, 1943 -		
British Air Commission report - 8/25/43.....	659	118
Federal Reserve Bank of New York statement showing		
dollar disbursements, week ending August 18, 1943 -		
8/27/43.....		270

- M -

Morgenthau, Henry, III
 See Shanley, Lieutenant Bernard M. - Fort Riley, Kansas

- N -

Negro Business League, National - Baltimore, Maryland
 See Speeches by HMJr

- O -

Odegard, Peter H.
 See Appointments and Resignations

- P -

Philippine Islands		
Japan-United States exchange of civilians: State Department		
told of Treasury regret that none of its personnel is		
included - 8/27/43.....		244
a) State Department reply - 9/1/43: See Book 661, page 91		

- R -

Railway Labor Executives' Association		
See Revenue Revision		
Reuther, Walter (Congress of Industrial Organizations)		
See Revenue Revision		
Revenue Revision		
Railway Labor Executives' Association - Paul memorandum		
on conference with - 8/25/43.....		5
Congress of Industrial Organizations-Paul conference		
reported by Blough and Surrey - 8/26/43 (see Paul		
memorandum, page 151).....		131
a) Social Security taxes and Wagner bill discussed.....		135
1) Blough memorandum giving resumé of Wagner bill..		208
2) Wagner bill compared with present Social		
Security provisions.....		211
b) Table showing tax burden under proposed merger of		
individual income tax and employee social security		
tax.....		150
1) Discussion of.....		137
c) Dismissal Compensation: Reuther-Paul conference at		
request of FDR - 8/27/43.....		207
(See also Book 660, page 3 - 8/28/43)		

- S -

	Book	Page
Savings, Estimates of		
See Financing, Government		
Shanley, Lieutenant Bernard M. - Fort Riley, Kansas		
General Hilldring-HMJr conversation concerning - 8/26/43..	659	128
a) Letter to HMJr from North Africa - 10/31/43:		
See Book 671, page 189		
(See also Book 674, pages 143 and 144)		
Social Security		
See Revenue Revision		
Speeches by HMJr		
3rd War Loan Drive:		
National Negro Business League, Baltimore, Maryland,		
August 25, 1943		
Elmer Davis-HMJr conversation - 8/25/43.....		3
Draft 1.....		7
" 3.....		21
" 4.....		31
" 5.....		40
Albee's draft 1.....		48
" " 2.....		57
Reading copy.....		64, 93
League thanks HMJr.....		183
Jesse O. Thomas, Consultant, War Finance Staff, thanks		
HMJr - 8/28/43: See Book 660, page 1		
State Department		
See Financing, Government: War Savings Bonds		
(3rd War Loan Drive)		

- T -

Taxation	
See Revenue Revision	

- U -

U.S.S.R.	
Ambassador Gromyko congratulated on appointment - 8/27/43..	268

- W -

Wagner bill	
See Revenue Revision	
War Savings Bonds	
See Financing, Government	

Conference in Secretary's Office
August 25, 1943, 10:30 A.M.

Present: Secretary Morgenthau
Sir Cecil Kisch, Economic
and Financial Advisor
to the Indian Government
Mr. White

Sir Cecil Kisch had requested to call on the Secretary. He began by thanking Secretary Morgenthau on behalf of his Government for the very sympathetic examination that the Treasury had given of India's silver problem, and their decision to agree to lend-lease to India the 20 million ounces of silver for coinage purposes. He stated that the need for coinage had been greater than they had originally anticipated and that the Treasury agreed to telescope the shipment of 20 million ounces so that they would be prepared to meet the additional demand.

Kisch then went on to say that his Government preferred that if possible no public announcement be made with respect to the lend-leasing of this silver for coinage unless it would be combined with a statement of the granting of the 100 million ounces of inflation silver. He explained that his Government feared that a public announcement of the silver for coinage alone would increase popular fears of a Treasury shortage and encourage speculation and further rise in the price of silver.

The Secretary replied that the question of the 100 million ounces of silver was still in abeyance, that the fall in the price of silver had appeared for the time being to have altered the situation. Kisch replied that the fall in the price of silver had been the result, he thought of good military news and a cessation of forward transactions in the silver market. In the past couple of weeks the price of silver had again risen and regained half the loss. The Secretary pointed out, however, that the price of silver had not continued to rise, nor kept its high level, which made the request for lend-leasing the silver to India less strong. He referred to the opposition from some quarters in Congress to lend-lease silver for that purpose.

Kisch stressed the fact that the silver was needed to further the joint war effort by assuring a better flow of supplies and discouragement of hoarding of goods in India by the peasants.

The Secretary responded by saying that he had been offered no clear evidence of the extent to which the granting of silver was necessary for the joint war effort. Kisch replied that they had supplied a memorandum which he thought pointed that out, but White mentioned the fact that the memorandum elaborated the economic aspect, whereas the Secretary was referring to the military and political aspects of the

Division of Monetary
Research

- 2 -

he Secretary said that it was up to the Indian Government they wanted to get a favorable action on the silver, and help would be to submit to him a memorandum indicating specifically what India was doing for the joint war effort. Kisch said he would then be able to more clearly evaluate the war effort. Kisch said that he would have such a

He said that he had to leave for London but that the memorandum was prepared and forwarded to the Secretary, though he did not believe that an adequate case had been made on

and Secretary Morgenthau for having seen him and for the assistance which the American Government had given him

H. D. White

3
August 25, 1943
3:03 p.m.

HMJr: Hello.

Operator: Elmer Davis.

HMJr: Hello.

Operator: Go ahead.

Elmer
Davis: Hello.

HMJr: Elmer Davis.

D: Yes, sir.

HMJr: Henry Morgenthau.

D: Yeah.

HMJr: Have you got three minutes?

D: Yeah.

HMJr: Did you say, "All right"?

D: Yeah.

HMJr: Let me just read you the tail-end of the talk that I'm going to give at Baltimore tonight. May I?

D: Yeah.

HMJr: It will only take me two minutes and I want to see if there is anything in there that strikes you off key, see? I'm not going to try to read it in a radio voice. I'm just going to give it quietly.

D: Yeah.

HMJr: "Generals tell me that the number of lives lost in modern battles depends almost entirely on the quality and quantity of equipment available. Where opposing armies have equal equipment, the losses are heavy on both sides. Where one has superior equipment and more of it, its losses in men are low and those of the other side are exceedingly heavy. So you see your bond dollars are not only buying equipment but you are helping to make it possible for our sons and husbands and fathers to survive. I do not believe that

- 2 -

HMJr:
(Cont'd) many people will hesitate to buy an extra bond when they realize that even as they hesitate, they may be snuffing out the life of an American fighting man."

D: Why, that seems to me sound. I think it depends on two things, the equipment and the degree of training, but there certainly is sufficient truth in that to make it a very effective approach, I should think.

HMJr: It isn't too harsh?

D: No. As far as I'm concerned it's okay.

HMJr: Well, I mean I....

D: Whether it's okay with the War Department I don't know....

HMJr: Oh, well, this wasn't - I - it wasn't official - I mean in the sense - it isn't that - I wanted your advice as one of our radio - leading radio commentators that's what I want.

D: Yes. Well....

HMJr: I mean, I'd clear this thing formally with you afterwards. I just wanted your personal advice - knowing what's good and bad on the air.

D: I think that's okay. Certainly, as a general thing it's true....

HMJr: Yeah.

D:if you don't buy bonds, the Army is going to suffer.

HMJr: Yeah. Well, that's all - if it doesn't strike any false note with you then we'll put it through formally - through your shop.

D: All right, thank you.

HMJr: I thank you.

D: Okay.

Home
5
TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau
FROM Randolph Paul

August 25, 1943

At the request of Mr. Luhrsen, Executive Secretary and Treasurer of the Railway Labor Executives Association, I attended a meeting this morning at eleven o'clock of his Association. Representatives were present from all parts of the country.

I found the group very interested in taxes and spent from eleven o'clock until one o'clock with them, except the time we took out to listen to the President's address.

On the points in which you are interested, I can report briefly as follows:

1. The sentiment of the group is unanimous against the sales tax.
2. The sentiment of the group is equally unanimous against an individual excess profits tax or taxes on increases in income.
3. The group does not fully comprehend the issues involved in compulsory versus voluntary lending, but after some explanation of compulsory lending I think the preponderance of the views in the meeting was in favor of voluntary lending.
4. Several of the group expressed themselves as being opposed to any reduction of the personal exemption, though they did not go so far as Murray in advocating that the personal exemption be increased. Their ground of opposition is particularly related to a married person with dependents, and their claim is

- 2 -

that the personal exemptions represent the minimum standards of living for productive war work.

5. Being covered by the Railroad Retirement Act, this group had no direct interest in social security, but those present expressed themselves as being in favor of the principle involved and being readier to pay social security taxes than others.

6. We did not have time to get down to specific tax increases, but I sensed in the meeting there will be considerable opposition from this group to substantial increases below a \$2,500 level, at least in the case of married persons with dependents.

7. The group is violently in favor of increased corporate taxes. We had considerable discussion on this point and they are going to circularize their membership immediately to stir up public opinion in behalf of this sort of increase.

At various times during the meeting and at the end I was asked for information on a number of points. I promised to supply this information to Mr. Luhrsen so that it could be circulated. He asked for detailed information on sales tax, individual excess profits tax, savings analysis, bond redemptions, tables of income in various brackets after taxes, and figures regarding the distribution of income.

The group will also write us a memorandum giving us formally its views on various points mentioned in the conference.



BALTIMORE SPEECH

FIRST DRAFT

7
File 8/55/43

I want to talk to you tonight as one of the 130 million Americans who are being reassured and inspired by the prophetic events that are taking place in Canada.

^{from Canada}
The reports that we have all seen and heard leave no room for doubt that the United States and her Allies have set their course toward a final and lasting victory, however long it may take, however costly the job may prove to be. We have made up our minds. We are determined to clean up, we fervently hope for all time, the vicious scourge of dictatorship.

Now that is a big order. It is a much larger order than it may seem at the moment. From a great many points of view this people's war is far from finished. We have before us the toughest, bitterest, most punishing battles of all. ~~Don't~~

~~There are millions of enemy~~ ^{tough, experienced}
~~troops we have not killed or captured, thousands of enemy planes~~ ^{yet met}
~~we have not shot down, hundreds of enemy ships that we have not~~ ^{yet}
~~sunk. Don't let us make the mistake of underestimating the~~
~~fighting power of our enemies.~~

Furthermore, as we advance, our supply lines grow longer and longer, and the enemy's get shorter. We must fight now in the enemy's own territory which they have carefully prepared for defense long ago. We are using up vital supplies which become harder and harder to replace.

~~that~~ We know now ^{that} we have little to worry about where our fighting forces are concerned. They have shown what they can do. They have proved how deadly earnest they are about carrying this war to a final conclusion, to stamp out Fascism and Nazism forever, ~~and perhaps even destroy the germ from which these diseases of civilization arise, generation after generation.~~

But this war cannot be won on the battlefield alone. We cannot simply send our sons and fathers and husbands to Europe with instructions to bring back victory. On the contrary, you and I -- all of us -- must be part of that fight to the finish. Very nearly everything, from here on, depends upon us; for this is the kind of a war that reaches down into the lives of every single person in every single country involved. ~~And a handful of irresponsible dictators taught a wrong way of life to millions of people, and that started the war, but the democracies of the world are going to finish it. Up to very recently, the dictators had the great advantage for they could make quick decisions without consulting anyone; they could sacrifice considerable lives without feelings of conscience -- and because of this they dashed to victory after victory while the democracies could only hold public meetings to decide what to do. But now the democracies have decided -- and there is every indication that the members of the master race~~

(A) is an excellent letter from a youngster who had just returned from the frontiers -- a letter

(A) Very to the point, that is illustrated from the American Syndicalists. It reads:

~~"It was cold, but we kept our guts warm and that is
all the warmth we needed. Take it from me, ^{MOM} the~~
American troops have guts - plenty of them. I have seen
~~men~~ ^{men} with their buddies falling all around them, but it
didn't scare them one bit, they just got twice as mad. I
can see now more clearly what makes this country as wonder-
ful as it is. It is the spirit and the courage of the
American youth. They took all the Japs handed out and just
laughed at them and ~~g~~ came back and gave them a sample of
American guts, and that is why the Japs are still running."

(A)
INDENT

- 3 -

~~beginning to discover that they are really only dependent upon us
as a great industrial, military, and financial power, and the cost in human lives,
far more than it could ever be worth.~~

~~On the battlefield, we have turned the tables on our
attackers, and perhaps our Home Front is ready to turn the tables
on the home fronts in this country, home fronts that only a few
short months ago were confident that they would hold in against
all the rest of the people in all the world.~~

~~There are some people who do not think that our Home~~ *are saying*
Front can make the grade. They are asking whether we are willing
to pay the price for final victory. They ~~say we are turning our~~ *point out with alarm*
~~the fact~~ that great wars have been lost, in spite of brilliant
strategy on the battlefield, by lack of support on the Home Front.
~~It is being pointed out in some quarters~~ that it wasn't only the
German soldiers, but the German people, who lost the first World
War. When the soldiers looked back over their shoulders and saw
a crumbling, crumbling, spiritless home front they simply quit.
What they saw was not worth dying for.

I am not one who is asking those questions. I am not afraid
that the American people will let the soldiers down. My experience
with War Bonds has given me too much faith *in them* for that.

I only need to look back to last April, to the Second War
Loan Drive, to be reassured. During that drive, the American

- 4 -

people bought 33 million E bonds alone. That is an average of almost one bond for every three people in the country ~~and we are~~ counting ^{over} ~~33 million~~ men, women and children, ~~including the~~ ~~same~~ ~~that is not good~~

That

~~is more than we asked for and it established the~~ finest record ever made in any country. Nowhere on earth have so many people invested so much money in the future of their country.

^{But} What ^{comes} ^{is} ~~recalls~~ me most ~~about~~ the soundness of the American ^{spirit} ~~people~~ is the single-minded purpose with which ^{the people} ~~they~~ are buying bonds.

War Savings Bonds are the best investment in the world today -- if you hold them till maturity, you'll get four dollars for every three ~~you~~ you invest. But that is not why the American people are buying bonds. || The quarter million dollars invested every month in War Savings Bonds on the payroll savings plan is, as the President has pointed out, "the greatest single factor we now have in protecting ourselves against inflationary spending." ^{yet it is not to curb inflation that} ~~people are~~ ~~buying bonds~~ ~~that~~

Millions upon millions of people would buy as many bonds if there were not a cent of interest to be gained, or if the purchase of bonds had no effect upon rising prices and other evils of inflation.

(and Industry, Labor and Professional Life.

- 5 -

Actually, every indication points to the fact that people buy bonds ^{for one reason:} to "Back the Attack". We have had interviewers asking thousands of people all over the country why they buy bonds, and almost invariably the answer is "to help win the war".

That is why ^{call of us - all the} members of War Finance Committees out through the states ^{have such confidence in} ~~are not seriously worried about the defense of~~ the American Home Front. ^{We} ~~They~~ know that any nation with 27 million people -- half of its working population -- voluntarily deducting 10% of their pay for War Bonds, --and stepping up that average month by month -- is not a weak nation, but a strong and spirited one.

The sale of War Bonds, we know, is actually a barometer of the spirit and enthusiasm of the Home Front. That was made especially clear to me during the Second War Loan, when I took a trip across the country ^{to} ~~to visit the war workers in~~ Portland, Oregon and San Francisco. ~~I talked to war workers at all sorts of plants, plane factories, and in shipyards.~~ I talked to war workers ^{of} ~~all sorts of~~ ^{at} ~~man and woman working at machines in electrical~~ ~~plants, plane factories, and in shipyards.~~

And everywhere that I went I noticed that where the people were working enthusiastically, where production was up, where the machines of war were roaring off the production lines ~~in~~ ~~that brought the Axis to its knees~~ ^{wherever that} happened, War Bond sales were high. Where labor and management

- 6 -

had put aside private differences and recognized only the peril that lies ahead if they slacken their efforts -- in plants like that, War Bond quotas ~~were exceeded by actual~~ ^{were far exceeded by actual} War Bond sales. I saw this happen in plant after plant, and when I returned I checked my observation with the Army, the Navy and WPB -- and all of them agreed. War spirit ^{and} production records, ~~production~~ ^{and} ~~rates~~ all ~~show~~ go hand in hand with high bond sales.

And there's still another proof that the sale of War Bonds is a barometer of war spirit. Among our armed forces at the front, where the fighting is fiercest, War Bonds are being sold on payroll percentages that ~~surpass~~ ^{often surpass} the best records established at war plants. Our ~~soldiers~~ men who actually have fought with the Nazis and the Japs, and know from experience what we're up against, are putting 30% and 40%, and sometimes 50%, of their money into War Bonds.

Recently I heard over the radio, a report from the front, in which a commentator pointed out that men coming back from battle, who already were investing ^{through the Payroll Plan} an average of 16% of their pay in War Bonds, were putting another 19% of their pay into extra bonds.

The War and Navy Departments report that their payroll savings plans have shot up like rockets during the past few months. Our boys ~~are~~ are willing to fight day and night without

Between April and June of this year the number of soldier participation has gone from 1 1/2 million to nearly 2 1/2 million & during the same

period many officers and soldiers were increasing their war bond purchases 500%

And these 2 1/2 million men
are 20% of the

- 7 -

They
 stopping; ~~we~~ are willing to give their lives, if necessary, *and they* are
 eager to turn over every available cent to their disbursing
 officer to buy more bonds to help us buy more equipment to help
them do a still better job. *We on the home front who are*

~~We have heard a lot recently about the American People
 becoming complacent, about production falling off, about the
 war spirit on the home front suffering from too many victories
 abroad. Certainly, for some reason, a problem has developed
 that is reflected in a production decrease. Some of it, perhaps,
 is due to a cooling off of the fervent spirit that we had to have
 when we were fighting with our backs to the wall. Some of it
 may be due to the erroneous belief that the war is almost won.
 But still more of it is due to the fact that we are tired. All
 of us are tired. We want a reaction from the work and worry of war.~~

~~But, of course, there can be no reaction from war. It is
 normal to want one, and Adolph Hitler knows it. He is a clever
 enough man to realize that if he can make the war last long enough
 everyone will get tired. He knows that the exhaustion and fatigue
 and loss of confidence on our home front would mean more to him than
 a battalion of troops or a fleet of ships or -- if it is serious
 enough -- it would mean more than the destruction of the Hindenburg,
 which has been hit by the thousands of planes~~

*at least
 we need
 in buying
 bonds so
 that we
 can win
 the battle
 for
 funds*

I want you to realize how much money that ~~is~~ ^{as the people share in this} ~~is~~. We are seeking ~~more~~ ^{more} money ~~will be earned~~ ^{will be earned} by the American people in the 22 days of September drive.

to save money
about

proclamation for the Third War Loan, "We need far more money, far more sacrifice than ever before. The war will continue to grow more expensive right up to the day of victory."

That is why,

we are

In September, ~~the government is~~ asking the American people, ~~to lend their government~~ 15 billion dollars.

about

Of this amount, one-third must come directly from individuals

-- from you and your neighbors and your friends. We are asking

for this much money because we need it ~~and~~ ^{we} need it to finance THE INVASIONS IN

this most expensive war in history, ~~we need it~~ ^{we} to buy the best

food, clothing, weapons and equipment so that our fighting forces

can be stronger ~~than those of any other country~~. We need it so

we can carry doctors and nurses and sulfa drugs and blood plasma

right up to the firing lines where the boys are fighting ~~and that~~

~~not a single young man of our forces will be without the~~

~~most expert attention~~.

We need money to fight a better defense a better

Isn't this worth what it costs in War Bonds and taxes?

~~Isn't this worth tightening your belt so you can lend your~~

~~government a little more, or pay a little higher taxes?~~

During September you are going to be asked to buy ~~extra~~

extra bonds. Every loyal son and daughter of this Republic

is going to be asked personally to make greater sacrifices than

ever before, is going to be asked to invest at least two weeks'

good and there is plenty of it.

We need it to save the lives of our fighting men

We need it more now than ever, for the
 job to be done is far larger and more difficult.

~~I tell you this because~~ Your Government needs the
 help of every one of you leaders in reaching the members of your
 community who look up to you. I hope ~~that~~ ^{in touch} when you get back to your
 homes you will get ~~in touch~~ with the State Chairman or State
 Executive Manager of the Treasury's War Finance Committee and ~~will~~
 find out exactly how you can ^{do} your patriotic share in the Third
 War Loan Drive. The officers of your League will advise you who
 to see in your state.

In this war we can't all go, but we can all help. Many of us
 would gladly pay our last dollar if we could wear the Navy Cross
 which was won by Doris* Miller at Pearl Harbor. Every one of you
 remembers the words by which that gallant colored ^{man boy} sailor was cited:
 "For distinguished devotion to duty, extraordinary courage and
 disregard of his own personal safety. While at the side of his
 captain on the bridge, Miller, despite enemy strafing and bombing,
 and in the face of a serious fire, assisted in moving his captain,
 who had been mortally wounded, to a place of greater safety, and
 later manned and operated a machine gun directed on enemy Japanese
 attacking aircraft, until ordered to leave the bridge." In the
 desperate moment of calamity, in the supreme moment of attack,
 the true fighting men of our country show their quality and make
 every American proud of them, as we are all proud of Doris Miller.

* Pronounced "Dorie"

- 12 -

must *our soldiers and sailors and marines*
 We want to have all of them ~~equally~~ well equipped ~~and with~~ an
 equal chance of survival in the ^{the} days of invasion ~~which we promise~~
~~you are coming soon.~~ *That's why here at home* ~~therefore~~ we ourselves must "back the attack"
 with our enthusiasm and our good American dollars. [When we have
 reached our objective - the highest objective ever undertaken in
 a war loan campaign - we will have served notice on our fighters
 in Europe and the Pacific that their country is firmly united
 behind them. They are entitled to this assurance. ~~and~~ We must
 give it to them.

They must be given

AS I SPEAK TO YOU TONIGHT, THE LEADERS
OF OUR UNITED NATIONS ARE COMPLETING
PLANS FOR THE MILITARY AND POLITICAL
INVASION OF FORTRESSED EUROPE. THE
MOST VITAL DECISIONS IN THE HISTORY OF
MANKIND ARE BEING MADE. THE MOST
~~TERRIBLE~~ POWERFUL ATTACKS IN THE HISTORY
OF WAR ARE BEING PLANNED. ~~BEFORE~~
BEFORE THE START OF THE THIRD WORLD
WAR, THE DIE WILL BE CAST. ~~THE CURTAIN~~
~~WILL BE PULLED BACK~~

Third Draft 21

That is why, in September, we are asking the American people to lend their government 15 billion dollars. Of this amount, about one-third must come directly from individuals -- from you and your neighbors and your friends.

I want you to realize how much money that is. We are seeking ~~as the~~ people's share of this loan, almost the same

During September you are going to be asked to buy extra bonds. Every loyal son and daughter of this Republic is going to be asked personally to ~~make greater sacrifices than ever~~ ~~before~~, is going to be asked to invest at least two weeks' pay during the month of September in the supreme effort to win this war and to hurry the return of our boys from the fighting fronts.

Everyone everywhere must help if we are to succeed.

Fellow Americans:

As I speak to you tonight, the leaders of our United Nations are completing plans for the military and political invasion of fortified Europe. The most vital decisions in the history of mankind are being made. The most powerful attacks in the history of war are being planned. Before the start of the Third War Loan, the dye will be cast.

The reports from Canada that we have all seen and heard leave no room for doubt that the United States and her Allies have set their course toward a final and lasting victory, however long it may take, however costly the job may prove to be. We have made up our minds. We are determined to clean up, for all time, ~~we forever have~~ the vicious scourge of dictatorship.

But finishing up this war - fighting through to a complete victory is a big order. ~~It is a much larger order than~~ it may seem at the moment. ~~From a great many points of view~~ still here this people's war is far from finished. ~~We have~~ before us the toughest, bitterest, most punishing battles of all. There are millions of tough, experienced enemy troops we have not yet met, killed or captured, thousands of enemy planes we have not yet shot down, hundreds of enemy ships that we have not yet sunk. Don't let us make the mistake of underestimating the fighting power of our enemies.

Furthermore, as we advance, our supply lines grow longer and longer, and the enemy's get shorter. We must fight now in the enemy's own territory which they have carefully prepared for defense long ago. We are using up vital supplies which become harder and harder to replace.

~~We know now that we have little to worry about where~~ Our fighting forces ~~have shown~~ ~~They~~ have shown what they can do. They have proved how deadly earnest they are about carrying this war to a final conclusion, to stamp out Fascism and Nazism forever.

I saw a letter the other day from a young ^{corporal} ~~man~~ who had just returned from the Aleutians -- a letter from a boy ^{named ~~Paul~~ Christopher Hawley} to his mother ^{in New Jersey} that illustrated how the American soldier feels. It said:

"Take it from me, Mom, the American troops have guts - plenty of them. I have seen men with their buddies falling all around them, but it didn't scare them one bit, they just got twice as mad. I can see now more clearly what makes this country as wonderful as it is. It is the spirit and the courage of the American youth. They took all the Japs handed out and just laughed at them and came back and gave them a sample of American guts, and that is why the Japs are still running."

But this war cannot be won on the battlefield alone. We cannot simply send our sons and fathers and husbands to Europe with instructions to bring back victory. On the contrary, you and I -- all of us -- must be part of that fight to the finish. Very nearly everything, from here on, depends upon us; for this is the kind of a war that reaches down into the lives of every single person in every single country involved.

There are some people who are saying that our Home Front can't make the grade. They are asking whether we are willing to pay the price for final victory. They point out with alarm that great wars have been lost, in spite of brilliant strategy

on the battlefield, by lack of support on the Home Front . . . that it wasn't only the German soldiers, but the German people, who lost the first World War. When the soldiers looked back over their shoulders and saw a cringing, crumbling, spiritless home front, they simply quit. What they saw was not worth dying for.

I am not one who is asking those questions. I am not afraid that the American people will let the soldiers down. My experience with War Bonds has given me too much faith in them for that.

I only need to look back to last April, to the Second War Loan drive, to be reassured. During that drive, the American people bought 33 million E bonds alone. That is an average of almost one bond for every three people in the country counting every man, woman and child. That is more than we asked for and it established the ^{greatest} ~~finest record~~ ever made in any country. Nowhere on earth have so many people invested so much money in the future of their country. Or, to be reassured, look at the ~~millions of~~ volunteers who are readying themselves for the coming drive. ~~Estimates indicate that~~ ^{Upwards of} 3 million people will take part in the Third War Loan, under the finest leadership to be found anywhere in American Industry and Labor and Professional life.

But what convinces me most of the soundness of the American spirit is the single-minded purpose with which the people are buying bonds.

War Savings Bonds are the best investment in the world today -- if you hold them ^{my} till maturity, you'll get four dollars for every three you invest. But that is not why the American people are buying bonds. ^{that} The quarter million dollars invested every month in War Savings Bonds on the payroll savings plan is, the President has pointed out, "the greatest single factor we now have in protecting ourselves against inflationary spending." Yet it is not ^{for} to curb inflation ^{before} that people are buying bonds.

Millions upon millions of people would buy as many bonds if there were not a cent of interest to be gained, or if the purchase of bonds had no effect upon ~~rising prices and other~~ ~~aspects of~~ inflation.

Actually, every indication points to the fact that people buy bonds for one reason: to "Back the Attack". ~~We have had~~ ^{have} interviewed ^{asked} thousands of people all over the country why they buy bonds, and almost invariably the answer is "to help win the war".

That is why all of us -- all the members of War Finance Committees out through the states have such confidence in the American Home Front. We know that any nation with 27 million people ~~half of its working population~~ voluntarily deducting 10% of their pay for War Bonds, -- and stepping up that average month by month -- is not a weak nation, but a strong and spirited one.

The sale of War Bonds, we know, is actually a barometer of the spirit and enthusiasm of the Home Front. ~~That was made especially clear to me during the Second War Loan, when I took a trip across the country to talk to war workers.~~

Everywhere that I ~~went~~ I noticed that ~~the~~ people ^{are} working enthusiastically, where production ^{is} up, where ~~the~~ machines of war were roaring off the production lines ~~where there is a good war spirit,~~ War Bonds sales ^{are} high. Where ^{the} labor and management ^{has} put aside ^{selfish} private differences and recognizes only the peril that lies ahead if they slacken their efforts -- in plants like that, War Bond quotas were far exceeded by actual War Bond sales. ~~I saw this happen in plant after plant, and when I checked my observation with the Army, the Navy and WPE -- and all of them agreed.~~ War spirit and production records go hand in hand with high bond sales.

And there's still another proof that the sale of War Bonds is a barometer of war spirit. Among our armed forces at the front, where the fighting is fiercest, War Bonds are being sold on payroll percentages that often surpass the best records established at war plants. Our men who actually have fought with the Nazis and the Japs, ^{what hell war really is} and know from experience ~~what war~~ ^{are} ~~up against,~~ are putting 30% and 40%, and sometimes 50%, of their money into War Bonds.

Recently I heard ^{Norman Beatty,} ~~from the radio,~~ report from the front, ^{He} ~~in which a commentator~~ pointed out that men coming back from battle, who already were investing through the payroll plan an average of 16% of their pay in War Bonds, were putting another

19% of their pay into extra bonds.

The War and Navy Departments report that their payroll savings plans have shot up like rockets during the past few months. ~~Between April and June~~ ^{Since} of this year the number of soldiers participating ~~has risen~~ ^{has risen} from 1 1/2 million to nearly 2 1/2 million, ~~and these 2 1/2 million men~~ ^{and it is still rising.} are investing 20% of their pay. During the same period Navy officers and enlisted men increased their war bond purchases 500%.

Our boys are willing to fight day and night ~~without stopping~~, ~~they are willing to~~ ^{any} give their lives, if necessary; and they are eager to turn over every available cent to their disbursing officer to buy more bonds to help us buy more equipment to help them do a still better job. We ~~on the home front~~ ^{here at home} who are only asked to lend our money certainly ought to do at least as well in buying bonds as our men on the battle fronts.

Our fighting men, ~~we~~ are actually bringing all our great victories, are not lying down on the job because they know that the worst is yet to come. They know that the war must continue to have priority over everything else.

~~We on the home front must take a leaf from their book.~~ for The need for greater effort will grow as our victories increase. As the President said in his proclamation for the Third War Loan, "Our need for money now is greater than ever, and will continue to grow until the very day that victory is won; so we must ask far more sacrifice, far more cooperation than ever before."

Your Government needs the help of every one of you leaders
~~in reaching the members of your community who look up to you.~~
 We need it more now than ever, for the job to be done is far
 larger and more difficult. You have done an excellent job in
 the past, but ^{our} ~~the past~~ records of ^{the past are not good enough.} ~~us must be improved.~~
 When you get back to your homes, I hope you will get in touch
 with the ^{head of the Third War Loan in your community} ~~State Chairman or State Executive Manager of the Treasury's~~
~~War Finance Committee~~ and find out exactly how you can do your ^{share}
~~patriotic share in the Third War Loan Drive. The officers of~~
~~your League will advise you who to see in your state.~~

In this war we can't all ^{join up} ~~go~~, but we can all help. Many of
 us would gladly pay our last dollar if we could wear the Navy
 Cross which was won by Doris ^{AN} Miller at Pearl Harbor. Every
 one of you remembers the words by which that gallant ^{Negro} ~~colored~~
 mess boy was cited: "For distinguished devotion to duty,
 extraordinary courage and disregard of his own personal safety.
 While at the side of his captain on the bridge, Miller, despite
 enemy strafing and bombing, and in the face of a serious fire,
 assisted in moving his captain, who had been mortally wounded,
 to a place of greater safety, and later manned and operated a
 machine gun directed on enemy Japanese attacking aircraft, until
 ordered to leave the bridge." ^{AF} In the desperate moment of calamity,
 in the supreme moment of attack, the true fighting men of our
 country show their quality and make every American proud of them,

~~* Transmitted "Radio"~~

as we are all proud of Doris Miller. We ~~must have all of~~
~~our soldiers and sailors and marines well equipped. They must~~
~~have an equal chance of survival in these days of invasion.~~
~~That's why we, here at home, must "Back the Attack" with our~~
~~enthusiasm and our good American dollars.~~

~~When we have reached our objective - the highest objective~~
~~ever undertaken in a war loan campaign - we will have served~~
~~notice on our fighters in Europe and the Pacific that their~~
~~country is firmly united behind them. They are entitled to~~
~~this assurance. We must give it to them.~~

(insert X)

It is to prevent this that we are asking
the American people for 15 Billion Dollars
in Sept/October.

THREE.

We are asking for this much money because ~~we need it.~~
We need it to finance the invasions in this most expensive war
in history, and to buy the best food, clothing, weapons, and
equipment so that our fighting forces can be strong. We need
it so we can carry doctors and nurses and sulfa drugs and blood
plasma right up to the firing lines where the boys are fighting.
We need it to save the lives of our fighting men -- for every
General knows that the cost of an attack in human life is far
less when their equipment is good and there is plenty of it.

~~Isn't this worth what it costs in War Bonds and taxes?~~

We need it, therefore, to save the lives of our sons
and husbands and fathers in the battlefronts.

*Fourth Draft*FELLOW AMERICANS:

As I speak to you tonight, the leaders of our United Nations are completing plans for the military and political invasion of fortified Europe. The most vital decisions in the history of mankind are being made. The most powerful attacks in the history of war are being planned. Before the start of the Third War Loan, the dye will be cast.

The reports from Canada that we have all seen and heard leave no room for doubt that the United States and her Allies have set their course toward a final and lasting victory, however long it may take, however costly the job may prove to be. We have made up our minds. We are determined to clean up, for all time, the vicious scourge of dictatorship. And we want to put an end to war. Today the human race stands a better chance of putting an end to war than ever before - because today not just a few, but millions of human beings realize the horrors of war. Whole nations are resolved to do away with bloodshed once and for all.

(this war)
But ~~finishing up this war~~-fighting through to a complete victory is a big order - much larger than it may seem at the moment. This people's war is far from finished. Still before us are the toughest, bitterest, most punishing battles of all. There are millions of tough, experienced enemy troops we have not yet met, killed or captured, thousands of enemy planes we have not yet shot down, hundreds of enemy ships that we have

FELLOW AMERICANS:

As I speak to you tonight, the leaders of our United Nations are completing plans for the military and political invasion of fortress Europe. The most vital decisions in the history of mankind are being made. The most powerful attacks in the history of war are being planned. Before the start of the Third War Loan, the dye will be cast.

The reports from Canada that we have all seen and heard leave no room for doubt that the United States and her Allies have set their course toward a final and lasting victory, however long it may take, however costly the job may prove to be. We have made up our minds. We are determined to clean up, for all time, the vicious scourge of dictatorship. And we want to put an end to war. Today the human race stands a better chance of putting an end to war than ever before - because today not just a few, but millions of human beings realize the horrors of war. Whole nations are resolved to do away with bloodshed once and for all.

But fighting the war through to complete victory is a big order - much larger than it may seem at the moment. This people's war is far from finished. Still before us are the toughest, bitterest, most punishing battles of all. There are millions of tough, experienced enemy troops we have not yet met, killed or captured, thousands of enemy planes we have not yet shot down, hundreds of enemy ships that we have

- 2 -

not yet sunk. ~~Don't let us~~ ^{*We must not*} make the mistake of underestimating the fighting power of our enemies.

Our fighting forces have ~~shown what they can do. They~~ ^{*have*} proved how deadly earnest they are about carrying this war to a final conclusion, to stamp out Fascism and Nazism forever.

I saw a letter the other day from a ^{*1944*} ~~young~~ corporal who had just returned from the Aleutians -- a letter from a boy named Christopher Hanley to his mother in New Jersey that illustrates how ~~the~~ ^{*typical*} American soldier feels. It said:

"Take it from me, Mom, the American troops have guts - plenty of them. I have seen men with their buddies falling all around them, but it didn't scare them one bit, they just got twice as mad. I can see now more clearly what makes this country as wonderful as it is. It is the spirit and the courage of the American youth. They took all the Japs handed out and just laughed at them and came back and gave them a sample of American guts, and that is why the Japs are still running."

But ^{*I don't have to tell you that*} this war cannot be won on the battlefield alone. ~~We cannot simply send our sons and fathers and husbands to Europe with instructions to bring back victory. On the contrary, you and I -- all of us -- must be part of that fight to the finish. Very nearly everything, from here on, depends upon us, for this is the kind of a war that reaches down into the lives of every single person in every single country involved.~~

But what convinces me most of the ^{wis} soundness of the American spirit is the ~~single-minded purpose~~ ^{single-minded} with which the people are buying bonds.) o/c

War Savings Bonds are the best investment in the world today -- if you hold them until maturity, you'll get four dollars for every three you invest. But that is not why the American people are buying bonds. The President has pointed out that the quarter million dollars invested every month in War Savings Bonds on the payroll savings plan is "the greatest single factor we now have in protecting ourselves against inflationary spending." Yet it is not only to curb inflation that people are buying bonds.

Millions upon millions of people would buy as many bonds if there were not a cent of interest to be gained, or if the purchase of bonds had no effect upon inflation.

~~Actually~~, every indication points to the fact that ^P people buy bonds for one reason: to "Back the Attack". Interviewers have asked thousands of people all over the country why they buy bonds, and almost invariably the answer is "to help win the war".

That is why all of us -- all the members of War Finance Committees out through the states ^A have such confidence in the American Home Front. We know that any nation with 27 million people voluntarily deducting 10% of their pay for War Bonds, -- and stepping up that average month by month -- is not a weak nation, but a strong and spirited one.

The sale of War Bonds, we know, is actually a barometer of the spirit and enthusiasm of the Home Front.

Everywhere that people are working enthusiastically, where production is up, where there is a good war spirit, War Bonds sales are high. Wherever labor and management ~~are~~ put aside selfish differences and recognize only the peril that lies ahead if they slacken their efforts -- in plants like that, War Bond quotas ^{are} far exceeded by actual War Bond sales. I have seen this happen in plant after plant, and ~~the~~ I have checked my observation with the Army, the Navy and WPB -- and all of them agree. War spirit and production records go hand in hand with high bond sales.

And ~~there is~~ still another ^{evidence} ~~proof~~ that the sale of War Bonds is a barometer of war spirit. ^{is that this:} Among our armed forces at the front, ~~where the fighting is fiercest, War Bonds are being sold~~ ^{the percentage of pay deducted for War Bonds} ~~on payroll percentages that often surpass the best records~~ established at war plants. Our men who actually ~~have fought~~ ^{fight} with the Nazis and the Japs, and know from experience what hell war really is, are putting 30 and 40, and sometimes 50%, of their money into War Bonds. ^{a radio commentator,}

Recently I heard Norman Beatty report from the front. He pointed out that men ~~coming back from battle~~, who already were investing through the payroll plan an average of 16% of their pay in War Bonds, were ^{now} putting another 19% of their pay into extra bonds.

STEY

War Bond sales

The War and Navy Departments report that ~~their payroll~~ ~~enlistments~~ have shot up like rockets during the past few months. Since April of this year the number of soldiers ~~participating~~ in the payroll savings plan has risen from 1 1/2 million to nearly 2 1/2 million, and it is still rising. These men are investing 20% of their pay. During the same period Navy officers and enlisted men increased their war bond purchases 500%.

Our boys are willing to fight day and night and give their lives; ~~is~~ ~~they~~; and they are eager to turn over every available cent to their commanding officer to buy more bonds to help us buy more equipment to help them do a still better job. We here at home who are only asked to lend our money, certainly ought to do at least as well in buying bonds as our men on the battle fronts.

The need for greater effort will grow as our victories increase, will not diminish — it will grow & keep growing. As the President said in his ~~proclamation~~ proclamation the Third War Loan, "Our need for money now is greater than ever, and will continue to grow until the very day that victory is won; so we must ask for more sacrifice, far more cooperation than ever before."

That is why, in September, we are asking the American people to lend their government 15 billion dollars. Of this sum ~~amount~~, about one-third must come directly from individuals -- from you and your neighbors and your friends. huge

During September you are going to be asked to buy extra bonds. ~~Every boy and daughter of this Republic is going~~ *You are going* to be asked personally to invest at least two weeks' pay ~~during~~ *to get it over with -* the month of September in the supreme effort to win this war — and to hurry the return of our boys from the fighting fronts.

~~Everyone, everywhere must help if we are to succeed.~~

Your Government needs the help of every one of you. ~~We need it more now than ever, for the job to be done is far~~ *Strain is Bill's friend* ~~a tremendous task.~~ *a tremendous task.* You have done an excellent job in the past, but our records of the past are not good enough. When you get back to your homes, I hope you will get in touch with the head of the Third War Loan in your community and find out exactly how you can do your share.

In this war we can't all join up but we can all help. Many of us would gladly pay our last dollar if we could wear the Navy Cross which was won by Doris Miller at Pearl Harbor. Every one of you remembers the words by which that gallant Negro mess boy was cited: "For distinguished devotion to duty, extraordinary courage and disregard of his own personal safety. While at the side of his captain on the bridge, Miller, despite enemy strafing and bombing, and in the face of a serious fire, assisted in moving his captain, who had been mortally wounded, to a place of greater safety, and later manned and operated a machine gun directed on enemy Japanese attacking aircraft, until ordered to leave the bridge."

- 8 -

In the desperate moment of calamity, in the supreme moment of attack, the ~~the~~ fighting men of our country show their quality and make every American proud of them, as we are all proud of Doris Miller.

We Americans are not a warlike people. We believe in peace and in all of the things of peace -- what we call the American Way. We believe in friendship and kindness, in being honest and courteous and generous. We have always believed -- taken it for granted -- that these things were part of the nature of a decent, respectable human being.

~~Then, just when we were beginning to have some reason to think that people were growing civilized enough to settle the world's problems with their brains instead of their fists, this war hit us.~~ We have been forced into a war by as rotten a gang of swindlers, traitors and murderers as history has ever seen. It's a war we have got to win. We must win it, for the practical reason that if we don't we may never again find peace and freedom! Either we will beat our enemies now, in this war, or we will condemn our children and our children's children to new wars generation after generation.

~~It is to~~ ^{that} prevent this ~~that~~ we are asking the American people for 15 billion dollars in September.

We are asking for this much money because we need it to finance the invasions in this most expensive war in history, and to buy the best food, clothing, weapons, and equipment so that

our fighting forces can be strong. We need it so we can carry doctors and nurses and sulfa drugs and blood plasma right up to the firing lines where the boys are fighting. ~~We need it to save the lives of our fighting men --~~ ~~for~~ every General

knows that the cost of an attack in human life is far less when their equipment is good and there is plenty of it.

This is 15 Billion dollars
We need ~~it~~ ~~to~~ ~~save~~ ~~the~~ ~~lives~~ ~~of~~ ~~our~~ ~~sons~~ ~~and~~ ~~husbands~~ ~~and~~ ~~fathers~~ ~~on~~ ~~the~~ ~~battlefronts~~.

Fifth Draft

40

FELLOW AMERICANS:

As I speak to you tonight, the leaders of our United Nations are completing plans for the military and political invasion of fortress Europe. The most vital decisions in the history of mankind are being made. The most powerful attacks in the history of war are being planned. Before the start of the Third War Loan, the dye will be cast.

The reports from Canada that we have all seen and heard leave no room for doubt that the United States and her Allies have set their course toward a final and lasting victory, however long it may take, however costly the job may prove to be. We have made up our minds. We are determined to clean up, for all time, the vicious scourge of dictatorship. And we want to put an end to war.

But fighting the war through to complete victory is a big order - much larger than it may seem at the moment. This people's war is far from finished. Still before us are the toughest, bitterest, most punishing battles of all. There are millions of tough, experienced enemy troops we have not yet met, killed or captured, thousands of enemy planes we have not yet shot down, hundreds of enemy ships that we have not yet sunk. We must not make the mistake of underestimating the fighting power of our enemies.

Our fighting forces have proved how deadly earnest they are about carrying this war to a final conclusion, to stamp out Fascism and Nazism forever.

I saw a letter the other day from a 19 year-old corporal who had just returned from the Aleutians -- a letter from a boy named Christopher Hanley to his mother in New Jersey that illustrates how the typical American soldier feels. It said:

"Take it from me, Mom, the American troops have guts - plenty of them. I have seen men with their buddies falling all around them, but it didn't scare them one bit, they just got twice as mad. I can see now more clearly what makes this country as wonderful as it is. It is the spirit and the courage of the American youth. They took all the Japs handed out and just laughed at them and came back and gave them a sample of American guts, and that is why the Japs are still running."

But I don't have to tell you that this war cannot be won on the battlefield alone. You and I -- all of us -- must be part of that fight to the finish. Very nearly everything, from here on, depends upon us.

- 3 -

There are some people who are saying that our Home Front can't make the grade. They are asking whether we are willing to pay the price for final victory. They point out with alarm that great wars have been lost, in spite of brilliant strategy on the battlefield, by lack of support on the Home Front . . . that it wasn't only the German soldiers, but the German people, who lost the first World War. When the soldiers looked back over their shoulders and saw a cringing, crumbling, spiritless Home Front, they simply quit. What they saw was not worth dying for.

I am not one who is asking those questions. I am not afraid that the American people will let the soldiers down. My experience with War Bonds has given me too much faith in them for that.

I only need to look back to last April, to the Second War Loan drive, to be reassured. During that drive, the American people bought 33 million E Bonds alone. That is an average of almost one bond for every three people in the country counting every man, woman and child. That is more than we asked for and it established the greatest record ever made in any country. Nowhere on earth have so many people invested so much money in the future of their country. Or, to be reassured, look at the volunteers who are readying themselves for the coming drive. Upwards of 3 million people will take part in the Third War Loan, under the finest leadership to be found anywhere in American Industry and Labor and Professional life.

But what convinces me most of the soundness of the American spirit is the single-minded purpose with which the people are buying bonds.

People buy bonds for one reason: To "Back the Attack". Interviewers have asked thousands of people all over the country why they buy bonds, and almost invariably the answer is "to help win the war".

That is why all of us -- all the members of War Finance Committees out through the states -- have such confidence in the American Home Front. We know that any nation with 27 million people voluntarily deducting 10% of their pay for War Bonds, -- and stepping up that average month by month -- is not a weak nation, but a strong and spirited one.

The sale of War Bonds, we know, is actually a barometer of the spirit and enthusiasm of the Home Front.

Everywhere that people are working enthusiastically, where production is up, where there is a good war spirit, War Bonds sales are high. Wherever labor and management put aside selfish differences and recognize only the peril that lies ahead if they slacken their efforts -- in plants like that, War Bond quotas are far exceeded by actual War Bond sales. I have seen this happen in plant after plant,

- 5 -

and I have checked my observation with the Army, the Navy and WPB -- and all of them agree. War Spirit and production go hand in hand with high bond sales.

And still another evidence that the sale of War Bonds is a barometer of war spirit is this: among our armed forces at the front, the percentage of pay deducted for War Bonds often surpasses the best records established at war plants. Our men who actually fight the Nazis and the Japs, and know from experience what hell war really is, are putting 30 and 40, and sometimes 50%, of their money into War Bonds.

Recently I heard a radio commentator, Morgan Beatty, report from the front. He pointed out that men coming back from battle, who already were investing through the payroll plan an average of 16% of their pay in War Bonds, were now putting another 19% of their pay into extra bonds.

The War and Navy Departments report that War Bond sales have shot up like rockets during the past few months. Since April of this year the number of soldiers participating in the payroll savings plan has risen from 1 1/2 million to nearly 2 1/2 million, and it is still rising. These men

- 6 -

are investing 20% of their pay. During the same period Navy officers and enlisted men increased their war bond purchases 500%.

Our boys are willing to fight day and night and give their lives; and they are eager to turn over every available cent to buy more bonds to help us buy more equipment to help them do a still better job. We here at home who are only asked to lend our money, certainly ought to do at least as well in buying bonds as our men on the battle fronts.

The need for greater effort will grow as our victories increase -- it will not diminish. It will grow and keep growing. As the President said in his Third War Loan proclamation, "Our need for money now is greater than ever, and will continue to grow until the very day that victory is won; so we must ask far more sacrifice, far more cooperation than ever before."

That is why, in September, we are asking the American people to lend their government 15 billion dollars. Of this huge sum, about one-third must come directly from individuals -- from you and your neighbors and your friends.

During September you are going to be asked to buy extra bonds. You are going to be asked personally to invest at least two weeks' pay in the supreme effort to win this war -- to get it over with -- and to hurry the return of our boys from the fighting fronts.

Your Government needs the help of every one of you. We need it more now than ever, for raising 15 billion dollars is a tremendous task. You did an excellent job before, but our records of the past are not good enough. When you get back to your homes, I hope you will get in touch with the head of the Third War Loan in your community and find out exactly how you can do your share.

In this war we can't all join up but we can all help. Many of us would gladly pay our last dollar if we could wear the Navy Cross which was won by Doris Miller at Pearl Harbor. Every one of you remembers the words by which that gallant Negro mess boy was cited:

"For distinguished devotion to duty, extraordinary courage and disregard of his own personal safety. While at the side of his captain on the bridge, Miller, despite enemy strafing and bombing, and in the face of a serious fire, assisted in moving his captain, who had been mortally wounded, to a place of greater safety, and later manned and operated a machine gun directed on enemy Japanese attacking aircraft, until ordered to leave the bridge."

In the desperate moment of calamity, in the supreme moment of attack, the fighting men of our country show their quality and make every American proud of them, as we are all proud of Doris Miller.

We have been forced into a war by as rotten a gang of swindlers, traitors and murderers as history has ever seen. It's a war we have got to win. We must win it, for the practical reason that if we don't we may never again find peace and freedom! Either we will beat our enemies now, in this war, or we will condemn our children and our children's children to new wars generation after generation.

It is to prevent this that we are asking the American people for 15 billion dollars in September.

. We are asking for this much money because we need it to finance the invasions in this most expensive war in history, and to buy the best food, clothing, weapons, and equipment so that our fighting forces can be strong. We need it so we can carry doctors and nurses and sulfa drugs and blood plasma right up to the firing lines where the boys are fighting.

Every General knows that the cost of an attack in human life is far less when their equipment is good and there is plenty of it. We need this 15 billion dollars to save the lives of our sons and husbands and fathers on the battlefronts.

ADDRESS TO THE NEGRO BUSINESSMEN'S LEAGUE

By Henry Morgenthau Jr.

Allee's 48
Draft

183
double

FELLOW AMERICANS AND FRIENDS:

I do not need to tell any man in this room that we have arrived at a critical rung - perhaps the critical rung - on the ladder of mankind's progress.

This war is more than a war. Perhaps once a century the diary of history that we men write with our deeds reaches the bottom of a page. We pause then, for a moment, before we turn to the new, unwritten sheet - much as though the Editor-in-Chief of History were granting us a moment's grace; a chance to decide what we will write next. We have come to the bottom of a page now. Even with a war still to be won, we must know at this juncture what we mean to write on the blank white page of Tomorrow.

Philosophers have names for ideas. It may be that we have not listened carefully enough to our philosophers. For ideas offers us a means of locomotion smoother than a street. They offer us shelter more secure than a house. Streets and houses, indeed, are the physical body of ideas. They change as the ideas of an era change, and it is the ideas that are solid.

Philosophers use such words, for instance, as 'monism' and 'dualism.' We don't read words like those in our newspapers. We don't use them in conversation. But they represent ideas which affect the lives of every one of the two billion souls on our planet.

A monist is a man who believes in one-ness.

A dualist is a man who believes in two-ness.

Strange ideas - but on our choice between them will depend the lives that we and our children will lead from now on.

In the modern family of what we have called the civilized nations, for example, there are two countries that believe in two-ness, Germany and Japan. They hold that they are apart from the rest of the world. They are superior beings - Sons of Heaven, or Supermen - while the rest of us are inferior.

The belief seems to us so foolish that for a long time many of us thought they could not really hold it. We thought it was propaganda, or perhaps 'big talk' to bolster their feeling of inferiority. But this war has taught us differently. They mean it, all right! They mean it so grimly that they ~~have~~ actually set out to conquer the rest of us, to show us that we are slaves by making us slaves!

Here is an instance of how thoroughly they believe it. The control of the illicit traffic in narcotic drugs comes under the authority of the Treasury Department, so I know something about the attitude of the Japanese toward these dangerous drugs:

For years, the Japanese Army has raised funds by encouraging the drug traffic. Wherever the Japanese Army goes, wherever it conquers, it forces the conquered people to take drugs - gets them started in the habit, and then supplies drugs to meet the demand. But, at the same time, the army handbook issued to all Japanese soldiers warns them against using the same drugs. It points out that opium and cocaine and heroin are all very well for other people, like the Chinese or the Americans,

-3-

because we are debased and degenerate - little better than the lowest animals. But a noble Japanese soldier must not use drugs, because he is a member of the master race, descended from the gods of Heaven. A Japanese who uses the drugs he sells to other nations is unworthy of his divine Emperor!

The Germans, who pride themselves on being logical, have a set of beliefs that are equally illogical - so much so, indeed, that we have begun to wonder if the whole German nation, as a nation, may not be insane.

German children, generation after generation, have been taught to believe that they were superior to the children of other nations. Why? For no reason - except that they are born within an area that carries the name 'Germany' on the maps. At my farm in New York State I have a pasture with a fence around it. It would be just as sensible for me to say that the horse living in my pasture is better than your horse, just because he lives inside that fence. But the Germans mumble such nonsense. And, what is more, they believe in it so devoutly that twice within this century they have tried to conquer the rest of the earth.

The Germans, like the Japanese, separate the human race into two parts - themselves and others. They are believers, as I have said, using other words, in two-ness.

This kind of thinking has been going on in Germany and Japan, like some evil kind of mumbo-jumbo double-talk, while ~~the~~ the rest of us have been trying decently to learn to think in terms of one-ness - equality.

Now, there can be no room in our world for two such entirely different ways of thought. They contradict each other.

If one is true, the other is false. There can be no compromise between them. So one of them must go.

Hitler decided that ours was the philosophy that must disappear. He warned us, like a rattlesnake, before he struck. He told us in so many words that he would destroy us, and our way of thought, once and for all.

And he came within an inch of doing it. Let us never forget that. If it were not for our British and Russian allies, our democratic ideal might by now be only a memory of a brave and beautiful dream that man once cherished.

Very well . . . what explains the fact that, in our reasonably well-behaved, reasonably respectable, reasonably progressive family of nations, Germany and Japan should be criminals - thieves and murderers, hating the rest of us and bent on destroying us?

There must be a reason for it.

We find the answer in history. Both Germany and Japan are backward nations. They are behind the rest of us in their historical development. Just as the criminals in our prisons are men who have not learned to live in harmony with society, so Germany and Japan have not learned to live in harmony with the rest of us. Criminals! That is exactly what they are. Renegades! Traitors to humanity and human aspiration!

Germany, for fifteen hundred years, has been the trouble-maker of Europe, thinking of war, war, war. Long after other countries on the European continent became republics, Germany was still a tangle of quarrelling, bickering little principalities. She reached the idea of union much later than the rest of us. She learned to govern herself later than the rest of us.

In everything but a limited, mechanistic kind of science Germany is seventy-five years behind the rest of the Western World. We see in her today a tragic example of the truth that life never stands still, that those who refuse to go forward must inevitably fall back. Germany has fallen back to the barbarism of a thousand years ago.

Japan chose deliberately to remain backward. For three centuries the Japanese wilfully turned their island into a solitary prison cell. They permitted no ideas whatever from the outside world to enter. A few years ago Japan opened her prison walls. At one greedy gulp she took a drink of our modern ideas. But she took only the dregs of the drink, by choice - only those methods and machines which fitted her own backward philosophy, which could help her to become an all-conquering military power. For instance, industry in Japan has always been regarded as war industry - a means of supplying the Japanese army and navy.

Japan is actually governed by the officers of the Japanese Army. And the officers of the Army, above all ^{other} Japanese, pride themselves upon their hostility to new ideas. As a class they know less of what is going on in the world than any other group within the country. A freshman student in an American high school would find a Japanese general ~~to be~~ a stupid, uneducated man. Japanese soldiers are not only ignorant, but they are proud of it. They hate and fear the very idea of education, because education threatens to put an end ~~to put an end~~ to the mediaeval emotionalism which permits them to divide their own thought and their own nation. Less than half a dozen families own or control virtually the whole of Japan.

What it amounts to is that both Germany and Japan are fighting, idiotically, for a return to slavery.

Well; slavery is nothing new. From the earliest times - in Babylon and Egypt - there were men who approved highly of slavery. In fact most men approved of it - then. It was a way of getting highways and pyramids built, so they thought there could be no other way - just as, in our own time, many of us who have grown used to the profit motive feel that it is the only incentive there can be, just because we lack the imagination to envisage another motive for our economy. Probably the Caveman gnawing a bone over a fire in the dripping forest was equally convinced that slavery was a fine thing for the tribe across the river. And we can be sure that he justified himself by telling himself that the tribe across the river was inferior to his own. Maybe they smeared their stomachs with blue paint. That made them different - so it followed, in his thinking, that they were inferior. That's the way primitive minds think.

And, anyhow, the belief that the world is divided into superiors and inferiors, and that the other fellow ought to do your dirty work for you, is a comfortable, pleasant belief. It's very flattering. It makes you feel good, as we say - unless you happen to be one of the inferiors. Then you don't feel so 'good.'

So, all through history, we have had emperors and kings who informed us haughtily that they were our superiors because they had blue blood in their veins - because they were born that way, in other words, and God intended them to rule us.

We have had our share of tyrants and bullies who announced that they were our superiors by right of might. They had big muscles, or big armies. They were sure that made them

our superiors.

We have had aristocrats who said they were better because they had better manners and better educations. They denied the rest of us an education, and then laughed at us for our ignorance. They kept us so poor that we couldn't buy bath-tubs, and then sneered at us because we were dirty. As a matter of fact they went even further. Pointing out that we were ignorant and dirty, they offered it as proof that we liked to be ignorant and dirty. To this day, there are men who place obstacles in the way of slum clearance and housing projects, ~~insisting~~ insisting that the people living in the slums love them and wouldn't live anywhere else. There is logic for you! What logic!

We have had plutocrats who, because they were rich, regarded riches as ^{the} unquestionable mark of superiority, dividing their world into rich and poor. They were sure that the poor would always be with us. They hoped so, at any rate - because wealth was their only claim to superiority.

We have even had men so ignorant, so fearful, so unsure of themselves as to claim a white skin as a mark of superiority.

But I am not here to discuss the color problem with you men who know infinitely more about it than I do. Indeed the point I hope to make, the very thought I hope to leave with you, is that the color problem is a color problem only superficially. It is part of a broader problem that has been with us, in space and time, for an eternity.

For at least five thousand years a majority of mankind have found one excuse or another for indulging a comfortable belief that their family, or their class, or their nation was

superior - in spite of the fact that the belief has destroyed them.

Only gradually down the centuries have a few wiser minds freed themselves of barbaric prejudice, thought the problem through and affirmed that men are created free and equal.

The idea of equality is a new one, relatively speaking. Our own Declaration of Independence is not two centuries old. Less than a century has passed since Americans bought and sold slaves. Like all new ideas, the idea of equality has met with resistance. There are people alive today who honestly do not understand it. We must explain patiently to them, over and over again, that we do not mean that ~~that~~ all men are the same in capacity, but that all men need a roof over their heads, need good food, are entitled to equal opportunity and justice - have basic needs and rights, that is, which any social order, if it is to endure, must grant them! Abraham Lincoln saw it clearly. When he said that a nation half free and half slave could not endure, he was not stating an ideal. He was stating a fact. A nation divided in two is destroyed, inevitably, by its own inner contradiction.

This war we are fighting today is a struggle - perhaps the final and decisive struggle - between the new equality and the old superiority. I do not say that, when we have won this war, all men everywhere will instantly accept the new idea. Unfortunately, experience teaches us otherwise. But, in winning this war, we shall certainly have made it clear once and for all, on an international scale, that the new idea is here to stay, that it is stronger than any other, and that it will never again permit the old idea to challenge it. That is what we mean when we demand

-9-

from the enemies of democracy - as we are demanding it - unconditional surrender.

We shall still have a long way to go. But winning this war will shorten our stony path by a century or more.

That is why I feel that I can with a clear conscience ask every American of Negro ancestry to support the Third War Loan, with which your Government is paying for the invasion of Fascist Europe and the annihilation of Fascist Japan.

Let me quote from one of your splendid young writers.

"The Negro's cause," he says, "will rise or fall with America. He knows well that his destiny is intimately bound to that of the nation. America stands today as a symbol of freedom! The loss of this symbol will mean the loss of hope for white and black alike. This war, undeniably, belongs to the Negro as well as to the white man. To this extent, it may be called a 'People's War' - for in spite of selfish interests a new world is a-coming with the sweep and fury of the Resurrection."

Thank you.

Albin Leonard Dwyer

57

Address of Secretary Morgenthau
Before the National Negro Business League
Baltimore, August 25, 1943

Mr. Chairman, Members of the National Negro
Business League, and Fellow Citizens:

As you are holding this
~~xxxxxxxxxxxxxxxxxxxx~~ annual meeting, the govern-
ment of your country, as represented by its Treasury Department, is
just preparing for one of the tremendous record-breaking financial
operations which have been forced on us by the totalitarian powers
of Europe and Asia as part of their Total War. I want to tell you
about some of our plans, because you are business men, because you
are leaders in an important section of our national community, and
because your government needs your help.

Your government has called your sons and my sons and
our neighbors' sons into its service, has trained them and outfitted
them and sent them off to distant parts of the Americas, Europe, ~~★~~
Asia, Africa, Australia and the Islands of the Sea, to fight against
stubborn and savage enemies. It has spent many billions of dollars
to give them the best ~~xxxxxxxx~~ food, clothing, weapons and equipment,
to make them strong and help them to ^{win} ~~fight~~ their country's battles
with as small a sacrifice of their brave young lives as possible.
It has had to ask of them many difficult and heretofore undreamed-of
duties - fighting in the cold of the Arctic winter, fighting in
equatorial heat, fighting in malarial jungles, facing new dangers in
the air and on the sea; because this is Total War - everybody's war -
everywhere war - embracing the whole world.

^{The} We call it a People's War. A handful of irresponsible
dictators started it; but the democratic peoples of this world are
going to finish it. Dictators can make their decisions without con-
sulting anyone, and in the beginning they dash to victory while demo-

cracies are holding public meetings to decide what to do. But dictatorships kill the power of the people to think and act for themselves; individuals don't matter and soon come to realize that, while they may be part of a Master Race, they are really just ~~xxxx~~ expendable replaceable parts of a great machine. *in human, in thinking*

We are ~~xxxxxxxxxxxxxxxx~~ fighting this war, not to gain territory nor to enslave other peoples, but to protect our freedom and to share it with ~~xxxxxxxxxxxx~~ others, so that all of us may prosper together. We decided eighty years ago that slavery was a curse and nothing that has ~~xxxxxxxx~~ been happening during this war in Europe or Asia has led us to change our mind on the subject.

This People's War is an especially costly war for us, because your government has figured out that the best way to save the lives of its fighting men is to give them the best possible weapons and ship and planes and equipment and supplies and to have enough and more *of all of those things* then enough *at the right place at the right time*.

That costs money, but it saves lives. Since the beginning of 1943, we have been fighting and winning battles of increasing size and importance and our records show a surprisingly low loss of life. We are letting the splendid American equipment which our hard-working brothers in the munitions plants are turning out so plentifully take the punishment which was meant for our boys. We are able to carry the doctors and nurses and sulphur drugs and blood plasma right up to the firing lines where the boys are fighting; so that no one of our young men may die whose life can be saved.

Isn't this worth spending our money on? We must let the American people - the fathers and mothers, the boys themselves - decide that. For this People's War is being planned and conducted by

a People's Government. We members of the government are your servants, fulfilling your instructions. We couldn't have assembled your boys into an army and sent them anywhere to fight unless the people's representatives in Congress had directed us to do so. We of the Treasury Department cannot pay out the money to help save the lives of our soldiers nor sell you the People's Bonds to help raise the money - without the permission and support of the American People.

In a sense, it slows the war up when so many people have to be consulted - have the right to criticise and propose substitutes and have their proposals considered. But this democratic process is teaching us to plan far in advance. It is teaching us patience and thoroughness in war-time; and I hope that we are going to be able to carry those qualities over into our post-war adjustments.

I speak of the patience necessary in a People's War, - if we are ~~inexorable~~ to give all the people their due share in the greatest undertaking this nation has ever faced and thus use to the full our national strength in what is still the most desperate struggle of our existence - because I feel that many of our citizens of Negro race have been impatient and have felt that their particular problems are not receiving the attention to which they are entitled. This Total War is setting in motion forces of national unification which will progress and develop for years to come. I urge you leaders of the Negro race to study the whole record, satisfy yourselves as to the progress that is being made and use all your influence for national unity.

This People's War is far from finished. We have before us the toughest, bitterest, most punishing fights of all. Please

- 4 -

don't deceive yourselves on that point. As we advance, our lines grow longer and the enemy's shorter. We must fight in the enemy's own territory, prepared for defense long in advance. We are using up vital supplies which become harder and harder to replace. And the financing of our steadily-increasing world-wide war effort is not getting any easier as time passes. The vast national wealth and unconquerable vitality of our country can carry this great burden, but only through the ready sacrifice and cooperation of the whole American people.

It is always possible for the United States Treasury to raise great sums of money in the so-called money markets - from banks and other financial institutions which in the course of their business hold and safeguard the money of thousands of private citizens, and from individuals and companies with large accumulated funds awaiting safe investment. For there is no credit in the world better than that of the United States Government - no institution in the world to whom people more gladly entrust their funds. But in a People's War it is vitally important that the whole people should support the war effort with their earnings - even the workers who in past years have not had much chance to accumulate savings. For this purpose the Treasury Department has formulated the finest development of World War No. 2 on the financial front - the Series E War Savings Bond - the People's Bond which has done so much to protect our economic future by helping to finance the war. This is the best-known and most widely-held Government security of all history. Today over 50,000,000 people in this country own War Bonds. Every month the Treasury Department issues

- 5 -

and distributes considerably more than 25,000,000 individual Series E Bonds, each one registered with the name and address of the person who owns it. I can assure you that no such extensive financial operation has ever taken place before.

Through the Inter-Racial Section of the Treasury's War Finance Division we have promoted the sale of many millions of dollars of War Savings Bonds to Negroes, both individually and through their organizations. I wish I could give you an accurate account of the astonishing volume of these sales, but unfortunately this is impossible. When the Treasury receives an order for a War Bond that order does not indicate whether the purchaser is a white man or a colored man. We have many records of special War Bond programs conducted by colored people, in which hundreds of thousands of dollars were paid for War Bonds, and your banks, insurance companies and other agencies have sold many millions more. This constitutes a record of thrift and patriotism of which you may all be proud.

In September the Treasury Department is asking the American people (and their companies and financial institutions, not including banks) to lend their Government \$15,000,000,000. Of this amount we hope to get one-third from the investments of individuals. We are particularly anxious to sell all the War Bonds we can to individual citizens, because the diversion of such large sums of money into the national war effort will be especially useful in preventing further increases in the cost of living. Therefore we are trying to get a message to every person in the United States urging him or her to use during September every available dollar to buy War Bonds. Uncle Sam is asking every loyal son and daughter of this Republic to make great sacrifices and if possible to invest at least two weeks' pay during the month of September in the supreme effort to win this war, to hurry the return of our boys  the fighting fronts and to lay the foundation of better times after the war is over.

It is impossible for the Treasury to hire salesmen to sell War Bonds to 130,000,000 people. Through the past two years we have learned how to mobilize the good people of America in this part of the People's War - men and women not eligible for the fighting forces, who are nevertheless eager to do their share and are glad to give part of their time and energy to this particular form of national service. The War Finance Division of the Treasury consists of almost 300,000 volunteer workers, divided into state committees and chosen for their special knowledge of the financial problems of the citizens of the various states. Their efforts are serviced by a small, compact, specially-trained corps of Treasury employees who give their full time to seeing that the machinery of this great program operates smoothly and efficiently.

For the Third War Loan Drive we are undertaking to enlist two million workers.

I tell you these details because your Government needs the help of every one of you leaders in reaching the members of your community who look up to you. I hope that when you get back to your homes you will get into contact with the State Chairman or State Executive Manager of the Treasury's War Finance Committee and will find out exactly how you can have your patriotic share in the Third War Loan Drive. The officers of your League will advise you who to see in your State

In this war we can't all go, but we can all help. Many of us would gladly pay our last dollar if we could wear the Navy Cross which was won by Doris* Miller at Pearl Harbor. Every one of you remembers the words by which that gallant colored sailor was cited: "For distinguished devotion to duty, extraordinary courage and disregard of his own personal safety. While at the side of his captain on the bridge, Miller, despite enemy strafing and bombing, and in the face of a serious fire, assisted in moving his captain, who had been mortally wounded, to a place of greater safety, and later manned and operated a machine gun directed on enemy

* Pronounced "Doris"

- 7 -

Japanese attacking aircraft, until ordered to leave the bridge." In the desperate moment of calamity, in the supreme moment of attack, the true fighting men of our country show their quality and make every American proud of them, as we are all proud of Doris Miller. We want to have all of them equally well equipped and with an equal chance of survival in the days of invasion which we promise you are coming soon. Therefore we ourselves must "back the attack" with our enthusiasm and our good American dollars. When we have reached our objective - the highest objective ever undertaken in a war loan campaign - we will have served notice on our fighters in Europe and the Pacific that their country is firmly united behind them. They are entitled to this assurance and we must give it to them.

FELLOW AMERICANS:

*Retyped & Shuts
of
Final Reading*

At Quebec, President Roosevelt and Prime Minister Churchill have completed plans for the next big step in crushing Japan and Germany and Italy. We are promised the most powerful attacks and invasions in the history of war.

But fighting this war through to complete victory is a big order -- much larger than it may seem at the moment. This people's war is far from finished. Still before us are the toughest, bitterest, most punishing battles of all. There are millions of tough, experienced enemy troops we have not yet met, killed or captured.

1699
92
1606

FELLOW AMERICANS:

At Quebec, President Roosevelt and Prime Minister Churchill have completed plans for the next big step in crushing Japan and Germany *Said they* We are promised the most powerful attacks and invasions in the history of war.

But fighting this war through to complete victory is a big order -- much larger than it may seem at the moment. This people's war is far from finished. Still before us are the toughest, bitterest, most punishing battles of all. There are millions of tough, experienced enemy troops we have not yet met, killed or captured.

1985
63
1900

- 9 -

Our men who actually fight the Nazis and the Japs are putting 30 and 40, and sometimes 50%, of their money into War Bonds.

Recently I heard a radio commentator, Morgan Beatty, point out that ^{a large group of our men stationed in England} ~~men coming back from battle~~, ^{1/2} ~~who already were~~ ^{are} investing through the payroll plan an average of 16% of their pay in War Bonds, ^{and} ~~are now~~ putting another 19% of their pay into extra bonds.

The War and Navy Departments report that War Bond sales have shot up like rockets during the past few months. Since April of this year, the number of soldiers participating in the payroll savings plan has risen from 1-1/2 million to nearly 2-1/2 million, and it is still rising.

912
103
795

- 5 -

I am not one who is asking those questions. I am not afraid that the American people will let the soldiers down. ^{1/4} My experience with War Bonds has given me too much faith in them for that.

I only need to look back to last April, to the Second War Loan drive, to be reassured. During that drive, the American people bought 33 million E Bonds. ~~some~~. That is more than we asked for and it established the greatest record ever made in any country. Nowhere on earth have so many people invested so much money in the future of their country.

103

- 6 -

Or, to be reassured, look at the volunteers who are readying themselves for the coming drive. Upwards of 3 million people will take part in the Third War Loan, under the finest leadership to be found anywhere in American industry and labor and professional life.

But what convinces me most of the soundness of the American spirit is the single-minded purpose with which the people are buying bonds.

People buy bonds for one reason: To "Back the Attack". Interviewers have asked thousands of people all over the country why they buy bonds, and almost invariably the answer is: "To help win the war."

1,229
104
1,185

- 7 -

That is why all of us -- all the members of War Finance Committees ^{three million strong} out through the states -- have such confidence in the American Home Front. We know that any nation with 27 million people voluntarily deducting 10% of their pay for War Bonds, -- and stepping up that average month by month -- is not a weak nation, but a strong and spirited one.

The mounting sale of War Bonds, we know, is actually a barometer of the spirit and enthusiasm of the Home Front.

1,125
24
1,081

- 17 -

Where opposing armies have equal equipment, the losses are heavy on both sides. Where one has superior equipment and more of it, its losses in men are low, and those of the other side are exceedingly heavy.

When General Montgomery lacked proper and sufficient modern equipment, the German General Rommel pushed the British Eighth Army hundreds of miles back to the gates of Cairo. When Montgomery was supplied ample and proper equipment, he pushed Rommel's Army into the sea - and at a huge cost of life among the German soldiers.

So you see, your Bond dollars are not only buying equipment, but you are helping to make it possible for our sons and husbands and fathers to survive.

150
118
34

- 18 -

I do not believe that many people will hesitate to buy an extra Bond when they realize that even as they hesitate they may be snuffing out the life of an American fighting man.

34
34 -

- 2 -

There are thousands of enemy planes we have not yet shot down. There are hundreds of enemy ships that we have not yet sunk. We must not make the mistake of underestimating the fighting power of our enemies.

Our fighting forces have proved how deadly earnest they are about carrying this war to a final conclusion to stamp out the Fascists and the Nazis forever.

I saw a letter the other day from a 19 year-old corporal who had just returned from the Aleutians -- a letter from a boy named Christopher Hanley to his mother in New Jersey. It illustrates how the typical American soldier feels.

1,606
107
1499

- 4 -

But I don't have to tell you that this war cannot be won on the battlefield alone. You and I -- all of us -- must be part of that fight to the finish. Very nearly everything, from here on, depends upon us.

There are some people who are saying that our Home Front can't make the grade. They are asking whether we are willing to pay the price for final victory. They point out with alarm that great wars have been lost, in spite of brilliant strategy on the battlefield, by lack of support on the Home Front . . . that it wasn't only the German soldiers, but the German people, who lost the first World War. When the German soldiers looked back and saw a cringing, crumbling, spiritless Home Front, they simply quit. What they saw was not worth dying for. $\frac{1}{4}$

1414
137
1275

- 8 -

Everywhere that people are working enthusiastically, where production is up, where there is a good war spirit, where labor and management have put aside selfish differences and recognize only the peril that lies ahead if they slacken their efforts -- in plants like that, War Bond sales are high. I have seen this happen in plant after plant, and I have checked this observation with the Army, the Navy and WPB -- and all of them agree. War Spirit and production go hand in hand with high bond sales.

~~If you need more~~
~~And still another~~ evidence that the sale of War Bonds is a barometer of war spirit, ^(LISTEN TO) is this: Among our armed forces at the front, the percentage of pay deducted for War Bonds often surpasses the best records established at war plants.

1.028
122
899

- 13 -

In this war we can't all join up but we can all
help. ~~There isn't one of us who wouldn't~~
~~Many of us would~~ gladly pay our last dollar

if we could wear the Navy Cross which was won by

Doris Miller at Pearl Harbor.^{3/4} Every one of you

remembers the words by which that gallant Negro mess

boy was cited: I quote: *from the citation:-*

453
56
397

- 16 -

We are asking for this much money because we need it to finance the invasions in this most expensive war in history, and to buy the best food, clothing, weapons, and equipment so that our fighting forces can be strong. We need it so we can carry doctors and nurses and sulfa drugs and blood plasma right up to the firing lines where the boys are fighting.

I wonder if you realize
How important ~~is~~ ^{is} it that we have all this equipment, all these facilities for our fighting forces?

The Generals tell me that the number of lives lost in a modern battle depends almost entirely on the quality and quantity of equipment available.

208
109
99

- 12 -

During September you are going to be asked to buy extra bonds. You are going to be asked personally to invest at least two weeks' pay in the supreme effort to win this war -- to get it over with -- and to hurry the victorious return of our boys from the camps and fighting fronts.

Your Government needs the help of every one of you. ~~you~~. We need it more now than ever, for raising 15 billion dollars is a tremendous task. You did an excellent job before, but our records of the past are not good enough. I hope all of you will get in touch with the War Loan Committees when you get home, and find out exactly how you can do your share.

579
124
453

FELLOW AMERICANS:

*U.S. Quaker Pres Roosevelt
and Prime Minister Churchill*

~~The leaders of our United Nations~~ have completed
~~THE NEXT BIG STEP IN~~ *Germany*
 plans for ~~crushing Japan and Europe~~. The most ~~vital~~

decisions in the history of mankind have been made.

are
 We ~~have been~~ promised the most powerful attacks and
 invasions in the history of war.

We are determined to clean up, for all time,
 the vicious scourge of dictatorship. ~~And we must~~
~~put an end to this horrible bloodshed.~~

1074
 67
 1007

- 2 -

But fighting ~~the~~ ^{the} war through to complete victory is a big order - much larger than it may seem at the moment. This people's war is far from finished. Still before us are the toughest, bitterest, most punishing battles of all. There are millions of tough, experienced enemy troops we have not yet met, killed or captured, ^{There are} thousands of enemy planes we have not yet shot down, ^{thousands} hundreds of enemy ships that we have not yet sunk. We must not make the mistake of underestimating the fighting power of our enemies.

Our fighting forces have proved how deadly earnest they are about carrying this war to a final conclusion, to stamp out ^{the} Fascism ^{to} and ^{the} Nazism forever.

1617
115
1492

- 3 -

I saw a letter the other day from a 19 year-old corporal who had just returned from the Aleutians -- a letter from a boy named Christopher Hanley to his mother in New Jersey, ^{it} ~~that~~ illustrates how the typical American soldier feels. It said:

"Take it from me, Mom, the American troops have guts - plenty of them. I have seen men with their buddies falling all around them, but it didn't scare them one bit, they just got twice as mad. I can see now more clearly what makes this country as wonderful as it is. It is the spirit and the courage of the American youth. They took all the Japs handed out and ~~just~~ ^{and} ~~laughed at them and~~ came back and gave them a sample of American guts, and that is why the ~~Japs are still running.~~"

signed Chris

1492
138
1054

- 4 -

But I don't have to tell you that this war cannot be won on the battlefield alone. You and I -- all of us -- must be part of that fight to the finish. Very nearly everything, from here on, depends upon us.

There are some people who are saying that our Home Front can't make the grade. They are asking whether we are willing to pay the price for final victory. They point out with alarm that great wars have been ^{1/4} lost, in spite of brilliant strategy on the battlefield, by lack of support on the Home Front . . . that it wasn't only the German soldiers, but the German people, who lost the first World War. When the ^{german} soldiers looked back ~~over their shoulders~~ and saw a cringing, crumbling, spiritless home front, they simply quit. What they saw was not worth dying for.

1354
141
1313 ✓

- 5 -

I am not one who is asking those questions. I am not afraid that the American people will let the soldiers down. My experience with War Bonds has given me too much faith in them for that.

I only need to look back to last April, to the Second War Loan drive, to be reassured. During that drive, the American people bought 33 million E Bonds alone. (That is an average of almost one bond for every three people in the country counting every man, woman and child.) That is more than we asked for and it established the greatest record ever made in any country. Nowhere on earth have so many people invested so much money in the future of their country.

1215
122
1,090

And look at the three million volunteers who are readying themselves for the coming drive -- a great home front Army under the finest leadership to be found anywhere in American Industry and Labor and Professional life.

But what convinces me most of the soundness of the American spirit is the single-minded purpose with which the people are buying bonds.

People buy bonds for one reason: To "Back the Attack". Interviewers have asked thousands of people all over the country why they buy bonds, and almost invariably the answer is: "To help win the war".

That is why all of us -- all the members of War Finance Committees out through the states -- have such confidence in the American Home Front.

6896
112
771

- 3 -

who lost the first World War. When the soldiers looked back over their shoulders and saw a cringing, crumbling, spiritless home front, they simply quit. What they saw was not worth dying for.

I am not one who is asking those questions. I am not afraid that the American people will let the soldiers down. My experience with War Bonds has given me too much faith in them for that.

I only need to look back to last April, to the Second War Loan drive, to be reassured. During that drive, the American people bought 33 million E Bonds alone. That is an average of almost one bond for every three people in the country counting every man, woman and child. That is more than we asked for and it established the greatest record ever made in any country. Nowhere on earth have so many people invested so much money in the future of their country. Or, to be reassured, look at the volunteers who are readying themselves for the coming drive. Upwards of 3 million people will take part in the Third War Loan, under the finest leadership to be found anywhere in American industry and labor and professional life.

But what convinces me most of the soundness of the American spirit is the single-minded purpose with which the people are buying bonds.

People buy bonds for one reason: To "Back the Attack". Interviewers have asked thousands of people all over the country why they buy bonds, and almost invariably the answer is "to help win the war".

That is why all of us -- all the members of War Finance Committees out through the states -- have such confidence in the American Home Front. We know that any nation with 27 million people voluntarily deducting 10% of their pay for War Bonds, -- and stepping up that average month by month -- is not a weak nation, but a strong and spirited one.

The sale of War Bonds, we know, is actually a barometer of the spirit and enthusiasm of the Home Front.

- 7 -

We know that any nation with 27 million people voluntarily deducting 10% of their pay for War Bonds, -- and stepping up that average month by month -- is not a weak nation, but a strong and spirited one.

The mounting sale of War Bonds, we know, is actually a barometer of the spirit and enthusiasm of the Home Front.

Everywhere that people are working enthusiastically, where production is up, where there is a good war spirit, where labor and management have put aside selfish differences and recognize only the peril that lies ahead if they slacken their efforts -- in plants like that, War Bond sales are high. ^{1/2} I have seen this happen in plant after plant, and I have checked this observation with the Army, the Navy and WPB -- and all of them agree.

War Spirit and production go hand in hand with high bond sales.

171
145
826

- 8 -

And still another evidence that the sale of War Bonds is a barometer of war spirit is this: Among our armed forces at the front, the percentage of pay deducted for War Bonds often surpasses the best records established at war plants. Our men who actually fight the Nazis and the Japs are putting 30 and 40, and sometimes 50%, of their money into War Bonds.

Recently I heard a radio commentator, Morgan Beatty, point out that men coming back from battle, who already were investing through the payroll plan an average of 16% of their pay in War Bonds, are now putting another 19% of their pay into extra bonds.

526
111
715

- 9 -

The War and Navy Departments report that War Bond sales have shot up like rockets during the past few months. Since April of this year, the number of soldiers participating in the payroll savings plan has risen from 1-1/2 million to nearly 2-1/2 million, and it is still rising. These men are investing 20% of their pay. During the same period Navy officers and enlisted men increased their war bond purchases 600%.

Our boys, who are willing to fight day and night and even give their lives, are eager to turn over every available cent to buy more bonds to help us buy more equipment to help them do a still better job. We here at home who are only asked to lend our money, certainly ought to do at least as well in buying bonds as our men
ARE DOING
✓ on the battle fronts.

115
142
572

- 10 -

The need for greater effort will grow, not diminish, as our victories increase. As the President said in his Third War Loan proclamation, *- I quote -* "Our need for money now is greater than ever, and will continue to grow until the very day that victory is won; so we must ask far more sacrifice, far more cooperation than ever before."

End of quotation.

That is why, in September, we are asking the American people to lend their government 15 billion dollars. Of this huge sum, about one-third must come directly from individuals -- from you and your neighbors and your friends. *3/4-*

During September you are going to be asked to buy extra bonds. You are going to be asked personally to invest at least two weeks' pay in the supreme effort to win this war -- to get it over with -- and to hurry the VICTORIOUS *(Camps and)* return of our boys from the fighting fronts.

572
147
425

- 11 -

Your Government needs the help of every one of you.

We need it more now than ever, for raising 15 billion dollars is a tremendous task. You did an excellent job before, but our records of the past are not good enough. When you get back to your homes, I hope you will get in touch with the ~~head of the Third War Loan~~ ^{all of} ~~in your~~ ^{Committee when you get home} ~~community~~ and find out exactly how you can do your share.

In this war we can't all join up but we can all help. Many of us would gladly pay our last dollar if we could wear the Navy Cross which was won by Doris Miller at Pearl Harbor. Every one of you remembers the words by which that gallant Negro mess boy was cited:

435
137
213

- 12 -

I quote:

"For distinguished devotion to duty, extraordinary courage and disregard of his own personal safety. While at the side of his captain on the bridge, Miller, despite enemy strafing and bombing, and in the face of a serious fire, assisted in moving his captain, who had been mortally wounded, to a place of greater safety, and later manned and operated a machine gun directed on enemy Japanese attacking aircraft, until ordered to leave the bridge."

End of Citation

In the desperate moment of calamity, in the supreme moment of attack, the fighting men of our country show their quality and make every American proud of them, as we are all proud of Doris Miller.

- 13 -

We have been forced into a war by as rotten a gang of swindlers, traitors and murderers as history has ever seen. It's a war we have got to win and are going to win. Either we will beat our enemies now, in this war, or we will condemn our children and our children's children to new wars, generation after generation.

It is to prevent this that we are asking the American people to lend 15 billion dollars in September.

We are asking for this much money because we need it to finance the invasions in this most expensive war in history, and to buy the best food, clothing, weapons, and equipment so that our fighting forces can be strong. We need it so we can carry doctors and nurses and sulfa drugs and blood plasma right up to the firing lines where the boys are fighting.

183
142
46

When General Montgomery lacked proper ^(and sufficient modern) equipment,
 the German General Rommel pushed ^{the British} ~~the~~ eighth Army hundreds
 of miles back to the gates of Cairo. When Montgomery ^{was} ~~was~~
 supplied ^{ample and} ~~the~~ proper equipment, he pushed Rommel's
 Army into the sea ^{- and at} ~~a~~ a huge cost of life among the German
 soldiers.

(A)

August 25, 1943

Reading copy of the Secretary's speech before the
43rd Annual Meeting of the National Negro Business League
in Baltimore, Maryland.

FELLOW AMERICANS:

At Quebec, President Roosevelt and Prime Minister Churchill have completed plans for the next big step in crushing Japan and Germany and Italy. We are promised the most powerful attacks and invasions in the history of war.

But fighting this war through to complete victory is a big order -- much larger than it may seem at the moment. This people's war is far from finished. Still before us are the toughest, bitterest, most punishing battles of all. There are millions of tough, experienced enemy troops we have not yet met, killed or captured.

1,699
92
1,606

- 2 -

There are hundreds of enemy ships that we have not yet sunk. There are thousands of enemy planes we have not yet shot down. We must not make the mistake of underestimating the fighting power of our enemies.

Our fighting forces have proved how deadly earnest they are about carrying this war to a final conclusion to stamp out the Fascists and the Nazis forever.

I saw a letter the other day from a 19 year-old corporal who had just returned from the Aleutians -- a letter from a boy named Christopher Hanley to his mother in New Jersey. It illustrates how the typical American soldier feels.

1606
107
1,499

- 3 -

It said:

"Take it from me, Mom, the American troops have guts - plenty of them. I have seen men with their buddies falling all around them, but it didn't scare them one bit, they just got twice as mad. I can see now more clearly what makes this country as wonderful as it is. It is the spirit and the courage of the American youth. They took all the Japs handed out and came back and gave them a sample of American guts.

^{yours}
Signed Chris."

1499
85
1414

- 4 -

But I don't have to tell you that this war cannot be won on the battlefield alone. You and I -- all of us -- must be part of that fight to the finish. Very nearly everything, from here on, depends upon us.

There are some people who are saying that our Home Front can't make the grade. They are asking whether we are willing to pay the price for final victory. They point out with alarm that great wars have been lost by lack of support on the Home Front, in spite of brilliant strategy on the battlefield . . . that it wasn't only the German soldiers, but the German people, who lost the first World War. When the German soldiers looked back and saw a cringing, crumbling, spiritless Home Front, they simply quit. What they saw was not worth dying for. $\frac{1}{4}$

1,414
138
1276

- 5 -

I am not one who is asking those questions. I am not afraid that the American people will let the soldiers down. My experience with War Bonds has given me too much faith in them for that.

I only need to look back to last April, to the Second War Loan drive, to be reassured. During that drive, the American people bought 33 million E Bonds. That is more than we asked for and it established the greatest record ever made in any country. Nowhere on earth have so many people invested so much money in the future of their country.

$$\begin{array}{r} 1,275 \\ 101 \\ \hline 1,174 \end{array}$$

- 6 -

But what convinces me most of the soundness of the American spirit is the single-minded purpose with which the people are buying bonds.

People buy bonds for one reason: To "Back the Attack". Interviewers have asked thousands of people all over the country why they buy bonds, and almost invariably the answer is: "To help win the war."

1,124
57
1,115

- 7 -

That is why all of us -- all the members of War Finance Committees, three million strong out through the states -- have such confidence in the American Home Front. We know that any nation with 27 million people voluntarily deducting 10% of their pay for War Bonds, -- and stepping up that average month by month -- is not a weak nation, but a strong and spirited one.

The mounting sale of War Bonds, we know, is actually a barometer of the spirit and enthusiasm of the Home Front.

1,115
82
1,028

- 8 -

Everywhere that people are working enthusiastically, where production is up, where there is a good war spirit, where labor and management have put aside selfish differences and recognize only the peril that lies ahead if they slacken their efforts -- in plants like that, War Bond sales are high. I have seen this happen in plant after plant, and I have checked this observation with the Army, the Navy and WPB -- and all of them agree. War Spirit and production go hand in hand with high bond sales.

If you need more evidence that the sale of War Bonds is a barometer of war spirit, listen to this: Among our armed forces at the front, the percentage of pay deducted for War Bonds often surpasses the best records established at war plants.

1,028
129
899

- 9 -

Our men who actually fight the Nazis and the Japs are putting 30 and 40, and sometimes 50%, of their money into War Bonds.

Recently I heard a radio commentator, Morgan Beatty, point out that a large group of our men stationed in England are investing through the payroll plan $\frac{1}{2}$ an average of 16% of their pay in War Bonds, and are putting another 19% of their pay into extra bonds.

The War and Navy Departments report that War Bond sales have shot up like rockets during the past few months. Since April of this year, the number of soldiers participating in the payroll savings plan has risen from 1-1/2 million to nearly 2-1/2 million, and it is still rising.

599
125
774

- 10 -

These men are investing 20% of their pay. During the same period Navy officers and enlisted men increased their war bond purchases 600%.

Our boys, who are willing to fight day and night and even give their lives, are eager to turn over every available cent to buy more bonds to help us buy more equipment to help them do a still better job. We here at home who are only asked to lend our money, certainly ought to do at least as well in buying bonds as our men are doing on the battle fronts.

776
28
696

- 11 -

The need for greater effort will grow, not diminish, as our victories increase. As the President said in his Third War Loan proclamation -- I quote -- "Our need for money now is greater than ever, and will continue to grow until the very day that victory is won; so we must ask far more sacrifice, far more cooperation than ever before." End of quotation.

That is why, in September, we are asking the American people to lend their government 15 billion dollars. Of this huge sum, about one-third must come directly from individuals -- from you and your neighbors and your friends.

698
101
597

- 12 -

During September you are going to be asked to buy extra bonds. You are going to be asked personally to invest at least two weeks' pay in the supreme effort to win this war -- to get it over with -- and to hurry the victorious return of our boys from the camps and fighting fronts.

Your Government needs the help of every one of you. We need it more now than ever, for raising 15 billion dollars is a tremendous task. You did an excellent job before, but our records of the past are not good enough. I hope all of you will get in touch with the War Loan Committees when you get home, and find out exactly how you can do your share.

577
124
453

- 13 -

In this war we can't all join up but we can all help. There isn't one of us who wouldn't gladly pay our last dollar if we could wear the Navy Cross which was won by Doris Miller at Pearl Harbor. ^{3/4}
Every one of you remembers the words by which that gallant Negro mess boy was cited: I quote from the citation: --

1153
56

- 14 -

"For distinguished devotion to duty, extraordinary courage and disregard of his own personal safety. While at the side of his captain on the bridge, Miller, despite enemy strafing and bombing, and in the face of a serious fire, assisted in moving his captain, who had been mortally wounded, to a place of greater safety, and later manned and operated a machine gun directed on enemy Japanese attacking aircraft, until ordered to leave the bridge." End of citation.

397
75
324

- 15 -

Pause
In the desperate moment of calamity, in the supreme moment of attack, the fighting men of our country show their quality and make every American proud of them, as we are all proud of Doris Miller.

We have been forced into a war by as rotten a gang of swindlers, traitors and murderers as history has ever seen. It's a war we have got to win and are going to win. Either we will beat our enemies now, in this war, or we will condemn our children and our children's children to new wars, generation after generation.

It is to prevent this that we are asking the American people to lend 15 billion dollars in September.

334
116
208

- 16 -

We are asking for this much money because we need it to finance the invasions in this most expensive war in history, and to buy the best food, clothing, weapons, and equipment so that our fighting forces can be strong. We need it so we can carry doctors and nurses and sulfa drugs and blood plasma right up to the firing lines where the boys are fighting.

I wonder if you realize how important it is that we have all this equipment -- all these facilities for our fighting forces?

The Generals tell me that the number of lives lost in a modern battle depends almost entirely on the quality and quantity of equipment available.

208
109
99

- 17 -

Where opposing armies have equal equipment, the losses are heavy on both sides. Where one has superior equipment and more of it, its losses in men are low, and those of the other side are exceedingly heavy.

So you see, your Bond dollars are not only buying equipment, but you are helping to make it possible for our sons and husbands and fathers to survive.

I do not believe that many people will hesitate to buy an extra Bond when they realize that even as they hesitate they may be snuffing out the life of an American fighting man.

99
99

SECRET 111



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

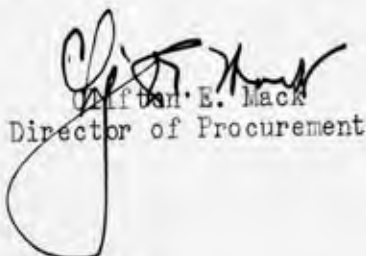
WASHINGTON

August 25, 1943

MEMORANDUM TO THE SECRETARY:

There is submitted herewith the weekly report of Lend-Lease purchases.

The Procurement Division is coordinating very closely with the Lend-Lease Administration and the War Production Board in the utilization of Lend-Lease stocks that were warehoused because of a shortage of export shipping space, or due to a change in the original need for which purchase was made. Detailed inventory records are being maintained and pending orders are also closely checked.


Clifton E. Mack
Director of Procurement



SECRET

LEND-LEASE
TREASURY DEPARTMENT, PROCUREMENT DIVISION
STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
AS OF AUGUST 18, 1943
(In Millions of Dollars)

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous & Undistributed</u>
Allocations	\$3874.0 (3874.0)	\$1931.8 (1931.8)	\$1557.0 (1557.0)	\$103.4 (103.4)	\$10.9 (10.9)	\$270.9 (270.9)
Purchase Authoriza- tions (Requisitions)	\$2971.1 (2943.5)	\$1587.7 (1584.0)	\$1220.4 (1202.2)	\$36.5 (36.5)	- -	\$126.5 (120.6)
Requisitions Cleared for Purchase	\$2905.0 (2892.8)	\$1553.1 (1556.1)	\$1194.1 (1183.0)	\$36.3 (36.3)	- -	\$121.5 (117.4)
Obligations (Purchases)	\$2799.3 (2770.3)	\$1534.6 (1517.8)	\$1123.6 (1115.5)	\$36.3 (36.3)	\$7.1 (7.1)	\$97.7 (93.6)
Deliveries to Foreign Governments at U. S. Ports*	\$1213.6 (1208.3)	\$833.7 (832.0)	\$348.5 (344.5)	\$18.3 (18.5)	- -	\$13.1 (13.1)

*Deliveries to foreign governments at U. S. Ports do not include the tonnage that is either in storage, "in-transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.

Note: Figures in parentheses are those shown on report of August 11, 1943.

SECRET

EXPLANATION OF DIFFERENCE.

The reduction in U. K. Requisitions is a result of cancellations.

The decrease in the China deliveries is a result of diversion.

OFFICE OF LEND-LEASE ADMINISTRATION
FIVE-FIFTEEN 22d STREET NW.
WASHINGTON, D. C.

E. R. Stettinius, Jr.
Administrator

August 25, 1943

MEMORANDUM

To: The Honorable Henry Morgenthau
From: E. R. Stettinius, Jr.
Subject: Executive Reports

Transmitted herewith, for your information,
are copies of the Executive Reports on lend-lease
operations, as of July 31, 1943.

Attachments

CONFIDENTIAL
Executive Report No. 1

**ALLOCATIONS, OBLIGATIONS AND EXPENDITURES
LEND-LEASE FUNDS APPROPRIATED TO THE PRESIDENT**

Report as of July 31, 1943

(Thousands of Dollars)

Appropriation Category	Adjusted Appropriations	Cumulative to July 31, 1943		
		Allocations	Obligations	Expenditures
Ordnance and Ordnance Stores	1,683,306	1,679,614	1,504,953	1,212,729
Aircraft and Aero. Material	2,669,625	2,667,886	2,522,477	1,952,848
Tanks and Other Vehicles	759,273	678,296	631,512	573,742
Watercraft	3,871,703	2,475,203	1,976,132	1,603,346
Misc. Military Equipment	353,288	353,272	304,445	221,703
Production Facilities	1,104,688	1,102,488	1,061,098	880,576
Agric. and Indust. Commodities	12,608,929	10,040,633	6,577,899	5,590,792
Servicing, Repair of Ships, etc.	790,818	569,112	429,462	414,063
Services and Expenses	800,000	401,042	279,187	228,843
Administrative Expenses	28,999	24,432	21,079	20,850
Total	24,670,629	19,991,978	15,308,244	12,699,492

Procuring Agency	Cumulative to July 31, 1943		
	Allocations	Obligations	Expenditures
War Department	5,726,121	5,323,518	4,466,586
Navy Department	3,239,836	2,397,930	1,733,111
Maritime Commission and War Shipping Admin.	2,300,618	1,753,087	1,666,475
Treasury Department	3,874,624	2,747,108	1,818,896
Department of Agriculture	4,833,486	3,071,935	3,002,713
Other	17,293	14,666	11,711
Total	19,991,978	15,308,244	12,699,492

CONFIDENTIAL
Executive Report No. 2

STATEMENT OF LEND-LEASE AID

Report as of July 31, 1943

(Thousands of Dollars)

Type of Aid	Cumulative to		Month of	
	July 31, 1943	June 30, 1943	July	June
Goods Transferred	11,901,972	10,883,946	1,018,026	954,009
Servicing, Repair of Ships, etc.	321,030	314,895	6,135	24,048
Rental of Ships, Ferrying of Aircraft, etc.	1,065,102	1,044,786	20,316	22,810
Production Facilities in U. S.	601,956	599,519	2,437	17,497
Miscellaneous Expenses	83,279	79,786	3,493	11,913
Total Services	2,071,367	2,038,986	32,381	76,268
Total Goods and Services	13,973,339	12,922,932	1,050,407	1,030,277

Data on Goods Transferred include value of goods procured from lend-lease appropriations to the President and to the War and Navy Departments.

Type of Aid	Cumulative to July 31, 1943				
	Br. Empire	China	U.S.S.R.	Other	Total
Goods Transferred	9,154,519	139,273	2,385,181	222,999	11,901,972
Servicing, Repair of Ships, etc.	231,632	1,698	55,058	32,642	321,030
Rental of Ships Ferrying of Aircraft, etc.	776,485	12,345	174,062	102,210	1,065,102
Production Facilities in U. S.	-	-	-	-	601,956
Miscellaneous Expenses	56,585	1,158	1,629	23,907	83,279
Total Goods and Services	-	-	-	-	13,973,339

CONFIDENTIAL
Executive Report No. 3

LEND-LEASE GOODS TRANSFERRED

Report as of July 31, 1943

(Thousands of Dollars)

	Cumulative to July 31, 1943				
	Br. Empire	China	U.S.S.R.	Other	Total
Ordnance (Excl. Ammunition)	440,230	15,547	68,727	48,997	573,501
Ammunition and Components	983,476	22,193	238,147	23,101	1,266,917
Aircraft	809,314	43,138	544,751	38,290	1,435,493
Aircraft Engines, Parts, etc.	523,736	5,013	17,448	3,542	549,739
Tanks and Parts	1,128,307	923	223,086	22,162	1,374,478
Motor Vehicles and Parts	292,782	25,470	290,897	13,675	622,824
Watercraft and Parts	974,834	447	115,633	11,219	1,102,133
Foods	1,413,320	-	221,262	16,711	1,651,293
Other Agric. Products	343,216	41	3,899	121	347,277
Machinery	343,190	4,146	192,466	2,631	542,433
Metals	519,805	9,416	223,892	1,608	754,721
Petroleum Products	535,102	2,415	25,022	1,088	563,627
Miscellaneous Materials and Manufactures	847,207	10,524	219,951	39,854	1,117,536
Total	9,154,519	139,273	2,385,181	222,999	11,901,972

**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. 99 -- Aircraft Despatched
-- for week ended August 17, 1943.

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

August 25, 1943.

STATEMENT NO.99
Aircraft Despatched from the United States
Week Ended August 17th. 1943

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>CONSOLIDATED</u>					
Catalina I B	U.K.	U.K.		1	
Catalina IV	U.K.	U.K.		1	
Liberator III	M.E.	M.E.		2	
Liberator GR V	U.K.	U.K.		11	
Liberator GR V	India	India		6	
Liberator GR V	W. Africa	W. Africa		1	

CURTIS

Kittyhawk	Australia	Australia	15		
-----------	-----------	-----------	----	--	--

WAS

Dakota III	India	India		9	
------------	-------	-------	--	---	--

GLENN MARTIN

Baltimore V	M.E.	M.E.		6	
Marauder I	M.E.	M.E.		1	
Marauder II	M.E.	M.E.		10	

VEGA

Ventura GR V	S. Africa	S. Africa		2	
Ventura GR V	R.A.F.T.C. (a)			2	

NORTH AMERICAN

Harvard	New Zealand	Auckland	4		
---------	-------------	----------	---	--	--

NORDVYN

Harvard	U.K.	U.K.	49		
---------	------	------	----	--	--

VULTURE

Vengeance	Australia	Australia	12		
-----------	-----------	-----------	----	--	--

GRUMMAN

Wcicat	U.K.	U.K.	2		
--------	------	------	---	--	--

STINSON

Reliant I	U.K.	U.K.	9		
-----------	------	------	---	--	--

(a) Ultimate destination has not been indicated.	Total	91	52	0
--	-------	----	----	---

Movements Division
 British Air Commission
 August 24, 1943.

August 25, 1943

To: Adler, Chungking, China.

From: Secretary of the Treasury.

Reference is made to your cable of August 20, TF-153.

The contents of this cable are to be considered secret.

1. Treasury assumes from your cable of August 20, TF-153 that you are leaving Chungking for India on or about August 27. In view of the fact that arrangements have seemingly already been made for your departure, you may ignore instructions contained in paragraph 1 of Treasury's cable of August 20, 1943, No. 1156, not to go to India until present discussions regarding the 1941 Agreement are finished.

2. You are hereby authorized to proceed from Chungking to Calcutta, by air if necessary, as Treasury consultant, to prepare report on monetary conditions in India.

3. The Treasury desires a report on monetary conditions in India in connection with request made by the Government of India that the U. S. lend-lease to India 4 million ounces of silver ^{per month} for coinage purposes and an additional 100 million ounces of silver for anti-inflationary purposes and also proposals that gold be sold in India for anti-inflationary purposes. Treasury's main concern is with desirability of making available the 100 million ounces of silver for anti-inflationary purposes and the desirability of selling gold, since there is general agreement on

- 2 -

desirability of lend-leasing silver for coinage purposes. (This information is to be considered secret.)

4. The U. S. Consul General at Calcutta has been requested by the Treasury to be of all possible assistance to you, including arranging personal interviews with leading official and unofficial Indians who may be of assistance in drawing up your report. You will also discuss with the U. S. Consul General at Calcutta the desirability of travelling to any other city to study conditions there. It is presumed that you will stay in India about two to four weeks.

5. It would be appreciated if in your report special attention was given to the question of what magnitude of sales of silver and gold would be necessary to have anti-inflationary effects.

6. The Consul General at Calcutta is also being requested to place at your disposal facilities for direct cable communication through the State Department, between his office and the Treasury. Please notify Treasury as soon as you arrive at Calcutta.

7. Necessary arrangements are being made regarding payment of the expenses of your trip. These details will be cabled out to you in care of the Consulate at Calcutta. It is assumed from your cable that you have necessary funds with which to proceed to Calcutta.

8. It is suggested that while in India you take complete medical examination by U. S. Army doctors.

ISW/sfs 8/24/43

PARAPHRASE OF TELEGRAM SENT

TO: American Embassy, Chungking,

DATE: August 25, 1943, 2 p.m.

NO: 1152

Reference is made to your cable no. 1526 of August 20, 1943, 3 p.m. (TF-153).

For Adler from the Secretary of the Treasury, the contents of this cable are to be considered secret.

1. Treasury assumes from your cable of August 20, TF-153 that you are leaving Chungking for India on or about August 27. In view of the fact that arrangements have seemingly already been made for your departure, you may ignore instructions contained in paragraph 1 of Treasury's cable of August 20, 1943, No. 1152, not to go to India until present discussions regarding the 1941 Agreement are finished.

2. You are hereby authorized to proceed from Chungking to Calcutta, by air if necessary, as Treasury consultant, to prepare report on monetary conditions in India.

3. The Treasury desires a report on monetary conditions in India in connection with request made by the Government of India that the U. S. lend-lease to India 4 million ounces of silver per month for coinage purposes and an additional 100 million ounces of silver for anti-inflationary purposes and also proposals that gold be sold in India for anti-inflationary purposes. Treasury's main concern is with desirability of making available the 100 million ounces of silver for anti-inflationary purposes and the desirability of selling gold, since there is general agreement on desirability of lend-leasing silver for coinage purposes. (This information is to be considered secret.)

4. The U. S. Consul General at Calcutta has been requested by the Treasury to be of all possible assistance to you, including arranging personal interviews with leading official and unofficial Indians who may be of assistance in drawing up your report. You will also discuss with the U. S. Consul General at Calcutta the desirability of travelling to any other city to study conditions there. It is presumed that you will stay in India about two to four weeks.

5. It would be appreciated if in your report special attention was given to the question of what magnitude of sales of silver and gold would be necessary to have anti-inflationary effects.

6. The Consul General at Calcutta is also being requested to place at your disposal facilities for direct cable communication between his office and the Treasury through the State Department. Please notify Treasury as soon as you arrive at Calcutta.

7. Necessary arrangements are being made regarding payment of the expenses of your trip. These details will be cabled out to you in care of the Consulate at Calcutta. It is assumed from your cable that you have necessary funds with which to proceed to Calcutta.

8. It is suggested that while in India you have complete medical examination by U. S. Army doctors.

HILL
(ML)

August 25, 1943

To: Mr. Livesey

From: Mr. White

Will you please send the following cable to the Consul General, Calcutta, India?

FROM THE SECRETARY OF THE TREASURY.

1. Mr. S. Adler, American representative on the Stabilization Board of China, has been instructed to go to India as U.S. Treasury consultant, to prepare report on monetary situation in India in connection with discussions being held in United States regarding lend-lease silver to India and proposed sales of gold in India.

2. It is requested that you be of all possible assistance to him, including arranging personal interviews with leading official and unofficial Indians who may be of assistance in drawing up his report.

3. It would also be appreciated if you would place at his disposal facilities for direct cable communication between your office and the U.S. Treasury through the State Department.

ISF:rl 8/24/43

C
O
P
Y

TELEGRAM SENT

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

August 25, 1943

2 p.m.

PRIORITY.

AMERICAN CONSUL,

CALCUTTA, (INDIA).

613

1. Mr. S. Adler, American representative on the
Stabilization Board of China, has been instructed by
the Treasury to go to India as U.S. Treasury consultant,
to prepare report on monetary situation in India in con-
nection with discussions being held in United States re-
garding lend-lease silver to India and proposed sales
of gold in India.

2. It is requested that you be of all appropriate
assistance to him, including arranging personal inter-
views with leading official and unofficial Indians who
may be of assistance in drawing up his report.

3. Please place at his disposal facilities for
direct cable communication between him and the U.S.
Treasury through the Department.

HULL
(FL)FD:FL:EP:SS NE
Copy:bj:8-31-43

C
O
P
Y

126

DM

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

Bombay

Dated August 25, 1943

Rec'd 12:25 p.m.

Secretary of State,

Washington.

574, August 25, 4 p.m.

Your 356, August 19.

FOR THE TREASURY DEPARTMENT

A. August 25 gold rupees 69 annas 8 per tola fine, silver rupees 106 annas 8 per 100 tolas.

E. Reserves August 13 gold coin and bullion no change, silver coin including paper notes millions rupees 137.7.

I. Commodity prices Calcutta 72 items, year 1914 represents 100: index number 1943 July is 332.
Commodity prices Bombay, July 1914 represents 100: index number 1943 April is 264.

J. Gold production Mysore State, June 1943, fine gold ounces 21,099.

DONOVAN

Copy 1r 8/27/43

OFFICE
 SECRETARY OF TREASURY
 BRITISH MOST SECRET
 U.S. SECRET

OPTEL NO. 280 1943 AUG 25 PM 1 44

Information received to 10 a.m., 25th August, 1943.
 TREASURY DEPARTMENT

1. NAVAL

On 21st/22nd and 22nd/23rd, Allied Naval Forces operated off Western ITALY but sighted nothing. During an air raid on PALERMO early 23rd, 2 U.S. small craft were sunk and a British Coaster damaged.

2. MILITARY

RUSSIA. The Russians have improved their positions Northwest and South of KHARKOV and have made small advances South of IZYUM and Southwest of VOROSHILOVGRAD.

3. AIR OPERATIONS

WESTERN FRONT. 23rd/24th. BERLIN. 1,633 tons dropped including 286 4,000 pound H.E. and 764 Tons of incendiaries. 11 enemy night Fighters claimed shot down. Reconnaissance at 9 a.m., 24th reported that entire Western part of city appeared on fire with very large columns of smoke up to 20,000 feet. Mosquitoes over BERLIN 24th/25th reported fires still burning. Two bombers reported missing have since returned.

24th. 88 escorted Fortresses dropped 236 tons on VILLACOUBLAY Airfield with "fair to good" results. Small scale raids were made on 2 airfields in Northern FRANCE. Enemy casualties by bombers and escorting Fighters 9.3.7. One Fortress came down in the sea. 60 Fortresses returning from NORTH AFRICA dropped 134 tons on BORDEAUX Aircraft Construction Works. Enemy casualties 8.4.3., Ours 4 Fortresses missing.

24th/25th. Aircraft despatched: Sea-mining - 66, BERLIN - 8, Intruders - 6, Anti-shipping - 6.

ITALY. 22nd/23rd, Wellingtons dropped 91 tons on the Railway Centre at SALERNO. On 23rd, 28 Liberators attacked the Railway Centre and Airfields at BARI and 70 Mitchells escorted by Warhawks and Mustangs bombed roads near NAPLES. Liberators were attacked over objectives by enemy Fighters, several of which reported shot down.

BURMA. 22nd. 31 heavy and medium bombers attacked Railways near MANDALAY.

LATE NEWS

Prisoners were taken from a U-Boat attacked by 1 of H.M. and a Greek Destroyer Southeast of PANTELLERIA on 22nd.

August 26, 1943
9:19 a.m. 128

HMJr: Hello.

Operator: General Hilldring.

HMJr: Hello. Hello.

John H.
Hilldring: This is Hilldring, Mr. Secretary.

HMJr: This is Morgenthau. Good morning, General.

H: How are you, sir.

HMJr: I'm fine. General, I'd like to recommend an officer to you that I think that you might be able to use.

H: All right, sir. Thank you very much.

HMJr: His name is Lt. Shanley, S-h-a-n-l-e-y. Hello.

H: Yes, sir, I'm writing....

HMJr: He's a very able lawyer and he has a wife and three children and he's age 40 and he's only a Second Lieutenant so he can't get into combat....

H: Oh, my!

HMJr: Yes. He went through Fort Riley with my son.

H: Oh, yes, Mr. Secretary....

HMJr: Well, he's a very able attorney....

H: Yes, sir.

HMJr:and he's just eating his heart out there at Fort Meyer.

H: Oh, yes. He is over at Meyer, is he?

HMJr: No, he's here, right here now.

H: Oh, yes.

HMJr: I mean Fort Riley.

H: Fort Reiley?

HMJr: He's out at Fort Riley but he's here on leave in Washington now.

H: I see. Where could I find him here in the District, Mr. Secretary?

HMJr: He's right here now.

H: Will you ask him to come over and see me?

HMJr: Yes, and when could you see him?

H: Oh, anytime, sir. If he could - let me get my - let me get my secretary here - I'll get some idea.

HMJr: Yean.

H: Today. (Pause)

HMJr: Hello.

H: Well, any time today....

HMJr: I'll....

H:except three o'clock.

HMJr: I'll send him over now.

H: Well, that will be fine. I can see him right now.

HMJr: I thought he might fit in under Foley, possibly.

H: Yes. Has he got legal - has he got backing....

HMJr: Oh, yes.

H:experience?

HMJr: Well, mostly on the legal side.

H: Yes, sir.

HMJr: You'll like him when you see him.

H: Well, fine. I'll take him on your recommendation, Mr. Secretary.

HMJr: You'll like him and I'll leave it to you where to put him, but the man wants to see - uh - action....

H: Yes.

HMJr: He graduated No. 1 in his class out there.

H: Yeah. Well, that's also a good sign because the competition these days is pretty stiff in these....

HMJr: Well, he was No. 1.

H: Yes, sir. Well, thank you very much, Mr. Secretary.

HMJr: Thank you.

H: Bye.

HMJr: Bye.

August 26, 1948
9:25 a.m.

TAXES

Present: Mr. Bell
Mr. Gaston
Mr. Paul
Mr. Blough
Mr. Smith
Mr. Sullivan
Mr. Surrey
Mrs. Klotz

H.M.JR: Now, let's hear - get a report from you (Paul) on what you learned. You were supposed to see CIO and all that crowd.

MR. PAUL: I did. I was writing up a report. I want to tell you that I am supposed to be at Judge Vinson's at nine-thirty for a conference with him and Stam.

H.M.JR: I don't know when I can see you or work with you, Paul.

MR. PAUL: What do you want me to do?

H.M.JR: All right, I want somebody to look after me. I can't get anything. I have to use people like - I don't know what I am going to do.

MR. PAUL: Well, this was the only time the conference could be arranged on his schedule and Stam's.

H.M.JR: All right. I don't know what I am going to do. I have got to keep moving. I have got this whole business - I have been waiting here to talk about this other thing - this Byrnes thing. Fortunately this Joe DuBois was there. He was very useful.

- 2 -

MR. PAUL: If you want to tell me you don't want me to go--

H.M.JR: But I have got to have somebody who will sit through these things with me.

MR. PAUL: A person just can't be two places at once.

H.M.JR: But it is something else besides the tax bill - well, anyway, you had better go, that is all.

MR. PAUL: Roy has all the material on that other thing.

(Mr. Paul left the conference.)

MR. BLOUGH: He told me a few things about that Chicago meeting if you want to have it secondhand. Of course, he will be back from that meeting before so very long and you can go into it firsthand.

H.M.JR: Let's have what you have, anyway.

MR. BLOUGH: These people from CIO were strong for social security. They were willing to take that even though it meant pretty heavy taxes at the bottom on very low income people, because they said they would get it back. That didn't worry them. They are opposed to lowering personal exemptions on the income tax.

H.M.JR: They are what?

MR. BLOUGH: They are opposed to lowering them, and in point of fact, would like to have them raised on the--

MR. GASTON: Single men?

MR. BLOUGH: It is more the families that they are bothered about. They feel that their lower income groups are having a hard time to make ends meet, and that rather than lowering the personal income exemptions

- 3 -

they feel that they ought to be raised and they would like to see very heavy taxes, then, above, say, three thousand dollars, and are perfectly willing to see heavy taxes imposed at that level.

Is that your recollection of his report on it?

MR. SURREY: That is right.

MR. BLOUGH: So that is the usual - it is their usual attitude, and this was lower down. This wasn't top people; this was people who are somewhat nearer the grass roots.

MR. GASTON: They were willing, however, to have six percent Wagner tax on the gross pay?

MR. BLOUGH: I am not sure that the figure six percent actually was used in the conference, but when Paul brought up that the increase under the Wagner Bill would mean heavy increases at the lower level, they said that didn't worry them because they would be getting that back. It was the high rate of income tax at the low levels that they didn't want. Of course they were very strong against a sales tax. That is the thing they were strongest against, as I recall.

MR. BELL: Was forced savings discussed?

MR. BLOUGH: I don't recall Mr. Paul saying anything about that. Did he not say that all was not clear on the War Bond front?

MR. SURREY: He mentioned that. It was the voluntary.

MR. BLOUGH: That these workers feel that the employers are really not carrying through.

H.M.JR: Who did he see? Who did he talk to?

MR. BLOUGH: He tried to get the Reuther brothers and I heard him make the appointment, and I gathered

- 4 -

from that they were going to be a group of people from Chicago and Detroit who were going to come there and meet. I didn't get the names of all the people that were there, but he was expected to meet a group of people who were somewhere between the very top and the bottom.

MR. GASTON: He told me they weren't the top-ranking people, but very smart.

MR. BLOUGH: He was very much impressed with the quality of the men. That was a casual report, perhaps. It didn't have anything particular to do with taxation, but the employers weren't really supporting the payroll deduction plan as these people thought they ought to support it.

Do you recall anything else?

MR. SURREY: I think that is it.

H.M.JR: Say it again. I didn't hear half what you said.

MR. BLOUGH: On the social security they do not object - the CIO people do not object to heavy social security taxes, even on the very low brackets, because they will get it back in benefits very shortly, and on the income tax they don't like the idea of lowering exemptions. As a matter of fact, they think the exemptions ought to be raised, that there should not be any additional taxes on the bottom brackets, but they are prepared for very heavy taxes on the middle brackets above, say, three thousand dollars; and on the sales tax they are very strongly opposed to it and think that ought to be fought. I think corporate taxes they felt ought to continue high or be raised.

A side remark on War Bonds was to the effect that the employers were not giving the support that these people thought they ought to give.

- 5 -

Mr. Paul did not give us any report about any comments on compulsory savings at all. I don't know whether he took it up.

H.M.JR: Let's go to the thing that you and I worked on Monday. Are you ready to report on that?

MR. BLOUGH: Yes. I didn't know what the purpose of this meeting was and I did not bring the papers, but I can have them here in five minutes or less.

H.M.JR: Will you do that? It is along the same line.

(Mr. Blough left the conference temporarily.)

MR. GASTON: I see Alfred E. Smith came out strongly against compulsory savings last night.

H.M.JR: That is something, anyway.

(Mr. Blough re-entered the conference.)

MR. BLOUGH: If you like I can describe what the idea was.

H.M.JR: Go ahead.

MR. BLOUGH: The Secretary asked on Monday that we take this eight point seven program, individual income tax increase, first - other levels later - but to start with that and, say, integrate the Victory tax with the income tax at existing lower levels as a starter, and take existing social security taxes as a starter. Now, the eight point seven program has a lower personal exemption than the present exemption. Let's eliminate that and stick to present exemptions. Now let's see what burden that would put on various income levels and then let's see what burden the Wagner Bill would put on various income levels, and let's adjust the eight point seven program - which will no longer be an eight point seven program - to increase the income tax only where the eight point

- 6 -

seven would have an income tax higher than the increases under the Wagner Act.

MR. GASTON: Why not just simply give a straight credit for income tax on account of social security taxes paid?

MR. BLOUGH: Well, for people with social security, that would be the effect of it. That would be an easier explanation. I don't think that would be a desirable thing, mechanically. I don't believe the social security people would like that close tie into the income tax, although it is a feasible thing, and it could be done.

MR. SULLIVAN: Won't the Wagner Bill increase it in your lower brackets?

MR. BLOUGH: Yes, the Wagner will be the higher of the two.

MR. GASTON: It will be the only tax below the exemptions, of course.

MR. BLOUGH: That is right. The result of the combined taxes would be the Wagner tax or our eight point seven, whichever is the higher.

MR. GASTON: It seems to me you have to work on that basis. You can't load the Wagner tax on top of that eight point seven schedule. It is too much.

MR. BLOUGH: It is very easy to work the tables out to show what the result ought to be.

As I say, those are available. Then the working out of a rate scale to accomplish that result is a somewhat more difficult trick because you can do it for any income - for any family status. You can do it for a married couple with two children, but that particular rate won't do the same thing for a married couple with no children, or a married couple with four children. So we will have to take some average-sized family, like a married couple with two children, and use that as a basis.

- 7 -

MR. SULLIVAN: What kind of a curve does that give you?

MR. BLOUGH: It doesn't look too bad. It is a little unorthodox. On the schedule we have a bottom bracket of a hundred dollars and three five-hundred-dollar brackets which we would have to change. I don't think they can take that sort of a setup. But you can come very close to it. It is not too bad, and it means that you don't get, for a married couple with two children, any increase in your income tax - well, until over three thousand dollars of net income. That is substantially what it means.

We start out with that table - maybe I had better explain that. (Copy of table entitled "Tax burden under proposed merger of individual income tax and employee Social Security tax" attached.)

This is a table for a married person and two dependents.

H.M.JR: That is what we are talking about.

MR. BLOUGH: You start with the "Net income before personal exemption" in the first column (indicating) of various brackets, and that corresponds to, on the average, the "Gross income" shown in the second column.

This is the sort of thing you saw the other day.

The next tax shows what the - the schedule "W" is that eight point seven program. That schedule "W" tax with the Victory tax integrated, plus, on your sheet - I think that is one percent of employee tax--

H.M.JR: It shows nine dollars.

MR. BLOUGH: That shows that the present tax on that fellow is nine dollars. He has no increase under the proposal which we made, but as you go down the line you get higher and higher taxes; and if you notice, at twenty-five hundred dollars it begins to bite on this fellow.

- 8 -

The next column (indicating) is the present income tax with the Victory tax integrated, plus the total employee tax under the Wagner Bill. In other words, no increase in income tax but just the Wagner Bill increase and that eight-hundred-dollar man there would have a tax of fifty-three dollars instead of the nine dollars which he has at the present time.

MR. BELL: Does that include the present social security?

MR. BLOUGH: That includes the present one percent plus the Wagner Bill, picking that up, and it is all social security because there isn't any income tax, and so forth, at the present time, or under the proposed bill at eight hundred dollars.

MR. SULLIVAN: There is a Victory tax.

MR. BLOUGH: The Victory tax on that fellow is about - well, under the integrated Victory tax he doesn't have any because we have integrated it by using the present income-tax exemptions. He does, at the present time, have a Victory tax, but the Secretary asked to have that worked into this schedule. This man would have no income tax under this arrangement either at the present time or under this proposed eight point seven program. It is all social security. Now it is nine dollars. Under the Wagner Bill it would be fifty-three dollars. The proposed tax, then, is, of course, the higher.

Column five (indicating) picks out the higher of the two taxes in column three or four. Then column six is the present income tax with the Victory tax integrated, plus the present one-percent employee old-age tax. That is the present tax with Victory tax integrated. That, of course, at the present time, is also nine dollars.

Then in the final column you get the increase of tax under one or the other, and in effect what we are trying to do is to get the result in the final column, seven, as the increase on each person. Part of the time

- 9 -

that increase is due to the Wagner Bill, and part of the time it is due primarily to the income tax.

Now, let me take an example - I know this is as clear as mud, so far, but perhaps if I take an example further down the line, it will be a little easier to follow.

H.M.JR: Let me explain. What he has done is integrate the Victory tax into the present income tax so we get the full benefit of that. Then he has taken the Wagner six percent and built that thing in. Then how do you handle the eight, seven?

MR. BLOUGH: Holding the schedule "W" to the present exemptions, we figured what burden it would impose, and then our problem is to arrive at the higher of the two.

H.M.JR: Do you give a credit for a man who pays the Wagner tax?

MR. BLOUGH: Yes. In fact, that is what we are doing, giving a tax credit for the Wagner tax. It isn't mechanically worked that way, but that is the result.

MR. BELL: Does the eight, seven include the Wagner tax?

MR. BLOUGH: In the computations, what we have done is to put the Wagner tax added on to the present situation in one column, the eight point seven put on to the present situation in the second column, and we take the higher of the two.

MR. GASTON: You haven't worked out any method of law by which you would arrive at this result?

MR. BLOUGH: That was the next step, and those rate schedules are in the process of being made. It will be more than the higher of the two because the Wagner tax at the bottom is higher than the income tax.

MR. GASTON: You will have a net income addition to tax revenue greater than either proposition alone.

- 10 -

H.M.JR: If this thing could be plotted as to how it hits the various income groups, if it could be done graphically, I could get it better.

MR. BLOUGH: I think that is right, and it can be done graphically. We have made a rough design for a chart and I think you can have it later in the day.

H.M.JR: I can't get it this way. Instead of trying to study this thing - have you also got it for less than eight, seven? I asked you about that.

MR. BLOUGH: They are working on that now. It was quite a chore. This isn't the only table we have. They are working on that.

H.M.JR: As far as they have gone, using the eight billion seven, just give us your impression and let me study this thing. Give me your impression. How does this work out? How does it look to you?

MR. BLOUGH: I will just make a few comments on it; first, that there is nothing impractical about the idea at all. It cannot be worked out exactly. You can't get a rate schedule which will, in every bracket, give you the exact result that we have been talking about unless you make the Wagner tax a straight tax credit, and I am inclined to question the wisdom of that. But aside from that, unless you do that you can, by picking a common situation like a married person and two dependents very closely approximate the result that you had in mind for that family; and that will give a somewhat different result, but I don't think a harmfully different result, for a smaller family than for a larger family. It will protect in this case - and of course we have made it to deliberately protect incomes up to three thousand dollars - or rather, that is about the point where it comes for a small family--

H.M.JR: That is what I was aiming for.

- 11 -

MR. BLOUGH: As a matter of fact, in the case of this family you don't really get over into these higher brackets until above three thousand dollars. It is between three thousand and four thousand for this family - married and two dependents.

H.M.JR: Before you begin to reach--

MR. BLOUGH: Before you begin to reach them through the higher income tax.

MR. BELL: Do you have to increase your rates on income taxes in order to get this substantially greater money because of the credits you will give them for the social security?

MR. BLOUGH: You are just losing that money. You are not trying to make it up.

(The Secretary left the conference temporarily.)

MR. BLOUGH: We were arguing the point as to whether the tax credit was the desirable way to handle it. The Federal employee, for example, does not come under the social security law and would not get the tax credit; he is contributing in his Civil Service retirement towards the same end.

MR. SURREY: Five percent.

MR. BLOUGH: And he would pay a much higher income tax just because he wasn't under the system.

MR. SURREY: That is what I meant about the fundamental issue.

H.M.JR: What would you do about a Federal employee?

MR. BLOUGH: What I was thinking of - and it is something that we hadn't really arrived at any conclusion on - is that you would arrive at a tax schedule which takes care of the industrial worker the way you want him taken care of. Then you would apply that schedule to

- 12 -

everybody, despite the fact that the farmer and the State employee and the Federal employee did not have the social security tax, on the theory that the social security was well worth every cent it cost to the people who were in under the system. And under any other theory - I mean, if the social security tax is a burden and not the price paid for something, then of course the tax credit principle is entirely appropriate. But if the social security tax is a payment for something which is worth the payment, then it seems to me a tax credit should not be allowed or those people outside the system will have a very real reason to feel they are discriminated against.

MR. GASTON: Yes, they would. You might even have to go to the length of giving similar credit for anybody contributing to an approved system, such as the Federal system or private systems.

H.M.JR: Surrey, don't shake your head and take a defeatist attitude.

MR. SURREY: I was trying to indicate. There is a fundamental decision here. I think it is in the right direction, realistically, because anybody considering the Wagner Bill is going to look at the burden on the two people. What I wanted to indicate is the fundamental question involved here on the manner in which you do this, whether you work on the tax credit theory, or whether you assume that the level of taxation is that of the industrial worker outside the social security, and then anybody who is going to get the benefits and the burden of social security is going to have that superimposed on the present tax. I think it is a fundamental decision and has far-reaching implications.

H.M.JR: I don't follow you.

MR. BLOUGH: I think Mr. Surrey simply has in mind probably it would be better not to use the tax credit device but instead to adjust the income tax schedule to accomplish the same result.

- 13 -

MR. SURREY: I think either one is a very serious decision.

H.M.JR: Those things never interest me. Now we have got an idea, we have got a philosophy; and if we decide that the philosophy is right, then you fellows are hired to work it out. See?

MR. SURREY: Certainly.

H.M.JR: Let's get our philosophy right. I am not interested - I am always blocked with all the details. You fellows are smart enough. If we say this is the right philosophy, the right approach, it is up to you to find a way to do it. How you do it doesn't interest me. What I am trying to get here is this - let's be realistic. I can read the papers; I don't need anybody to tell me. The way we are going we are heading towards compulsory savings and a sales tax and a little token, maybe in income tax - damned little. Now you have got to have something to fight it with. The tax people and you people haven't given me anything.

You come in here with an orthodox plan of eight billion seven and slap it in my lap and say, "Here is a plan." I am not addressing this at you but at Paul. I will get torpedoed and I will get compulsory savings and a sales tax. I am not dumb. I have got to have something or else - but to just march up on the Hill with that plan, it is silly.

I would like something - Mr. Roosevelt has committed himself to this thing, now why not let the Treasury get on board on this thing. He says he is all right on the volunteer plan and he is all right on social security. Now what I want to see is what this does, how much revenue, and from what the CIO people say, and the labor people, they are willing to pay this, but they are going to get something out of it. They get old-age, health, sickness insurance, they get unemployment insurance - they get something for it.

- 14 -

Now, I am not saying that is the way we want to go but I want to go down that road as far as necessary to say yes or no. And the President is going to do it anyway.

MR. SURREY: You misunderstand me. I was exploring which of the two ways is better to do this.

H.M.JR: Don't misunderstand me, either. I don't want to get bogged down with reasons why I can't do it. I am repeating myself. If we decide in the Treasury that this is our philosophy, let's find a way to do it, and you can find it. But the way we are headed now, I march up on the Hill, present this program, I am laughed out of the place, and then they come along with compulsory savings and a sales tax, and I have no alternative. Now I am trying to find something.

MR. BLOUGH: I think you have got something here. You may have to swallow schedules that look a little peculiar, and so on, or you may have to have slight modifications in what you want to accomplish, but we can come very close to it.

H.M.JR: What I would like to do, and this ought not to be very difficult, is to take the thing - we start with what we have got now - it will start eight hundred, and so forth. The various divisions would be down here (indicating). Then you start with these taxes - I suppose the line goes up like this (indicating). Then you can get that kind of a thing very quickly.

And then the other thing that I wanted - two other things - I want to know how much revenue it will produce and then the thing I said to you - if it is possible, how much do we get between eight hundred and a thousand - how much do we lift out of that group, then between fifteen hundred and two thousand. For instance, how much will that group contribute toward the Federal revenue.

MR. BLOUGH: All of those are in process. I am not sure whether they are all done or not. It takes a little time.

- 15 -

H.M.JR: Anybody is at liberty - the meeting isn't just to hear me talk. If anybody thinks that this isn't worth while pursuing, I wish they would say so.

MR. SULLIVAN: Very much worth while.

MR. GASTON: Exactly along the way I have been thinking - the right approach. You cannot lay the six billion Wagner Act on top of an eight, seven program. You can't go up there and present an eight, seven program with a blind eye, not looking at the possibilities of social security. The two things have got to be worked together and this is the right idea.

H.M.JR: This is what I worked out on the farm. This is my own idea; this is what I asked Blough to do, and I am sick and tired to just sitting here and being fed these absolutely impossible things.

MR. SULLIVAN: Roy, refraining from lowering your exemptions - how much does refraining from lowering your exemptions take off the eight billion seven?

H.M.JR: Say that again, John, will you?

MR. SULLIVAN: The rates he is using would yield eight billion seven if the exemptions were lowered.

H.M.JR: No, he is not lowering - excuse me.

MR. SULLIVAN: I beg your pardon, the rates in the original program yielded eight billion seven after lowering exemptions. Now, in these figures he is not lowering the exemptions. My question is, how much does not lowering them take off the eight billion seven?

MR. BLOUGH: I think that is in the neighborhood of three or four hundred million.

MR. GASTON: You will still raise over eight billion.

- 16 -

MR. SULLIVAN: The only reason I asked the question, you remember I was in favor of increasong the exemptions - the single man - but if we are just going to discuss whether or not we should lower them, you can readily anticipate the terrific resistance that is going to come, and before you decide on that step and face the resistance that would follow from lowering them, I think we ought to know how much it costs us. And if it is only three hundred million dollars, I think it is folly to--

H.M.JR: I am in your corner. That is why my instructions were to figure them out without lowering them. But I am doing it with my eyes open. I realize we are not lowering them, but I realize if you come along with a six percent, we are going to hit them much harder than if we had lowered them under the eight, seven, but the fellow gets something back in return. We are putting this country - we are stepping forward, if we could get a thing like this, and putting the masses of the people on a decent basis. I mean, we haven't done anything for the lower third since Mr. Roosevelt is in, to speak of. We fed them, and so forth, and so on, but the war has given them the jobs.

Now I at least like to leave a blueprint behind me for two-thirds of the country on this thing. I would like to recommend something. If it isn't this year, maybe ten years from now - we move in that direction. That is the way I feel.

MR. GASTON: This looks good.

H.M.JR: If we don't get it now, we get it ten years from now. Do you like this?

MR. GASTON: It looks good. You are moving toward a clear spot, now, while the other was pretty much of a stone wall we were running up against.

MR. BELL: You would rather have the social security tax than a sales tax, I take it?

H.M.JR: Oh, yes.

- 17 -

MR. SULLIVAN: Of course.

MR. BELL: Well, a sales tax is a tax; social security taxes are not taxes. It is just enforced savings. We have to pay it back. The sales tax is a tax.

H.M.JR: Well, now, wait a minute. Let me argue with you.

MR. GASTON: You are talking about revenue?

MR. BELL: From a revenue angle, social security is not revenue.

H.M.JR: That is right, but it temporarily does the job that all these people are crying about, mopping up the excess money in the hands of these people.

MR. BELL: There isn't any difference from an inflation angle. As a matter of fact, social security is better from an inflationary angle.

MR. BLOUGH: The first year, I agree - probably the second year--

MR. BELL: You wouldn't have many payments.

MR. BLOUGH: It is the sickness and health that is supposed to start pretty soon.

MR. SURREY: The choice is likely to be not revenue against non-revenue measures, but which is the anti-inflationary measure you get through the Congress.

MR. GASTON: I say where you can lock up excess earnings into absolutely permanent savings, and this is the most permanent and useful kind, it is a better proposition in this situation than it is to convert it into Federal revenue.

- 18 -

H.M.JR: Well, while I started out to have something to combat - this would combat enforced savings, although I don't think you can really mention the two things in the same breath. When you pay this out you pay it out under scientific, intelligent administration.

MR. BLOUGH: It is the insurance principle.

H.M.JR: When you pay out the other thing, unless this Government is going to freeze on War Bonds and say you can't cash them, the people would cash them when they felt like it, indiscriminately and unintelligently from the standpoint of the Federal Government.

MR. BELL: No doubt about it. I think you would have a very difficult time getting through Congress a bill to freeze savings. I don't think they would touch it.

MR. GASTON: No, and you shouldn't; it would be immoral; you are violating a contract.

H.M.JR: I will make a little statement. If this Administration is succeeded by a Republican administration, see, I am willing to make a forecast that that is one of the things that they will do.

MR. BELL: What? Freeze past savings?

H.M.JR: Yes.

MR. BELL: No, never.

H.M.JR: O.K., we will talk about it maybe a couple of years from now. I said "maybe." (Laughter)

MR. BELL: Before they got it through they would have; one, an avalanche of redemptions on the Treasury; two, they would have an avalanche of correspondence from their constituents back home before it ever got through Congress--

- 19 -

H.M.JR: The kind of administration I envisage they don't care about their people back home.

MR. SULLIVAN: I agree with you on that, but their own gang wouldn't stand for it.

H.M.JR: Well, now look, Roy, you are encouraged here. Everybody seems to think we are on the right track, so put a little force and steam on it, will you please?

MR. BLOUGH: There is only one question. Do you know if there is anything in the Chart Room that takes precedence over there?

H.M.JR: No. Tell Banyas this is number one.

MR. BLOUGH: Fine, that will help.

H.M.JR: If he has any doubt, Mrs. Klotz will give it to him in writing. This is number one.

MR. GASTON: One of the things we have to look to is simplicity of return, too.

MR. BLOUGH: This won't affect it.

MR. SURREY: This would be simpler than a lot of other anti-inflationary devices.

Tax burden under proposed merger of individual income tax and employee Social Security tax ^{1/}
 Exemptions under both the present income tax schedule and Schedule "W": \$500, \$1,200, \$350

Married person - 2 dependents

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Net income:	Schedule "W" : Present income:	Proposed :	Increase of (1) pro-			
before :	tax with :	tax with :	posed tax over (11)			
personal :	Gross :	Victory tax :	Victory tax in- (Higher of :	tax with Victory :	present income :	present income tax,
exemption :	income :	integrated, 2/ :	tegrated, 2/ plus :	Col. (3) :	tax integrated, 2/ :	with Victory tax in-
:	:	plus present :	total employee :	and :	plus present 1% :	tegrated, 2/ plus
:	1% employee :	tax under Wagner :	and :	Col. (4) :	employee old-age :	present 1% employee
:	old-age tax 3/ :	bill :	:	:	tax :	old-age tax
\$ 800	\$ 889	\$ 9	\$ 53	\$ 53	\$ 9	\$ 44
1,000	1,111	11	67	67	11	56
1,500	1,667	17	100	100	17	83
2,000	2,222	48	149	149	38	111
2,500	2,778	205	284	284	145	139
3,000	3,333	364	404	404	254	150
4,000	4,444	684	621	684	471	213
5,000	5,556	1,058	865	1,058	715	343
6,000	6,667	1,438	1,113	1,438	963	475
8,000	8,889	2,310	1,685	2,310	1,535	775
10,000	11,111	3,262	2,337	3,262	2,187	1,075
25,000	27,778	12,862	9,687	12,862	9,537	3,325

Treasury Department, Division of Tax Research

August 25, 1943

- ^{1/} The proposed tax is the tax under Schedule "W" with Victory tax integrated, plus present 1 percent employee old-age tax or the present income tax with Victory tax integrated, plus the total employee tax under the Wagner bill, whichever is higher.
- ^{2/} Surtax schedule increased by 3 percentage points to compensate for repeal of Victory tax.
- ^{3/} Schedule "W" tax includes normal tax of 6 percent.

Home *MT*

151

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau

August 26, 1943

FROM Randolph Paul

On August 23 I conferred with seven CIO representatives at CIO Headquarters in Chicago. Those present were Fullerton Fulton, CIO Regional Director; Frances DeLaurie, Illinois State Secretary; Al Skinner of the Mine, Mill, and Smelters Union; Frank McCarty, District Director of the Packinghouse Workers Organizing Committee; Stanley Righton, representing the Steel Workers; Ernest DeMaio, General Vice-President of the United Electrical, Radio and Machine Workers of America; and Mr. Mendelovich of the Leather Workers Union.

Mr. Fulton said the group wanted no tax program which would cut down living standards to such an extent that it would harm the war effort. They favored additional corporate taxes. I gave them some corporate figures (in which they seemed much interested) and referred them for further information to my article in Dun's Review. I called their attention to the recent propaganda on postwar reserves, put out by various corporations. They were very strong for an increased corporate tax.

One representative inquired about taxing tax exempt bonds and the amount of revenue that could be raised thereby. I explained that it would mean about \$300 million in revenue, but there was no chance of getting it through, that the state and municipal organizations would fight us on it.

I was next asked about mining and oil companies which get a percentage depletion and what revenue might be picked up there. I told them it was possible to get \$225 million a year, but we had tried to get it before and were licked by a group with the American flag wrapped around it.

Someone asked if it were within the jurisdiction of the Federal Government to levy personal property taxes. The answer, of course, was No.

- 2 -

The next question was on the possibility of limiting incomes to a certain figure. I told them how we had been voted down on it, that we were sympathetic, but there wasn't a Chinaman's chance of getting it through. I then suggested, as a practical equivalent, putting up the rates in the high brackets so no one would be able to make more than \$25,000.

There was some discussion of dividends, sales expenses, and the question of publishing salary figures, especially of getting the \$75,000 figure down to \$25,000. I advised them to go to work to get the published salary figures down to \$25,000.

I asked them how they felt about a sales tax. They gave me a copy of Phil Murray's August 17 statement opposing a sales tax on equity grounds. I called their attention to the inflationary effects of a sales tax and the administrative problems. They seemed to be particularly impressed with the administrative difficulties. We are sending them some of our material on the sales tax.

Someone brought up the subject of withholding, saying it was contributing to absenteeism because many men will not work on Saturdays when the additional pay puts them into the next withholding bracket. I said the bands were not narrow enough, but we could fix that.

The men said that in the Chicago area employers were largely responsible for employees' dissatisfaction with taxes, that employers were saying, "Uncle Sam's not going to give the money back." They were referring to overpayments through withholding. They also said some employers were using withholding as a political weapon. I have sent them some of the Treasury's explanatory material on withholding for their Union publications.

I asked them if they favored voluntary or compulsory savings. DeMaio said he thought we would do as well with voluntary bond buying. He added that many companies, however, are giving only lip service to the bond program, that employers consider it too much trouble to make the payroll deductions. Fulton warmly favored compulsory bond buying. McCarty thought it would "be bad" in packing. DeMaio then said: "We've got to know where we're coming out on taxes first."

- 3 -

The men agreed that if workers feel that the tax program is fair, they are willing to do whatever is required of them. Fulton asked how it would be if Labor said it would give up its part of the forgiveness of 1942 taxes if Capital would. I told him I thought it would be a grand stroke. I warned them not to be surprised at a proposal of a 10 percent tax on all incomes of exempt corporations. I also showed them a table illustrating where purchasing power lies.

Phil Murray, they said, was proposing a steeply graduated tax on incomes over \$3,000 with raised exemptions, which figure they admitted might be reduced to \$2,500. I told them it was difficult to get \$12 billions without reducing exemptions and pointed out that if exemptions are reduced, most of the additional burden is placed on people in the upper brackets. This idea appealed to Fulton.

DeMaio asked how far the sales tax had advanced in Congress. I told him it would become an issue shortly after September 15 and probably up to December 15.

I asked for their ideas on Social Security. DeMaio considered the Wagner bill a good one and Fulton said it meant more to the workers than anything else. They agreed that it was a good way to prevent inflation.

At this point one of the men volunteered that people "like the War Bonds. They have the same thing as money in the bank -- which they never had before."

DeMaio said the feeling is that industry cannot absorb the returning soldiers, that there will be a vast army of unemployed, and unless people put something aside there will be trouble. Bonds, he said, are insurance for the future. They will mature when the money is needed and when we have caught up on consumer production. Social Security, he added, will be an economic cushion. Anything affecting the purchase of bonds, he declared, would be "economic disaster."

In the general discussion someone volunteered that "things don't look so bad out here for the Democrats."

- 4 -

Mr. Skinner, who had to leave at this time, reiterated that he was for the Murray proposal for sharply increased income taxation over the \$2,500 or \$3,000 mark. He said it would have a bad effect on the war effort to cut lower, that a bad situation was developing because of reduced income, high prices, and taxes. He repeated that a 10 percent sales tax would have bad repercussions.

In the general discussion which followed the comment was made that the "outcome of the '44 elections hinges on taxes." The men are opposed to regressive legislation and much opposed to a tax on individual income below \$2,500. One said: "If we have it Labor can't control the situation." Another said: "If we have it people will say, 'John L. Lewis may be right!'"

They agreed that there was apathy among the manufacturers in the Chicago area who are, they said, tapering off in production and looking to peacetime conversion. Some manufacturers, they added, were employing some 500 workers less than last year.

They cited the "Victory Shift" as a way of doing away with overtime. Employers, they said, are getting away from Executive Order 9240 by employing one set of workers for 8 hours and another set for 4 hours. If the same men worked 12 hours in one plant, they would receive 4 hours overtime pay.

Mr. Fulton invited me to return to address a meeting of his delegates in September.

I asked the men to get busy on renegotiation of contracts and help prevent repeal of the law.



August 26, 1943
11:04 a.m.

155

HMJr: Hello.

Henry
Stimson: Yes.

HMJr: Henry talking.

S: Yes.

HMJr: I'm sorry to disturb you on your vacation but I'd like to tell you what I'm - want to talk to you about. Can you hear me?

S: Perfectly.

HMJr: What I'd like to do only if it's entirely agreeable to you - I'm taking it that this is not a party line - is it?

S: What?

HMJr: I'm not on a party line?

S: Oh, no - you're - you're on a public line though.

HMJr: Well, that's all right. Harry, I have come to an impasse as between Jimmy Byrnes and myself and the President is going to have to decide as between us - you see - as to authority. (Pause) Hello.

S: Yes.

HMJr: And I would like to get your advice. I'd like to lay the thing before you if you are willing that I should do that purely as between us as a personal matter. Could you....

S: Yes.

HMJr:I don't know whether you want to advise me on it or not.

S: Well, Henry, I - I'm in the service for the purpose of helping out all I can.

HMJr: Yes.

S: I - I have very - I have very great confidence - I've grown to have very great confidence in Jimmy - what I've seen of him.

HMJr: Yes.

S: You know what my feeling for you always has been.

HMJr: Yes.

S: Now that's just the situation. The - I'm awfully sorry to hear - is it - you say - is this an official disagreement?

HMJr: Yes. It's a question of whether he is over me or not - whether he can issue directives to me, you see, and it's to the - the President - I mean I'm - Byrnes has asked that he and I go to the President, you see?

S: Yes.

HMJr: Now, the position I'm taking is that he can not issue directives to me and there's the whole thing back of it, you see?

S: Yes.

HMJr: And we prepared papers on the thing - all that I'm going to give to the President - I mean - and you've seen a number of administrations and all that sort of thing.

S: Yes.

HMJr: And it isn't whether you like me more or less than Jimmy Byrnes - it's the....

S: Not a bit - I wanted you to know that I....

HMJr: Yes.

S:I like you both.

HMJr: It's what you, if you were sitting in a judicial capacity....

S: Oh, no.

HMJr: I mean how you would advise, you see?

S: Yes, I see.

HMJr: Because it may get to the point that I can't stay, you see.

S: Oh, I hope not.

HMJr: Now, if you felt that you would be willing to listen to me and advise me, I'd like to fly up there tomorrow.

S: Well, the....

HMJr: But, you can be very frank - I'm telling you this because - you just tell me how you feel.

S: Uh - the thing is - I'm thinking pretty rapidly....

HMJr: Yeah.

S:on a thing like that I ought to - I've got to get back into the atmosphere of knowing what the - I suppose it's under OWM....

HMJr: Yes.

S:What the - directives there were - the whole thing - and what the - to a certain extent I would have to have - I don't see how I could do it here alone - I mean I'd have to hear something of the other side.

HMJr: I see.

S: Don't you see what I mean?

HMJr: Yeah.

S: I mean I'd have to - if I were there in Washington it would be one thing - up here, it would be rather a different thing because I'm cut off entirely from the....

HMJr: Yeah.

S:the information that would balance the picture.

HMJr: Yeah.

S: In giving - and make my advice any good at all to you. That's the difficulty. Now, if I were down there, I would say that I think I'd gladly try to do it. I might have to let you know that I felt, after I'd gone into it a while, that I'd found something that would make it improper for me to do so.

HMJr: Yeah.

S: But I'd try anyhow. But up here I'm removed from that.

HMJr: I see.

S: Don't you see?

HMJr: Well....

S: Will it wait 'till I get back? I was hoping to stay here until the week after Labor Day.

HMJr: Yeah. Well....

S: Until after that I....

HMJr: I don't think - I don't think it will wait.

S: Well, I'm awfully sorry.

HMJr: Yeah. Well, what I'm saying to you is in the strictest confidence. (Pause) I say what I'm saying to you is in....

S: Of course.

HMJr: Yeah.

S: Of course, Oh, dear. Well, I - you put me in a position where - well, if I flew down there, it would probably take as much....

HMJr: Oh, I wouldn't ask that of you.

S: Well, I'd do it.

HMJr: No, I wouldn't ask that.

S: I could get myself in a position to do it quickly.

HMJr: No, I wouldn't - that's asking too much.

S: Well, it's - I hate to - you're sure it won't wait? I hate - I mean I can give you this advice, Henry, and get in a world of trouble by it - that is, in this present situation.

HMJr: Yeah.

S: And I have been rather happy of the fact that the President has put into the hands of a man who seems in his actions in my contacts with him to be so sensible and so conservative as Jimmy is, the job of working out solutions of the differences that have grown up.

HMJr: Yeah.

S: That's been - that's frankly been my personal equation on the solution now....

HMJr: Yeah.

S: Do you understand?

HMJr: Yeah, I'm listening very closely.

S: Yes, that's - I - I mean if it came - a rumpus which concerned me....

HMJr: Yeah.

S:and he was acting in regard to me, I should do my best to feel that - that the thing was one that I ought to yield to.

HMJr: One that you ought to yield to?

S: Yes - ought to yield to.

HMJr: Yeah.

S: That would be the way I felt about it. Of course....

HMJr: But he hasn't issued - it just - he hasn't issued any directive....

S: Yes.

HMJr:to me.

S: Yes.

HMJr: The question is whether he has a - the - whether the President intended that he should. Now, the President has never told me, you see. The President always told me to go ahead - that I'm in charge of fiscal affairs. You see?

S: Yes.

HMJr: Well....

S: I have sat in - I can tell you this....

HMJr: Yes.

S: I have sat in meetings of the OWM where other things - other matters - other persons were concerned....

HMJr: Yeah.

S:uh - I'm trying to think fast now - I don't -- I don't remember any cabinet officers but there have been men who sit around the cabinet table....

HMJr: Yeah.

S:which came - who - where - the question wasn't raised that they didn't come within the purpose of the - of the powers given to Byrnes.

HMJr: Yeah.

S: The....

HMJr: Well, they very carefully exempted Mr. Hull.

S: Yes.

HMJr: Very carefully.

S: They did?

HMJr: Well, they have in all of their statements.

S: Well, of course, Hull stands in a rather different position from all of us because he deals with affairs outside the country.

HMJr: Uh....

S: I think that is there purposely. Very likely he wouldn't - he - if he'd intended to exempt anybody else, he would have said so.

HMJr: Yeah.

S: Yes.

HMJr: Well....

S: I have sat in - I can tell you this....

HMJr: Yes.

S: I have sat in meetings of the OWM where other things - other matters - other persons were concerned....

HMJr: Yeah.

S:uh - I'm trying to think fast now - I don't -- I don't remember any cabinet officers but there have been men who sit around the cabinet table....

HMJr: Yeah.

S:which came - who - where - the question wasn't raised that they didn't come within the purpose of the - of the powers given to Byrnes.

HMJr: Yeah.

S: The....

HMJr: Well, they very carefully exempted Mr. Hull.

S: Yes.

HMJr: Very carefully.

S: They did?

HMJr: Well, they have in all of their statements.

S: Well, of course, Hull stands in a rather different position from all of us because he deals with affairs outside the country.

HMJr: Uh....

S: I think that is there purposely. Very likely he wouldn't - he - if he'd intended to exempt anybody else, he would have said so.

HMJr: Yeah.

S: But I haven't read the papers lately.

HMJr: Well, it isn't in the paper.

S: A great many things....

HMJr: No - no - this isn't a - this is a - so far it's been a very secret correspondence, you see.

S: Yes, I haven't had a - I haven't had a....

HMJr: No - no. There's nothing in the papers and there won't be anything in the papers unless it becomes a....

S: On, no, no - I meant - when I said papers I meant the documents.

HMJr: No, there's nothing, as far as I know, and he has asked to lay it all before the President with me there. Now, what I was trying to do was - what I wanted to do was, frankly, to use you as a sounding board before I saw the President.

S: Yes.

HMJr: But, I can see your....

S: Of course, I don't know what it's all about. I am speaking simply on the general....

HMJr: Yeah.

S:very general impression that I have had in regard to the....

HMJr: Yeah.

S:functions, as I have watched them, of that Board.

HMJr: Yeah.

S: I have been very happy that it was there and was going as well and was doing as much as it - these other cases - that he was doing.

HMJr: Yeah.

S: And, as I say, if it were my own case - with that - with that in mind I should go very slow before I'd tell him.

HMJr: Well, let's leave it this way. If for some other reason, you have to come back to Washington and the matter has not yet been settled, then I would like to sit down with you.

S: Well, I....

HMJr: But I think if it....

S: I'd be awfully glad to do it if I was there.

HMJr: I think between now and Labor Day it will be settled.

S: What's that?

HMJr: It will be settled before Labor Day - one way or the other.

S: I see.

HMJr: Yeah. Well, thank you. I'm sorry to have disturbed you.

S: I'm awfully sorry not to be able to do what you want.

HMJr: Well....

S: I could do it but I'm in - if you - if in spite of what I said you wanted to come, you'd be perfectly welcome.

HMJr: No. I think it....

S: I would feel very - I couldn't say anything very clear-cut.

HMJr: No. I think it would be inadvisable after talking with you and I appreciate your frankness.

S: Well, you know I'm very much surprised and very distressed with what you tell me.

HMJr: Well....

S: And I will have every hope - on, every hope in the world that it did not progress any further.

HMJr: Well, I hope so, too, but I'm not very sanguine about it.

S: Well, be awfully careful. Remember you haven't had anything issued yet.

HMJr: What's that?

S: Remember that you haven't had anything issued yet.

HMJr: No.

S:been terrible.

HMJr: Well, this has a year's background.

S: What?

HMJr: It's been brewing for over a year.

S: I didn't know that at all.

HMJr: Yeah. And every time it's come up, the President has always exempted me, you see.

S: Yes.

HMJr: Now, Jimmy has brought the thing to a head in writing.

S: Yes, I see.

HMJr: But he had always exempted me on all of these orders.

S: Yes.

HMJr: Now, what he'll do this time I don't know.

S: Well, you certainly have no reason to expect anything but thoughtfulness and kindness from him.

HMJr: From the President?

S: Yes.

HMJr: Oh, well, he has always supported me.

S: Yes.

HMJr: And he has always seemed he wanted me to carry on.

S: Yes.

HMJr: Now....

S: I've heard nothing at any time to indicate - I'll tell you this right now that I've heard nothing in regard to there being any such matter let alone hearing anything of it from Byrnes.

HMJr: Yeah.

S: I admit it has come to me as a profound shock.

HMJr: Well, he's raised it in writing and so - and then he said that now he wants to raise it with the President, which pleases me and I hope it will be settled one way or the other next week because it's a very unpleasant thing to have hanging over you.

S: Oh, yes.

HMJr: But - uh - we'll see.

S: Yes.

HMJr: Well, thank you.

S: Well, I'm very sorry, Henry.

HMJr: Okay.

S: I hope I can sometime do something.

HMJr: All right.

S: Good bye.

HMJr: Bye.

August 26, 1943
3:30 p.m.

RE: CLARIFICATION OF FISCAL AUTHORITY

Present: Mr. Bell
Mr. Gaston
Mr. Paul
Mr. Sullivan
Mr. Smith
Mr. Blough
Mr. DuBois
Mrs. Klotz

H.M.JR: The purpose of this meeting is for me to get my case together so that if by chance I should see the President over the week end I would have all my facts.

Now, let me take - I think DuBois could do this as well as anybody. I want a file put together; I will give you the things I want in it.

MR. BELL: You want to give the President a file?

H.M.JR: Yes.

MR. BELL: You want ribbon copies?

H.M.JR: That is right. Where is this letter from Morgenthau to Byrnes? You said you had a correction on that.

MR. GASTON: Mr. DuBois has it.

H.M.JR: Where is the final on that?

MR. BLOUGH: It is Roosevelt to Byrnes, isn't it?

H.M.JR: You are right. There is a difference.
(Laughter)

- 2 -

MR. DuBOIS: Here is the latest rewrite of that.
(Draft of letter from the President to Secretary Morgenthau and Mr. Byrnes handed to the Secretary, copy attached.)

H.M.JR: How many people disagree on this?

MR. PAUL: Joe showed it to me. I don't know whether the others have seen it.

MR. SMITH: Is that the one you sent to me?

MR. DuBOIS: It has been changed. Mr. Gaston changed some of the points, and it was rewritten again.

H.M.JR: Now, this is in place of those two alternative orders?

MR. DuBOIS: It depends on the strategy to be decided.

MR. SMITH: That is what we were discussing, having a letter from Roosevelt to you instead of having public orders.

MR. GASTON: My opinion is that a letter or memorandum will be better than a change in the Executive order. I think in the first place that it is much more likely to get it, and on the whole I think it would be more satisfactory.

MR. PAUL: Easier for the President to do.

MR. GASTON: That is right, and easier for Byrnes to take.

MR. SMITH: I think it is better for you than a public order, because if a public order comes out pulling some of the power away from Byrnes, the editors will all say that you are undermining the Presidential setup.

MR. GASTON: That is right; it will highlight a conflict in the Administration. I think it would be undesirable.

H.M.JR: I agree.

- 3 -

(Draft of letter read by the Secretary.)

H.M.JR: In Byrnes' letter, did he refer to this quote, "for the maintenance and stabilization of the civilian economy, and for the adjustment of such economy to war needs and conditions"?

MR. GASTON: Yes, he did.

H.M.JR: And that is part of the stabilization and not war mobilization?

MR. GASTON: That particular phrase in the order covers the functions of the Office of Economic Stabilization, which he took over, and it goes on to say here, "In these Orders both the Director of Economic Stabilization and the Office of War Mobilization were given powers to issue directives to Federal agencies and departments."

H.M.JR: Wait a minute. This particular quote - what order is that from?

MR. DuBOIS: That is in the OWM order.

The point we are trying to make is that those functions were really in OES from the beginning and are just carried out through. If it was the understanding at the time they were put in OES that they wouldn't interfere with the Treasury, that should also carry through.

MR. BELL: In other words, the Treasury was exempted from the order which had these very words in it.

MR. DuBOIS: Not those words, but the same meaning, and he carries it over to this other by the same token.

MR. GASTON: This language was a carry-over from the other order in order to include the functions of the Office of Economic Stabilization which were covered into the Office of War Mobilization.

H.M.JR: I get it. I think that is a very good letter.

- 4 -

MR. SULLIVAN: I think the first two words should be, "Need seems," instead of "needs seem to have arisen."

MR. GASTON: Yes.

H.M.JR: Any other suggestion?

MR. SULLIVAN: No, sir.

H.M.JR: Have you seen this before?

MR. SULLIVAN: Herbert showed it to me.

H.M.JR: Mr. Bell, what do you think?

MR. BELL: I think it is very good. I wonder if down here at the bottom of page two where you say, "For this reason the Director of War Mobilization should feel entirely free to make suggestions on the subjects of taxation and finance to the Secretary of the Treasury and the Secretary should correspondingly feel free to make suggestions to the Director of War Mobilization as to matters within the sphere of the Director's authority, particularly where these may have a relation to fiscal policies" - I wonder if it wouldn't be better to say, "The Secretary should feel free to make suggestions where there is a relation to the fiscal policy," and not say in other spheres?

H.M.JR: I think you are right.

MR. SULLIVAN: Yes, I think so, too.

MR. BELL: Because in the last paragraph he asks you to cooperate anyhow.

H.M.JR: I think you are right. Do you agree, Randolph?

MR. PAUL: Yes, that is all right.

MR. SMITH: Why do you have to make suggestions to him if you are running the show? You say in the first half of this paragraph that--

- 5 -

MR. GASTON: No, "where there is a relation to fiscal policies" - not on fiscal policies, but they might have some inter-relation.

MR. BELL: You might want some type of rationing which ties in with the fiscal program.

MR. GASTON: We might say, "If you do this in the rationing field we won't have to do this in the tax field."

H.M.JR: Take this OPA, this new kind of money - there is a case in point. That affects the Treasury. We don't like it. We say so. Isn't that a very good illustration?

MR. BELL: Yes.

H.M.JR: Thank you. (Laughter)

MR. SMITH: I withdraw my objection.

H.M.JR: What other suggestions?

MR. BELL: The first sentence seems to start off rather cold. How did we start the other draft, Joe? Wasn't that a better approach?

MR. DuBOIS: "At the time the order setting up the OES was issued"--

MR. PAUL: That is even more abrupt.

H.M.JR: It seems all right to me. He will give it his touch, anyway, if he does it.

MR. BELL: It sounds better to say, "There seems to be a need for clarifying"--

MR. SULLIVAN: It is a little awkward.

MR. BELL: It gets across the idea, but it does seem a little awkward. Otherwise, I think it is O.K.

- 6 -

MR. BLOUGH: In addition - I like the points made, but in addition, the sentence in the middle of page one - it is purely a question of whether it isn't awkward, "This particular responsibility covers generally the functions and responsibilities of the Office of Economic Stabilization"--

MR. GASTON: Well, you could say, "This particular provision"--

MR. BLOUGH: That would take care of that.

MR. PAUL: Change "responsibility" to "provision."

MR. BLOUGH: That is all I have.

H.M.JR: Fred?

MR. SMITH: I got a little lost in that second paragraph. I was just wrestling here with the possibility of starting out that second paragraph by saying, "In the Order of May 27 and again in the order of October 3" - and what those were for - "both the Director of Economic Stabilization and the Office of War Mobilization were given powers to issue directives to Federal agencies and departments." Then the wording of the order was such - I mean, you get so lost going down before you get to, "When I issued the order."

MR. GASTON: I am afraid you lose your case there, because the point is this: Here is the language - it traces back to the prior order. What is the history of that prior order? The history of that prior order was that the Secretary of the Treasury was specifically exempted from its provisions.

MR. PAUL: You want to tie in the statement of the President the night Herb Gaston was there on this.

MR. SMITH: I know what you are trying to do there. I just was wondering if you couldn't clarify the paragraph.

- 7 -

H.M.JR: I am going to give you (DuBois) all of this. For God's sake, don't lose it. The various drafts we went through - eventually give them all back to Mrs. Klotz.

But what I want from you is, one, I want all the papers I need to present my case to the President. Then I want another file to present to the President so he can have the proper references. They won't necessarily be the same thing, you see. I would like that in the morning, one for the President so if he says, "Henry refers to this order," what order is it? Well, the order is there. If I want to refer to Gaston's, it is there.

MR. BELL: Those Executive orders ought to be marked so as to show the Secretary which to pick up first and which second in his conversation.

MR. PAUL: They will be bound together - put them at the end probably.

H.M.JR: Have them as though you were preparing a case for a man in court. We will have a dress rehearsal.

Are you through, or do you want to make some other suggestions?

MR. SMITH: I am going to back out of that. It is too complicated. (Laughter)

H.M.JR: Gaston?

MR. GASTON: Nothing.

H.M.JR: Then the thing gets down to this: I see the President; he gets a copy of my letter to Byrnes and Byrnes' letter. He says, "What do you want?"

I will say, "This thing has to be cleared up, Mr. President. Here is a suggestion which would be agreeable to me."

- 8 -

"Have you showed it to Byrnes?"

I say, "No."

I think the rest is all right. If you get it all together, then I will go over this thing.

MR. SULLIVAN: Do you expect Byrnes and Vinson to be there?

H.M.JR: Not when I am there.

MR. SULLIVAN: I think in his letter he said he would not discuss it with the President until you were there.

MR. PAUL: Yes, he did say that.

H.M.JR: That is all right. All I came back and said was - did he say that?

MR. PAUL: Yes. You came back in your letter and said you would be very glad to have that conference which would be the one attended by the other two.

H.M.JR: You are getting too New England for me. I wasn't conscious of it.

MR. SULLIVAN: I thought I should call it to your attention.

H.M.JR: Where did he say that? Even if he said it, I wouldn't believe it. It is just a question of who gets there first. (Laughter)

MR. SMITH: That is put in there to keep you away. (Laughter)

H.M.JR: In that next to the last paragraph?

MR. BLOUGH: He didn't say, "I won't speak to him," he said, "I would not--"

- 9 -

H.M.JR: No, "In your absence I would not speak to the President about it." He meant my absence out of town.

MRS. KLOTZ: I thought that he wouldn't get in touch with the President right away.

MR. BELL: For the conference?

MRS. KLOTZ: That is right.

MR. PAUL: I think he meant that he wouldn't go and speak privately to the President, that he would speak in company of the other two.

MR. GASTON: That is the thought I originally got out of it. The wording is a little bit tricky.

H.M.JR: He says, "In your absence." He meant, "I learned you were out of town. I meant while you were out of town I wouldn't speak to the President."

MR. GASTON: That is the way you read it?

H.M.JR: I wasn't conscious of the sentence at all until Sullivan raised it.

Now, he simply said, "While you are out of town I wouldn't see him."

MR. PAUL: But you did, in your answer, express a willingness - the sooner the better - to have that conference.

H.M.JR: Did you read into that thing that I wouldn't try to see the President first alone?

MR. PAUL: At least I read this much into it, that you were agreeable to have that conference. You didn't say that you wouldn't have another conference privately with the President.

- 10 -

H.M.JR: Now, you are my counsel. That is good.
(Laughter)

MRS. KLOTZ: As a matter of fact, you are going to see the President on other matters anyway.

H.M.JR: Yes.

Let me ask you, John L. Sullivan of New Hampshire, should I try to see the President first or not?

MR. SULLIVAN: It depends on whether you ever hope to have any kind of a reconciliation with Jimmy or not.

H.M.JR: No, as a matter of tactics, should I try to get to see the President first?

MR. SULLIVAN: I think it comes right down to that. If Jimmy meant by his letter what I thought he meant and you accepted the invitation to attend that conference and then went around for a little private pre-trial, if I were Jimmy I would be very sore.

H.M.JR: That still doesn't answer my question. If you wanted to win--

MR. SULLIVAN: Sure, I want to win, but you didn't answer mine. Do you ever expect to have a reconciliation with Jimmy?

H.M.JR: Not personally. I don't care whether there are four ex-Congressmen or five or six, I can't work with those kinds of fellows, anyway.

MR. GASTON: I wouldn't rely a hundred percent on what he says in that letter. If I were contemplating that I would stay away from the President until I was able to go with Byrnes and Vinson, then I would check that understanding with Byrnes before I relied on it.

MRS. KLOTZ: I think that is true.

- 11 -

H.M.JR: Listen, I had Jimmy Byrnes - let me be serious - when Byrnes was first appointed Economic Stabilization Director, I had him over here. I said, "Jimmy, I want to work with you; I want to help you." I was never more serious in my life.

Now, if you don't know it, let Paul and Rosenman say what he did in the last days of that bill, when we were trying to get seventy-five percent increase--

MR. PAUL: We were trying to get it down below that. He had this conference with Doughton - you mean privately, with you not knowing about it except that I heard about it through other sources; he assumed the role of negotiation with the President and took over the show.

H.M.JR: Without ever saying anything.

MR. PAUL: He didn't tell you anything about it. I heard about it through Cooper.

H.M.JR: I mean, he did the typical Jimmy Byrnes thing. He ran with the ball. He said, subsequently, "I had a long conversation with the President to try to get fifty percent or more," and he negotiated - took the thing away from us and never told Paul or me. He left Paul and me completely in the air and up to that time, certainly, we had done everything - I haven't done anything to him.

Let me adjust this thing in my own conscience. Every move that has been made to make trouble between Byrnes and me has been Byrnes. I didn't make the speech on enforced savings; he did. I didn't go behind Byrnes' back on the Hill, and so forth; he did. So why should I trust the fellow? I mean, all the things - he has been the aggressor and I have been on the receiving end. And when I told him about Gaston being there, and the President saying that this didn't affect the Treasury, he said, "I wasn't at the meeting; I don't know anything about it. The President never told me."

- 12 -

MR. GASTON: He was at the White House but not at the meeting.

H.M.JR: It is this constant business - I can't work that way. If that is the way the President wants to work, that is his privilege - having people like that. I am in dead earnest, now. You may say that two wrongs don't make a right. Well, I carefully thought over whether I should try to get to the President first. I didn't know this was in the letter until you drew it to my attention. And after great consideration over the week end, and considerable discussion, I felt that I could only say to the President, on a strictly personal basis - on which I have been with him for a long time - that I could say things to him about this situation which he could think over, which I couldn't say in the presence of anybody else. And I can say those things to him and then he has to sleep on those things, and then when he sees us he can decide what he wants to do. If I put those things in front of him - it would be embarrassing.

MR. PAUL: There isn't any question but what you can have a better conference - freer--

H.M.JR: As a matter of fact, I have asked to see him. It is too late to back out.

MR. SULLIVAN: If you feel that Byrnes isn't trustworthy, if you feel that if he said this he wouldn't keep his word and would try to get his word in first, then you are perfectly justified in going ahead.

H.M.JR: I will give you another illustration. I went to see the President about this Vinson business. I saw the President after this Vinson letter when he said to me, "Henry, let me go fishing," and so forth and so on. I saw him in the morning and he said, "Now, go right ahead; nothing is changed," and all the rest of that. I can't remember exactly what he said, but everything was just as it was. I saw him by accident that evening. He said, "I want to tell you," he said, "I was talking with Jimmy Byrnes about this Vinson matter, and Jimmy Byrnes

- 13 -

says that Bob Doughton can't get along without Vinson; he has just got to have Vinson." "So," he said, "I wish you would keep that in mind. I think it would be useful."

In other words, somewhere along the line, during the day, Byrnes got to see the President. He doesn't call me up - he doesn't say anything, but he sticks a knife in me. Right?

MR. SULLIVAN: That is right.

H.M.JR: In the morning when I saw the President alone he was all right. Sometime during the day they showed him a letter - Byrnes said no - this business - "You have got to have the great Vinson on the Hill."

Now if you don't agree with me - this is awfully important--

MR. SULLIVAN: No, I think these things you tell substantially alter the situation.

MR. GASTON: At the very start of this thing, after War Mobilization was created, Byrnes didn't say to you, "I have power over taxes and finance," but that word slipped out to the newspapermen - not to one man, but the whole bunch - all at once they report on the Byrnes conference and say that it has been learned that Byrnes is now the number-one man in the tax field.

H.M.JR: I will give you another case. Byrnes calls a press conference and announces that he is going to do the spade work on an anti-inflation speech for the President, and announces that he has summoned me to this meeting.

MR. PAUL: Vinson is going to make a speech.

H.M.JR: What is that?

- 14 -

MR. PAUL: Vinson is going to make a speech. I haven't been able to find out what is in it yet, but he is going to make a speech September 16.

H.M.JR: Well, I am not going to worry any more.

MR. PAUL: It is pretty well timed.

MR. SULLIVAN: About the opening day of the hearing.

MR. PAUL: Just about - probably a little ahead.

H.M.JR: Well, if these men want to kill this drive - they can't do it.

MR. SULLIVAN: I don't think they can.

H.M.JR: I don't either. If Byrnes talks - the papers don't pay any attention to him or anybody else out of Washington any more because they are so confused they don't believe anybody. The President gets out a proclamation on the one hand; Byrnes says something on the other hand; and Vinson may say something on the other hand.

Well, I think that that letter thing is all right and we will let it go at that.

MR. BLOUGH: It is to be drawn up as a joint letter?

H.M.JR: How do you mean?

MR. BLOUGH: It says "your responsibilities."

H.M.JR: Just the way it is - a letter to Byrnes and me.

MR. BLOUGH: It will have to be in one letter with two--

H.M.JR: The President does it this way: Memorandum

- 15 -

for - Memorandum to Morgenthau - Byrnes--

MR. BLOUGH: Then it is all right.

H.M.JR: That is the way he does it.

O.K.

DRAFT OF A LETTER FROM THE PRESIDENT TO
SECRETARY MORGENTHAU AND JAMES F. BYRNES

Needs seem to have arisen for clarifying your respective responsibilities in the field of taxation and public finance.

By my Executive Order of May 27, 1943, the Office of War Mobilization was charged with responsibility for developing unified programs and establishing policies, among others, "for the maintenance and stabilization of the civilian economy, and for the adjustment of such economy to war needs and conditions." This particular responsibility covers generally the functions and responsibilities of the Office of Economic Stabilization, created by the Executive Order of October 3, 1942, whose Director was made a member of the War Mobilization Committee. In these Orders both the Director of Economic Stabilization and the Office of War Mobilization were given powers to issue directives to Federal agencies and departments.

When I issued the order establishing the Office of Economic Stabilization I made it clear that the Secretary of the Treasury remained responsible to me directly for the formulation and conduct of executive policy with respect to taxation and public finance and that this responsibility was

- 2 -

not at all affected by the terms of that order.

The order of May 27, 1943, which gave to the Director of War Mobilization broad coordinating and supervisory responsibility in the field of economic stabilization, was not intended to alter this situation. I still hold the Secretary of the Treasury responsible directly to me for the formulation of tax and other fiscal policies.

It is apparent, of course, that any program for the maintenance and stabilization of the civilian economy and for the adjustment of the economy to war needs and conditions must be closely coordinated with programs relating to taxation and public finance. For this reason the Director of War Mobilization should feel entirely free to make suggestions on the subjects of taxation and finance to the Secretary of the Treasury and the Secretary should correspondingly feel free to make suggestions to the Director of War Mobilization as to matters within the sphere of the Director's authority, particularly where these may have a relation to fiscal policies.

- 3 -

It is my earnest desire that the Secretary of the Treasury and the Office of War Mobilization shall work in close cooperation in formulating and giving effect to programs in all fields in which they may have a common interest and responsibility.

JED:nrd - 8/26/43.

183

T
R
E
A
S
U
R
Y
T
E
L
E
G
R
A
P
H
T
R
E
A
S
U
R
Y
T
G

WU51 52 DL

BALTIMORE MD AUG 26 1943 319P

1943 AUG 26 PM 4 16

HENRY MORGENTHAU JR

SEC OF US TREASURY

THE MEMBERS OF THE NATIONAL NEGRO BUSINESS LEAGUE AND CITIZENS
OF BALTIMORE ARE MOST GRATEFUL TO YOU FOR YOUR APPEARANCE LAST
NIGHT AT BETHEL CHURCH AND FOR THE GREAT MESSAGE WHICH YOU
DELIVERED IT WILL SERVE AS A STIMULUS TO THE NEGRO CITIZENRY
THROUGHOUT AMERICA IN THE FURTHERENCE OF THE BOND CAMPAIGN

WILLARD W ALLEN GENERAL CHAIRMAN

415P

AUG 26 1943

My dear Mr. Secretary:

I appreciate very much your good letter of August 19, in reply to my letter of July 14, in which I asked whether arrangements could be made for the designation of an American citizen on the staffs of the various embassies, legations, and foreign missions, who would undertake to stimulate interest of American citizens employed by such embassies, legations, and foreign missions, in the Treasury's Third War Loan Drive.

In line with the suggestions contained in your letter, I would appreciate it very much if you would address an appropriate letter to the ambassadors and ministers of the United Nations and of the American Republics which have severed diplomatic relations with the Axis.

It would be helpful if you could procure the name and address of the person designated and also if arrangements could be made for furnishing the Treasury with information concerning the number and amount of bonds sold during the drive, which will commence on September 9 and close about October 1.

The Treasury Department would be glad to provide promotional literature and such assistance as may be desired, including facilities for prompt issuance of the bonds.

Very sincerely yours,
(Signed) H. Mergenthal, Jr.

Secretary of the Treasury

Honorable Cordell Hull
Secretary of State
Washington, D. C.

By Messenger *18-557m*
7/27

KFB:alt:cal
8/24/43

DEPARTMENT OF STATE
WASHINGTON

In reply refer to
A-1

August 19, 1943

My dear Mr. Secretary:

I have received your letter of July 14, 1943 with which was enclosed a copy of a draft letter to the British Ambassador concerning the possibility of the appointment of an American citizen on his staff to serve in connection with the sale of war bonds to other Americans engaged by the British Government in the United States.

While it would be contrary to established practice to send the proposed communication directly to Chiefs of Missions of the resident Diplomatic Corps, if it is your considered opinion that the approach you suggest would be productive of favorable results, the Department is prepared to transmit your request to the ambassadors and ministers of the United Nations and of the American Republics which have severed diplomatic relations with the Axis, omitting the representatives of neutral and other powers.

Sincerely yours,



The Honorable
Henry Morgenthau, Jr.,
Secretary of the Treasury.

AUG 26 1943

My dear Frank:

I appreciate your letter of August 18, 1943, in reply to my letter of the same date regarding the sale of war bonds to Government employees during the Third War Loan Drive.

I quite agree with you that our men in uniform are making greater sacrifices than any other class of our citizens, and that under no circumstances should we use undue methods of persuasion. As you say, despite the fact that the Navy has not put any pressure on its enlisted men and officers, they have gladly and willingly purchased large amounts of bonds and no doubt will do their proper share in the Third War Loan Drive to raise 15 billions of dollars for the war effort.

The principal purpose of my letter of August 18 was to acquaint you with the uniform basis upon which quotas were established for civilian personnel and to ask if you would be good enough to see that the matter is given proper attention by the bond officers of the Navy Department.

Sincerely yours,

(Signed) Henry

Secretary of the Treasury

Honorable Frank Knox
Secretary of the Navy
Washington, D. C.

EFBartelt:gg
8/24/43

By Messenger *Handwritten: 7/67*

THE SECRETARY OF THE NAVY

WASHINGTON

August 18, 1943

Dear Henry:

I have just carefully read your letter of August 18. I appreciate the staggering proportions of the job you have before you, and I want to do all I can to help. Personally I don't feel that I have sufficient knowledge to be able to assure you that we can meet your wishes fully, but I am referring your letter to Captain Eubank for careful analysis and reply to me on the feasibility of what you propose. When I have heard from him, I shall write you fully.

There is one phase of your letter, however, that I do feel competent to discuss and that is putting the pressure on the uniformed personnel to buy extra bonds. I have very deep feeling on this score that the men in uniform are making greater sacrifices than any other class of our citizens. Because this is so, I have given instructions, and I think they have been pretty carefully followed, that an opportunity must be provided for every member of the Naval service to purchase bonds out of his pay, but that under no circumstances is any heat to be applied. What with family allotments and other drains made upon the enlisted men, they haven't very much of their pay left anyway, and I feel that this rule to which I have just referred is just and fair.

Despite the fact that we have not put any pressure on our enlisted men and officers they have gladly and willingly taken on the purchase of a very large amount of bonds, and I have no doubt they will do their proper share in the impending effort to raise 15 billion dollars for the war effort.

After I have heard from Captain Eubank, I shall write you the kind of letter you may want to use in your publicity.

Yours sincerely,

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

Frank Knox

OFFICE OF PRICE ADMINISTRATION
WASHINGTON, D. C.

AMC

My dear Mr. Secretary:

Your letter of July 29, in which you discuss our present method of rationing foods to restaurants and hotels, has been turned over to me in Mr. Brown's absence.

I fully concur in your view that rationing should be performed in such a manner that inequities due to inequalities of income will not result. Accordingly, in formulating the regulations (General Ration Order 5) dealing with food rationing for institutional users, our primary objective was to achieve an equitable distribution of scarce commodities to consumers who patronize public eating establishments, regardless of the financial position either of the consumer or the establishment involved.

I am familiar with the situation which you describe and I recognize the merit of your proposal to achieve a more uniform and rigid system for distributing rationed foods to public eating establishments. However, before discussing your suggestions in detail, I would like to take the liberty of sketching for you the basic objectives underlying our present program, as well as some of the details of that program. I believe that such a discussion will show that our aim in preparing the program coincides with the one expressed in your letter. It will also provide a background for a discussion of your proposals for improving the program.

In rationing foods to public eating establishments, we recognize the paramount requirement that while scarce foods are being rationed, the amount of those foods served to patrons of public eating establishments must be limited to a point which would permit the service of an adequate meal without being out of proportion to foods available to other consumers.

In general our regulations are designed to provide consumers who eat all of their meals in restaurants with approximately the same quantities of rationed food which are available to consumers who eat all of their meals at home. As a corollary, we do not make rationed foods available in sufficient quantities to maintain the large servings which have been customary in so-called luxury eating establishments. Under our program restaurants and hotels receive allotments of rationed foods which will permit the service of meals on a utilitarian basis.



In order to achieve this objective the order provides for the computation of allotment on the basis of a percentage of use of rationed food during a base period (normally December 1942) but establishes a fixed ceiling upon the amounts of rationed foods which are allowed per person served by the institutional user. In the case of meat, at the present time the ceiling used in determining allotments is approximately 2 oz. of meat per person served. Accordingly, an institutional user whose allotments are determined by the ceiling must serve the majority of his patrons non-rationed foods in order to serve a reasonably adequate portion of meats to the balance. Thus, if a six ounce portion of meat is served in each meat order, meat may be served to only one out of every three patrons.

This description of our present program, though considerably oversimplified, will indicate that from the point of view of rationing, our present technique is appropriate to achieve our objective. The effect of the program is to equalize the opportunity of consumers, regardless of their income group, to obtain rationed foods in public eating establishments. I know that certain hotels and restaurants appear to have more than their share of choice cuts of meat. To the extent that this is traceable to inequities in our rationing regulations, a revision is in preparation which will eliminate those inequities. Where this condition results from black market operations, our limited staff of investigators and enforcement attorneys exercise vigilance to detect and eradicate such practices. I do not believe that the situation is caused by the existing price differential in favor of suppliers who deal with such establishments. That differential is intended to compensate the hotel supplier for the cost of various special services such as selection, fabrication, and delivery which such suppliers perform for purveyors of meals. A price differential still exists, but the 20% markup no longer applies since the establishment of dollars and cents ceilings which more accurately reflect this cost differential.

In all fairness, I must admit that we have not been entirely satisfied with the method in which the rationing program operates in the institutional field and that, since its inception, we have been studying various proposals to improve the program. The revision of the program which I mentioned, and which should be ready for issuance in the near future, should eliminate many of the difficulties which we have encountered. As to your proposal that we collect stamps for restaurant meals, we have studied the possibility of doing so for some time and have found that it was not administratively feasible. You know from our past record that we are not deterred from taking any required action by mere complexity of administration.

-3-

However, we do not have available at the present time, either the material or facilities necessary to efficiently administer such a program. Moreover, we have not as yet worked out many of the substantive problems involved in such a system. For instance, you can appreciate the problems involved in defining a rationing "rate of exchange" for coupons which will be used to acquire anything from a hamburger to a seven-course steak dinner.

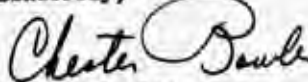
At the present time there is a need for restaurants and public eating establishments which are expanding their activities to serve an increasing segment of our population. Rationed food should be made available to cover requirements of the persons who must eat in such establishments. To reduce the proportion of the available supply of meat which is allocated to hotels and restaurants would deprive consumers who must eat there of their fair share of this commodity.

You mentioned the fact that there are not enough hotels and restaurants to feed industrial and white collar workers at prices which they are fully able to pay. We are fully cognizant of that situation. Together with the representatives of the Department of Agriculture and the War Production Board, our office has devoted considerable time and energy to the establishment of in-plant feeding facilities which will provide a nutritious and moderately priced meal for workers to be served to them at their place of employment. This will enable low income groups to supplement their allotments of rationed foods at prices within their range, in the same way that the high income groups supplement their rations by dining in hotels and restaurants.

Your suggestion that hotels and restaurants charging more than a specified price for portions of meat should be deprived of choice cuts, would introduce new inequities, since it would discriminate against persons who can afford to dine in higher priced establishments.

While I realize that you did not advocate any particular suggestion I trust that my discussion of your proposals will serve to acquaint you with some of the problems we encountered in considering them. We are both interested in attaining the same objective. As I indicated, we have been and are constantly studying this program and I can assure you that as we develop techniques which can be used to further the objectives of that program they will be utilized. May I express my appreciation for the interest you have shown in this, which is one of the most serious and difficult problems we have encountered in food rationing.

Sincerely,



Chester Bowles
Acting Administrator

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

Treasury Department
Division of Monetary Research

191

Date.....8/26..... 1943

To: Secretary Morgenthau

From: Mr. White

Mr. McCloy may phone you today or tomorrow concerning the Four Freedoms on the Allied Military currency. In the event that he does, the attached memorandum may be helpful.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 26, 1943

TO Secretary Morgenthau

FROM Mr. White

At the meeting of the Army Civil Affairs Committee (the Committee which General Hildring mentioned on which he said that the Treasury is represented and in which he said the Treasury views would be decisive) the question of printing the Four Freedoms on the Allied Military currency to be used in the next operations was raised.

Mr. McCloy stated that the British are still objecting to its appearance and wished it removed. Mr. McCloy said that since the British wanted it off he did not feel that the Committee should oppose the British. Mr. McCloy stated that in view of the fact that it was your suggestion and your decision to have it on, he wished to speak to you personally about the matter before taking any final action.

We have no evidence whatsoever that there has been any unfavorable reaction in Sicily on the part either of the Allied troops or of the local population to the statement of the Four Freedoms. We have received information that the currency was well received by the local population.

Furthermore, the statement in the President's speech of August 25 in which he refers to the scoffers of the Four Freedoms might be relevant to this problem.

Unless the British are prepared to offer evidence that supports their contention that the psychological effect was unfortunate, all of the Treasury people -- Mr. Bell, the Legal Division, Foreign Funds Control, and my Division -- are in favor of continuing to print the currency with the Four Freedoms on it.

M

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRET
U.S. SECRETOPTEL NO. 281

Information received up to 10 a.m., 26th August, 1943.

1. NAVAL

HOME WATERS 25th. Two M.T.B.'s slightly damaged in engagement with enemy trawler and two large escort ships off Dutch Coast.

BAY OF BISCAY. 25th. Two support groups were attacked by enemy bombers off CAPE ORTEGAL. One Sloop slightly damaged.

2. AIR OPERATIONS

WESTERN FRONT. 25th. Escorted medium and light bombers dropped 83 tons on 3 airfields in Northern FRANCE and 28 tons on transformer station at ROUEN. Casualties in these and other operations, - Enemy - 2.0.0. Ours 7.0.0.

25th/26th. Aircraft despatched: Sea-mining - 42, BERLIN - 6, Leaflets - 7 (1 missing), Intruders - 24.

ITALY. 23rd/24th. Wellingtons dropped 150 tons on BACN I Railway Centre (NAPLES).

24th. 72 Fighter bombers attacked railway centres at SAPRI, CASTROVILLARI (30 miles Southeast of SAPRI) and SIBARI (65 miles Southeast of TARANTO). Off SAPRI 2 hits on enemy cruiser which was set on fire and off CIVITAVECCHIA, schooner left sinking.

BURMA. 23rd. Targets in the MANDALAY Area attacked by 32 heavy and medium bombers. 24 Fighter bombers sank 13 River Craft and damaged others on IRRRAWADDY. Liberators attacked shipping off NICOBAR ISLANDS, leaving a 350 ton ship on fire.

August 27, 1943
9:49 a.m.

HMJr: Hello.

Operator: General Meyers.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Bennett E.

Meyers: Good morning, Mr. Morgenthau.

HMJr: Hello, General. Look, I got a letter from Lawrence A. Appley.

M: Yes.

HMJr: He gives me three pages but when it's all down to one paragraph in which he says, "In view of the critical situation we do not feel it necessary at this time to stay the induction of further men into military service from these two companies as we have done on the Pacific Coast. We are watching it continually and if it becomes necessary, it can be done."

M: Uh huh.

HMJr: Now, that's....

M: That's what it boils down to?

HMJr: That's what it boils down to.

M: Uh huh.

HMJr: And there's a lot of harangue in it. I don't know whether you'd like to see it or not.

M: Yes, I would. Would you mind sending it over?

HMJr: I'll send you over a copy of it.

M: A copy of it.

HMJr: And it's pretty much of an - an alibi letter.

M: Yeah.

HMJr: Because it would - I mean I - if I - uh - was trying to get help - I mean I wouldn't be satisfied with this letter.

M: Yeah.

HMJr: I just think it's a stall.

M: Yeah. Well, let me take a look at it here and....

HMJr: I'll do that.

M: All right, sir.

HMJr: Thank you.

August 27, 1943

My dear General Meyers:

I am enclosing herewith copy
of a letter from L. A. Appley, which
speaks for itself.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Brigadier General Bennett E.
Meyers,
Army Air Forces,
Room 4C-870,
Pentagon Building,
Washington, D.C.

*By [unclear] Secretary 3:00 p.m.
encl: 1 - total of 8/24/43*

OFFICE FOR EMERGENCY MANAGEMENT
WAR MANPOWER COMMISSION

WASHINGTON, D. C.

August 24, 1943

Chairman

PAUL V. McNUTT

FEDERAL SECURITY ADMINISTRATOR

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

My dear Mr. Secretary:

Last week you very kindly called me about manpower conditions as you found them during your recent visit to Bell Aircraft and Curtiss-Wright in Buffalo. You expressed particular concern about Selective Service withdrawals and about a lack of cooperation of the United States Employment Service on recruiting activities outside Buffalo and particularly in New York City. Since that time I have been trying to gather the facts on the case and report back as agreed.

The first point I would like to make is that we are constantly in touch with this situation and have been for some time. Buffalo happens to be one of our most critical areas of manpower shortage. We have been working very closely with both companies and are considering doing whatever is possible to relieve the situation.

Certain facts that we have found are being given to you as follows:

1. The Labor Priority Committee in Buffalo, which is made up of representatives of the War Production Board and the Procurement agencies, do not have either of these companies on their priority list for labor which indicates that the Procurement agencies who are closely in touch with the local situation have information that justifies this action.
2. When queried on the afternoon of August 19 both companies expressed themselves as feeling they need every single man in the plant and that they should not be disturbed by Selective Service. This statement lost some of its force in view of the fact that Curtiss-Wright has not requested a new replacement schedule and that Bell Aircraft, which is now negotiating a new one, is providing for the release of certain men. The replacement schedules are the medium by which we get from the employer his estimate of what he can supply the military forces in terms of manpower.



- 2 -

The Honorable
The Secretary of the Treasury

August 24, 1943

3. Many of the local draft board members are employed in these plants. There is a general feeling among those who have studied the utilization of manpower at Bell Aircraft that they have more men than they need.

Recently the Army requested release to them of engineers from the Bell Aircraft, who were deferred for over twelve months, as civilians and they were released to the Army by Bell Aircraft. The practice was stopped when Colonel Boughton queried why, if they could be released for civilian duty in the Army, they could not be released for military.

Curtiss-Wright was recently queried as to whether it cared to revise its replacement schedule and replied that they were getting along all right and preferred to wait until October.

4. Turnover figures for other reasons than loss to the military services are interesting when compared to what these companies have supplied to the military forces. From February 1943 to August 1943 Bell Aircraft lost 12,104 for other reasons than military service. During the same period, 1,653 entered the service.

From August 1942 to August 1943 Curtiss-Wright lost 25,527 for reasons other than military service while 7,646 went into military service. Of this latter number 2,400 volunteered.

This is an attempt to give you an accurate picture of the situation which might be summarized as follows. The first is that we are endeavoring to do everything possible from both a civilian and military angle to help these companies. The local people dealing with these companies, including the Procurement agencies involved, have a definite feeling that these companies both have more men than they need. They have not expressed their concern over military withdrawals in connection with their replacement schedules to which they have agreed or for which they feel there is no need for renegotiation.

In view of the critical situation, we do not feel it necessary at this time to stay the induction of further men into the military services from these two companies as we have done on the Pacific coast. We are watching it continually, and if this becomes necessary, it can be done.

- 3 -

The Honorable
The Secretary of the Treasury

August 24, 1943

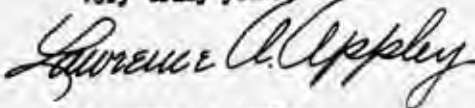
Just a few words in regard to United States Employment Service cooperation in Buffalo as well as recruiting centers such as New York. It appears from the report that we have that the New York organization was very much concerned about the type of effort that Bell Aircraft was putting forth in New York City. They have a low starting rate of 65¢ an hour which is a great handicap and for that reason more intensive recruiting was necessary than they put on. We have evidence that this matter was taken up with Bell Aircraft and they did not take as aggressive measures to attract people in New York as they should. I am convinced that there was no discrimination by the United States Employment Service against Bell Aircraft as such in its recruiting activities.

The Bell Aircraft particularly has referred to certain people leaving their employment with that company without any control by the company or by the United States Employment Service. We have asked for specific names of the employees to which such reference has been made. We have investigated many of the 162 names given to us and have found that many of them are still on the Bell Aircraft pay roll, that others were discharged for cause, and that some were drafted. There have been some cases of people being given statements of availability by the United States Employment Service because their skills were not fully utilized by Bell Aircraft.

Companies of this size have a terrific problem. We are endeavoring our best to help. There are bound to be mistakes on both sides. We are very sympathetic with the problems that such organizations have in keeping track of their pay rolls, in controlling discharges and interdepartmental transfers, and in bringing about orderly withdrawals for the military services. We shall continue to be of the greatest possible assistance. This should not be interpreted in any way as a criticism of either of these companies but a simple statement of fact of conditions which we are endeavoring to meet.

Thank you again for your interest in this matter and if you wish further information do not hesitate to call upon us.

Very truly yours,



Lawrence A. Appley
Deputy Chairman and Executive Director

August 27, 1943
9:55 a.m.

HMJr: Hello.

John A.
Rogers: This is Colonel Rogers.

HMJr: This is Morgenthau speaking.

R: Yes, sir.

HMJr: Colonel, I have your letter of the 20th in regard to this five-day treatment of syphilis at Fort Bragg.

R: Yes, sir.

HMJr: I wondered if I couldn't have somebody explain it to me further because the letter is rather short and it doesn't explain much of the background to me.

R: All right, sir. Well, that will be Colonel Turner.

HMJr: Colonel....

R: Turner.

HMJr: Turner.

R: And if you would like, I'll have him get in touch with you.

HMJr: Well, I wondered if - I'm cleaning up my desk today - Could I tell you - Colonel Turner....

R: Yes, sir.

HMJr: He knows all about this?

R: Yes, sir. He knows all about it.

HMJr: Well, could he be here at - say three o'clock Tuesday?

R: At three o'clock Tuesday?

HMJr: Yes.

R: Yes, sir, I'll have him come over there.

HMJr: And, he's - he's watching this?

- 2 -

R: Yes, he is. He's in charge of it in this office,
Mr. Morgen....

HMJr: Thank you very much.

R: Yes, sir, I'll have him over there.

HMJr: Thank you.

R: You're welcome.

202

HAROLD THOMAS HYMAN, M.D.
840 PARK AVENUE
NEW YORK CITY

August 27th, 1943.

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

My dear Henry:

Without any trimmings, let me plunge into this anticipated meeting of yours with Col. Turner.

Col. Turner, as you will see, is an awfully nice chap. He was trained by Dr. Moore and he, like all the other venereal disease appointees in the Army, Navy and United States Public Health Service, is one of Moore's boys.

Please don't think me paranoid about this, but Dr. Moore is known throughout the scientific world as "Major General Syphilis", and he controls this aspect of American medicine in much the same way that many other politicians control many other aspects of National life.

It is, unfortunately, true that one must understand Dr. Moore in order to tackle this problem. In the first place, he is a very fine man. He is the author of the best book on syphilis that has ever been written. He is an excellent teacher. He has done fundamental research on syphilis. He has spent his life in doing everything possible to further the efforts at the treatment and eradication of this disease. He was the moving spirit in what was called the Co-Operative Clinical Group, which worked out the standard treatment of syphilis before we got into the field. He is the Chairman of the Subcommittee on Venereal Diseases of the National Research Council.

This Committee has always been a, more or less, one man affair and this, like the Cooperative Clinical Group, was simply Moore & Co. When anybody wanted to make a university or a hospital appointment in venereal disease, they applied to Dr. Moore. When anybody wanted to study the problem, they went to Dr. Moore.

Unfortunately for us and for our Country just now, Dr. Moore, for personal reasons that are easily understood, has not been able to permit outsiders like me, untrained in his field, to come in and abruptly alter the entire structure of his work of a life-time. As he told some of his intimates, "we were taking the cream off his bottle".

In consequence of this, he has fought us everywhere,

August 27th, 1943.

203

fairly and unfairly, and has held up this work for more than ten years. He prevented us from getting funds from the Millbank Foundation. He asserted the work "was not scientific". He said our results were no better than his, and then had to admit that he did not know what his results were. He said our toxicity was excessive: at one time saying, in print, that we had 15,000 times his toxicity and then, under pressure, had to reduce that figure to 60 times, which is equally untrue.

When we fought him through the Sub-Committee of the Council, he got himself attached to the Secretary of War and, I think, the present difficulty is merely that he is carrying out his same tactics under a little bit broader auspices.

Col. Turner's dilemma is, at the present time, very great. As I said, you will find him a fine chap who is not overly aggressive or strong. He owes his appointment to Dr. Moore and he is loyal to his chief, as might be expected. His difficulty arises from the fact that pressure has been made on him by the line officers in the following manner:-

It is the Army rule that no man with a positive Wassermann can fly a plane.

It is the Navy rule that no man with syphilis can ever fly a plane.

One of the difficulties that General Eisenhower had in North Africa arose from the syphilis problem, because the grounding of one member of a trained crew, because of syphilis, meant the grounding of three other Wassermann-negative individuals.

With the methods of treatment, then approved by the Army, the Wassermans did not become negative for many months and the whole thing was a damn mess.

I believe, though I cannot prove it, that General Eisenhower communicated this to General Sommervel and that General Sommervel then sent for Col. Turner to find out the status of intensive treatment and get some action. At any rate, Dr. Moore was forced to call a Meeting of his Committee, and I was asked to attend.

On arrival at this Meeting, instead of the usual hostility, I was warmly greeted and, to make a long story short, Dr. Moore and his Committee agreed to sanction the use of intensive treatment by the five day method under certain clearly defined circumstances such as trained personnel, a fully equipped hospital, Army expediency, etc. It was not approved for routine use nor did we, ourselves, fight for that or expect that, at the time.

At this Meeting, a very curious thing occurred which must have greatly disturbed Col. Turner. In order that there should be no more squabbling about records and to prevent Dr. Moore from continuing to publish (in the journals which he controls) blasts concerning the toxicity of our method, I moved, without any preliminary explanation, that we should attempt to get the United States Public Health Service to keep all of the records of five day treatment. That was a very natural move, since they

August 27th, 1945.

204

have been doing that now for almost five years and they have several thousand records. Their statistician, Miss Lida Usilton, is acknowledged to be the foremost authority on syphilis statistics in the World. My motion was, therefore, natural and quite in order. Dr. Moore, as Chairman, tried to pass the thing off and shelve the matter when, to everybody's great amazement, Col. Turner came to my assistance and influenced the rest of the group to favor the motion, which was then passed.

Needless to say, this created quite a stir and was a very fine thing for Col. Turner to do.

It was agreed at that Meeting, and this was told me by Col. Turner himself, that a vast project would be set up in North Africa where there was a real need for action; that Capt. Leifer would go as Chief and would be promoted from a Captaincy to a Majority. Everybody parted on the very best of terms.

What has happened since is the following:

1. Capt. Leifer has been transferred from Indiana to Fort Bragg.
2. Instead of being given a large project, he has treated only twenty-odd patients in many weeks.
3. Instead of being given a Staff, he has to do all the work alone.
4. No mention has been made of promotion.
5. The work is being carried on as though it were something entirely new, instead of being ten years old.
6. They are now approaching this problem, tentatively and experimentally, as we did in the early 1930's. At the rate they are going, the War will be over and we will be all ready for the next War by the time they have information enough on which to act.

Now what has happened between the Washington Meeting and the present day, I do not know other than the fact that Dr. Moore got himself appointed to a Consultancy in the Office of the Secretary of War, in addition to the Council Chairmanship. Certainly the situation relative to the Forces has not been ameliorated for the line officers and cannot be under the present circumstances.

No one of us is fighting for anything personal or selfish in this matter. We want five day treatment in Africa so that the aviators, particularly, and other key men will suffer minimal inconvenience because of their infection and be returned to full duty, without interruption, in the shortest possible time.

To accomplish this, the War Department must expect that there will probably be one treatment death per three hundred or four hundred patients. This risk we acknowledge, but the important thing is that nobody

Page No. 4
Mr. Henry Morgenthau, Jr.
The Secretary of the Treasury

August 27th, 1945.

else will suffer from any present or later disability at any time.

One of Dr. Moore's many devices for blocking us has been to attempt compromise plans such as six weeks -- eight weeks -- ten weeks -- and ten days. They have also tried fever, but the last of these has a very serious risk far beyond ours and the others are untried with early results that are not nearly as good. Furthermore, as Col. Turner stated at the Washington Meeting, the line officers want five days and nothing else. Six weeks -- eight weeks -- and ten weeks are just as much a bother to them as the old routine.

I did not mean for this letter to be so long, but it is really only a small part of a ten year War, whose bare details would take the space of a couple of telephone books.

Thanks for helping. If nothing else transpires, I am sure you will enjoy meeting Col. Turner.

With my kindest regards,

Ever sincerely,

Harold

Harold Thomas Hyman, M.D.

H
T
H
:
C
B

Mr. Randolph Paul.

August 27, 1943

The Secretary.

I read your memo of August 25th on your meeting with Mr. Luhrsen, and your memo of August 26th where you met with the C.I.O. representatives in Chicago. I found both of these memoranda very interesting and I think the meetings you had were distinctly worthwhile. I hope you will have more of a similar nature.

I want to continue our exploration of the idea which I gave Roy Blough on Monday of weaving social security into our tax program. Just as soon as it is ready I want to go into it fully.

Finished -

TREASURY DEPARTMENT *ATA*

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau
FROM Randolph Paul

AUG 27 1945

Re: Dismissal Compensation

The President recently asked Walter Reuther, Vice President and Director of the General Motors Department of the Automobile Workers' Union, to ask me whether it would be permissible, under existing tax laws, for the General Motors Corporation to establish a trust fund to provide dismissal compensation for employees in the postwar period. Mr. Reuther said the President thought this might be a way "to get equity into the wage picture" without destroying the wage formula, and seemed desirous of accomplishing the objective without new legislation, if possible.

We gave Mr. Reuther a tentative opinion that something may be done under Section 165, and we are getting up a more extended statement of the law and legal possibilities. We are going into both the legal and practical aspects of the question, that is, whether such a profit-sharing trust is permissible under existing income tax laws, and whether the trust mechanism is feasible for this purpose. Of course this method must also be checked against present wage and salary regulations. The whole question promises to be an important postwar issue. As the President has surmised, it may be possible to work out something under existing legislation.

Present pension trust provisions provide for the establishment of profit-sharing plans under which the employer's contribution is immediately deductible for income tax purposes, but the benefits are not taxed to the employee until he actually receives them. Under these provisions employers could establish profit-sharing trusts and pay into them a yearly amount not exceeding 15 per cent of their payrolls. We are now looking into a method whereby the trusts would provide that these funds be paid to those employees who were dismissed at the end of the war, the payments to be made for a stipulated number of weeks or months depending upon the amount of money in the trust.

I want to keep you up to date on this matter because the President may mention it to you.

[Signature]

Wagner Bill in brief

1. Old-age and survivors insurance

- a. Coverage is greatly broadened to include agricultural labor, domestic service, employees of non-profit organizations, and self-employed, with voluntary coverage for state and local employees.
- b. Benefits are increased; the minimum is raised from \$10 to \$20 and the maximum from \$85 to \$120 per month.
- c. Eligibility age for women is decreased to 60 years.

2. Permanent disability

Permanent disability benefits equal to old-age insurance benefits are added to the system.

3. Unemployment insurance

- a. Administration is to be by Federal Government on a national scale instead of on a state by state basis by state administrations.
- b. Coverage is greatly broadened to include practically all groups to be covered under old-age and survivors insurance except self-employed.
- c. Duration of benefits is set at 26 weeks; at present it varies widely from state to state and is in general much lower (perhaps averaging 16 weeks or less).
- d. Benefits are set at 50 percent of the first \$12 of weekly wage, plus 25 percent of the balance; at present they vary widely from state to state, most states setting a maximum of \$15, others ranging up to \$30.

- 2 -

4. Temporary disability

Temporary disability through illness or injury is covered with the same benefits as unemployment. Women workers get additional maternity leave.

5. Medical care and hospital benefits

- a. Administration is by Surgeon General and Social Security Board.
- b. Coverage is same as old-age and survivors insurance.
- c. Benefits include medical and hospital benefits.

6. Social insurance contributions

- a. Administration: Collection is by Social Security Board instead of Bureau of Internal Revenue; administration of funds is by a Board of Trustees.
- b. Contributions are 6 percent of payroll on employers and 5 percent on employees as compared to existing rates of 4 percent (5 percent in 1944) on employers and 1 percent (2 percent in 1944) on employees. Self-employed contribute 7 percent of the market value of their services up to \$3,000.
- c. Estimated total yield is estimated at \$9.23 billion at existing income levels, an increase of \$6.38 billion over present rates and \$5.71 billion over 1944 rates. Of the \$5.71 billion, about \$3.5 billion would come from employees.

7. Persons engaged in military service

- a. Wage credits are granted for military service, the resulting costs being borne by Federal Government from general revenue.
- b. Unemployment compensation is allowed at the termination of military service the same as if unemployed after other employment.

- 3 -

8. Merit rating

- a. Merit rating is discontinued. Under the present system, the existing rate of 4 percent (5 percent in 1941) on employers, noted in 6(b) above, does not apply in every state. In some states the rate is considerably lower; the employer is allowed a low rate for the unemployment compensation tax if employment experience has been favorable.

9. Public assistance

- a. Grants to states are made for all types of assistance to needy individuals, not merely aged, blind, and dependent children. Grants vary between 50 percent and 75 percent of expenditure, according to States' per capita incomes, the remaining 25 to 50 percent to be met by the States.
- RB

August 27, 1943

Comparison of the Wagner Bill (S.1161, 78th Congress, 1st session)
with present Social Security provisions

Wagner Bill

Present
Social Security provisions

1. Old-age and survivors insurance

Administration

Contributions collected by the Social Security Board or such agency as the Board may designate and benefits administered by the Social Security Board. 1/

Contributions collected by the Bureau of Internal Revenue and paid into Treasury as internal revenue collections. 1/ Eligibility of individuals for benefits determined by the Social Security Board and claims certified to the Treasury for payment.

Coverage

Coverage is the same with the following exceptions:

Includes:

Agricultural labor, domestic service, employees of non-profit institutions (except ministers and members of religious orders), self-employed (farmers, professional people, small businessmen).

Excludes:

Agricultural labor, domestic service, employees of non-profit institutions, self-employed.

Excludes:

Employees of U.S. Government or any instrumentality of U.S. (except hourly employees of TVA).

Employees of U.S. or any instrumentality of U.S.

State and local employees covered by existing pension systems. Employees not covered under such systems may be covered by a voluntary compact between Social Security Board and State or local governmental unit.

State and local employees.

1/ See section (7) of this table for rate of contributions and administration of trust funds.

- 2 -

Wagner BillPresent
Social Security provisionsBenefits

Primary benefit (monthly old-age benefit of single worker)
based on prior wages and years of employment: 1/

Maximum \$120 or 80% of
average monthly
wage, whichever
is less

Maximum \$85 or 80% of average
monthly wage, whichever
is less

Minimum \$20

Minimum \$10

Eligibility age

Women workers eligible for
benefits at 60 years; men
at 65 years.

Workers eligible for benefits at
65 years.

2. Permanent disability insurance

Coverage and benefits

The old-age and survivors insurance system is extended to include monthly cash benefits where the insured worker is permanently disabled before retirement age. These benefits are equal to those paid under old-age insurance and in the same way are increased for the worker who has dependent wife, children, or parents.

The Social Security Act contains no provision for permanent disability insurance. Under some of the State workmen's compensation laws life benefits are paid for permanent disability. 2/

1/ Under both the present Social Security Act and the Wagner Bill a dependent wife, child or parent receives benefits equalling 50 percent of the primary benefit and a widow receives 75 percent of the primary benefit. Upon the death of an insured worker a lump-sum payment is made to the surviving spouse equal to six times the monthly primary benefit of the worker.

2/ All of the States (with the exception of Mississippi) have workmen's compensation laws under which cash compensation and medical treatment are provided to workers suffering from injury or occupational diseases arising out of the course of their employment. Coverage varies from State to State and no State law covers all employments. Some apply only to employees engaged in hazardous employment.

In almost all States the cost of compensation is borne entirely by employers. In 8 States employers must insure in a State fund. In 11 States employers may choose between the State fund, private insurance or self-insurance. Elsewhere insurance is written only on a private basis.

- 3 -

Wagner BillPresent
Social Security provisions3. Unemployment insuranceAdministration

Federal unemployment insurance system administered by Social Security Board.

Unemployment compensation programs are State-administered, but the Social Security Board requires compliance with certain standards. 1/

Coverage

Coverage is the same as under Federal old-age, survivors, and permanent disability insurance.

Coverage under Federal law is substantially similar to that of old-age and survivors insurance except that seamen and employees of small establishments (employers of less than 8) are excluded. 2/

Duration of benefits

26 weeks. If funds available in separate account for unemployment benefits adequate, duration may be extended to 52 weeks.

Varies from State to State. 3/

- 1/ Both the State and Federal governments levy taxes on payrolls of employers but the Federal Government permits the employer to credit up to 90 percent of the tax paid to the States. From that part of the payroll tax which it retains the Federal Government makes grants to the States for unemployment compensation administration. Eligibility for grants and for employer credit against the Federal tax requires certification by the Social Security Board that the State law and compliance with its provisions conform to certain standards.
- 2/ Coverage under State unemployment laws varies, but all of them exclude seamen and most of them exclude employees of small firms. Only six State laws cover employees regardless of size of firm. Twenty-five States exclude workers whose employers have less than eight employees. Some States fix the size of firm exclusion at even lower levels varying from employers of less than six to employers of less than five, four or three workers. In some cases coverage is based on number of workers and size of payroll, and in a few instances is based on size of payroll alone.
- 3/ As of July 1, 1940, the maximum period for which unemployment compensation benefits were payable was 16 weeks in 29 State laws. In the other States the maximum ranged from 13 to 26 weeks.

- 4 -

Wagner BillPresent
Social Security provisionsBenefits

Basic weekly benefit - 50% of first \$12 of weekly wage, plus 25% of the amount by which the weekly wage exceeds \$12. 1/

Varies from State to State. 2/

4. Temporary disability

Insured worker temporarily disabled through illness or injury eligible for same benefits as unemployed for a maximum period of 26 weeks.

The Social Security Act contains no provision for temporary disability insurance. Under State workmen's compensation laws provision is made for workers temporarily disabled. 3/

5. Maternity benefits

In addition to the maximum duration of disability benefits, women workers are entitled to weekly benefits for 12 weeks of maternity leave.

The Social Security Act contains no provision for maternity benefits.

6. Medical care and hospital benefits

Administration

The Surgeon General of the Public Health Service will arrange for the availability of the benefits and services provided and the Social Security Board will collect the contributions, determine disability and certify disbursements.

The Social Security Act contains no provision for medical insurance.

-
- 1/ Increased for each dependent (wife, child or parents) by an amount equal to one-half the basic weekly benefit. Maximum benefit may not be more than 80 percent of weekly wages or \$30, whichever is less.
- 2/ Most States (22) set a maximum of \$15. The maximum in 14 States is set at \$18 and in others ranges from \$16 to \$30. The most common minimum (in at least 18 States) is \$5 and in other States ranges from \$2 to \$10.
- 3/ See footnote 2, page 2.

- 5 -

Wagner BillPresent
Social Security provisionsCoverage

All persons covered under old-age and survivors insurance and their dependents.

Benefits

General medical, special medical, laboratory (including X-ray, special appliances, eyeglasses, etc.) and hospitalization benefits. 1/

Maximum hospitalization benefits-- not less than \$3 nor more than \$6 per day up to 30 days a year. 2/

7. Social insurance contributions

Administration

All social insurance contributions are credited to the "Federal Social Insurance Trust Fund" which is administered by a Board of Trustees composed of the Secretary of the Treasury (managing trustee), Secretary of Labor, and the Chairman of the Social Security Board. 3/

Federal old-age and survivors insurance trust fund.

Contributions are credited as a permanent appropriation to the Federal old-age and survivors insurance trust fund which is administered by a Board of Trustees composed of Secretary of Treasury (managing trustee), Secretary of Labor, and Chairman of the Social Security Board.

- 1/ The Surgeon General and the Social Security Board are to study and make recommendations as to the most effective methods of providing dental, nursing and other needed benefits not provided under this bill.
- 2/ Three percent of contributions under the unified system are set aside in a special account to meet costs of medical care and hospitalization. If the insurance fund is adequate, hospitalization may be provided up to a possible maximum of ninety days a year. Maximum benefits for each day in excess of thirty would be not less than \$1.50 and not more than \$4 and for each day in an institution for the care of the chronic sick they would be not less than \$1.50 and not more than \$3.
- 3/ Existing funds credited to the Federal old-age and survivors insurance trust fund are to be transferred to this fund. Funds held in State accounts in the unemployment trust fund may be transferred to this fund if a State by action of its legislature authorizes such transfer. The fund will receive and hold in a separate account such amounts as are transferred from the Railroad Retirement Board's Unemployment Trust Fund.

- 6 -

Wagner BillPresent
Social Security provisionsUnemployment trust fund.

The States deposit amounts collected from employers (and in five States from employees also) in the unemployment trust fund in the Federal Treasury. Separate accounts are maintained in the unemployment trust fund for each State. Upon certification by the Social Security Board the Treasury releases sums necessary for benefit payments from this account.

Contributions

The bill establishes a 6% employee and a 6% employer contribution on all wages and salaries (up to the first \$3,000 a year) for all social insurance benefits (old-age, survivors, disability, unemployment, medical and hospitalization).

Rate of contributions for old-age and survivors insurance:

Employer - 1% (2% in 1944) and
Employee - 1% (2% in 1944)
on all wages and salaries (up to the first \$3,000 a year).

Rate of contributions for unemployment insurance: Employers of 8 or more - 3% of payrolls (exclusive of wages paid to individual employees in excess of \$3,000 a year). 2/

Self-employed contribute 7% of the market value of their services (up to the first \$3,000) for all social insurance benefits except unemployment compensation.

In the case of State and local employees (not covered by their own pension systems) contribution of 3 1/2% from employer and 3 1/2% from employee is required. 1/

- 1/ The Social Security Board may enter into compacts with State and local governments to extend coverage to employees not covered by their own pension systems.
- 2/ The States also impose taxes on payrolls of employers, but the Federal law permits the employer to credit up to 90% of the tax paid under State laws. In effect, the Federal tax is reducible to 0.3% if the employer pays up to 2.7% under State laws. As a result of experience rating provisions employers can secure full credit even if the State tax is less than 2.7%. In contrast with the statutory rate the present effective rate of employer's contribution is approximately 2.2% of which 0.3% represents the net Federal levy and 1.9% the State levies.

- 7 -

Wagner BillPresent
Social Security provisions**8. Social Security protection to individuals engaged
in military service**Wage credits

Military service is counted as insured employment so that previous social insurance not only maintained but increased because of such service. (No deductions are made from military pay. Costs are borne by Federal Government from general revenue).

The Social Security Act contains no provision with respect to individuals engaged in military service.

Unemployment compensation allowances on termination of military service

Individuals terminating military service entitled to same benefits as those received by insured workers when unemployed. (Costs are borne by Federal Government from general revenue).

State unemployment compensation laws have been amended in most States to preserve the benefit rights of workers who enter the armed forces.

9. Public employment officesAdministration

Establishes in the Social Security Board the United States Employment Service which will establish and maintain a national system of public employment offices. 1/

Public employment offices have been federally administered and financed since January 1, 1942. Prior to that date they were State-administered and Federal funds were made available for matching State and local expenditures. 2/

1/ Repeals the Wagner-Peyser Act.

2/ Employment services were not provided under the Social Security Act itself, but the Wagner-Peyser Act (approved in 1933) created the United States Employment Service in the Department of Labor and provided for the development of a national employment system by matching State and local expenditures for employment offices.

Under the President's Reorganization Plan No. 1 (enacted by Congress in 1939) the Employment Service was transferred to the Social Security Board. At the request of the President, the Governors transferred to the Social Security Board as of January 1, 1942 the facilities, personnel and records of State and local employment offices. Operations under the Wagner-Peyser Act were suspended and subsequent to that date Federal funds alone have been used for employment services.

On September 17, 1942, the President by Executive Order transferred to the War Manpower Commission the United States Employment Service.

- 8 -

Wagner BillPresent
Social Security provisions

10. Public assistance

Grants to States

Under unified public assistance program grants for assistance to all needy individuals.

Grants for assistance to three categories of needy individuals; aged, blind, and dependent children.

Nature of grant

Variable matching grant ranging from 50% to 75% of total expenditures for assistance to needy individuals, depending upon the States' per capita income.

Uniform matching grant with fixed maximums:

Aged - 50% of payments to needy aged (Federal share not to exceed \$20 monthly per beneficiary) plus 5% of such amount for administration.

Blind - 50% of payments to needy blind (Federal share not to exceed \$20 monthly per beneficiary) plus 50% of necessary administrative costs.

Dependent children - 50% of expenditures under approved State plan (excluding amounts paid to beneficiaries in excess of \$18 for one child and \$12 for each additional child in the same home per month).

Other assistance

Where so provided in approved State plan, assistance to needy individuals may include medical services for needy individuals, and such services and facilities as may assist in making needy self-supporting.

The Social Security Act authorizes grants to States for specified types of health services: for mothers and children and crippled children (administered by the Children's Bureau, Department of Labor); for vocational rehabilitation (administered by the Office of Education); and for State and local public health services (administered by the Public Health Service).

Treasury Department, Division of Tax Research

July 29, 1943.

AV:td
7/29/43

Appendix A

Railroad employees are not covered under the present Social Security Act, but separate legislation has been enacted for such workers. Under the Railroad Retirement Act, workers qualify for annuities by virtue of age, or a combination of age and length of employment, age and permanent disability, and length of employment and permanent disability. Death benefits are paid to the survivor of insured employees, and annuities are paid to a surviving spouse only if the insured employee has made an election for this purpose. The program is financed by a levy on both the employee and the employer with respect to monthly compensation not exceeding \$300. The rate of contribution by each began with 2.75 percent in 1937, and was scheduled to increase by .25 percent every three years thereafter until 1949 when the maximum rate of 3.75 percent will have been reached. The present rate is 3.25 percent.

The Railroad Unemployment Insurance Act provides for unemployment benefits ranging from \$1.75 to \$4.00 per day and the maximum benefits payable in a benefit year vary from \$175 to \$400. The benefits are financed by an employer contribution, collected by the Railroad Retirement Board, at the rate of 3 percent of the monthly compensation, not exceeding \$300, of each employee.

The Wagner bill leaves these benefit provisions and the financing methods undisturbed. It excludes railroad workers from temporary and permanent disability benefits and medical care. It should be noted, however, that a bill of wide scope, sponsored by Senator Wagner, has been drafted for the Senate Committee on Interstate Commerce (but not yet introduced in Congress), which provides for health insurance and workmen's compensation for railroad workers.

Table 2

Estimated receipts from Social Security taxes, under present law and under proposed law (S. 1161), assuming income payments of \$146.5 billions ^{1/}
(Money amounts in billions of dollars)

	Present law			Proposed law					Estimated additional revenue under proposed law
	Present law coverage	Total		Proposed law coverage, excluding self-employed and State and local government	Self-employed ^{2/}	State and local government	Total		
	Employer	Employee		Employer	Employee				
Old-age, survivors, and permanent disability insurance ^{3/}									
Rate	1.00%	1.00%	--	2.00%	2.00%	4.00%	4.00%	--	
Receipts	.67	.67	1.33	1.40	1.40	.29	.18	3.27	1.93
Unemployment insurance ^{4/}									
Rate	3.00% ^{5/}	--	--	2.00%	2.00%	--	--	--	
Receipts	1.51	--	1.51	1.40	1.40	--	--	2.80	1.29
Temporary disability:									
Rate	--	--	--	.05%	.05%	--	--	--	
Receipts	--	--	--	.35	.35	--	--	.70	.70
Hospitalization:									
Rate	--	--	--	.05%	.05%	1.00%	1.00%	--	
Receipts	--	--	--	.35	.35	.07	.05	.82	.82
Medical care:									
Rate	--	--	--	1.00%	1.00%	2.00%	2.00%	--	
Receipts	--	--	--	.70	.70	.14	.09	1.63	1.63
To:									
Rate	4.00%	1.00%	--	6.00%	6.00%	7.00%	7.00%	--	
Receipts	2.18	.67	2.85	4.20	4.20	.50	.32	9.23	6.38

Treasury Department, Division of Research and Statistics.

July 23, 1943.

Note: Figures are rounded and will not necessarily add to totals.

- ^{1/} The level of income payments is assumed and is not intended to be a forecast for any particular period. However, the tax rates under present law (including the effective rates in footnote ^{5/}) have been assumed to be those determining liability incurred with respect to salaries and wages of the calendar year 1943.
- ^{2/} It has been assumed that one-third of the net income of agricultural proprietors and one-fifth of the net income of other proprietors is remuneration for the personal services of the proprietors, the remainder consisting of remuneration for capital.
- ^{3/} Under the proposed law, coverage is extended to agricultural labor, domestic service, certain non-profit organizations, students, student nurses and internes, fishermen, newsboys, State and local government employees, and the self-employed.
- ^{4/} Coverage under the proposed law is extended to agricultural labor, domestic service, American maritime service, establishments with one or more employees, insurance agents on a commission basis, students, student nurses and internes, newsboys, and certain non-profit organizations.
- ^{5/} This is the present statutory rate. However, the estimated effective rate is approximately 2.450 percent, of which .317 percent represents the net Federal tax and 2.133 percent represents the portion of the tax which is credited to State funds. Under the proposed law, the Federal tax is at the full rate.

AUG 27 1943

My dear Mr. Smith:

I have your letter of August 20, 1943, with regard to the study you have made of the releases and methods employed by the several agencies in preparing savings estimates.

It was my hope that your investigation of this matter would result in a consolidation in one agency - and that should be the Treasury - of the work on savings estimates which, it seems to me, would be an economy of expenditure as well as an elimination of the confusion in the public's mind when several Federal agencies are issuing estimates on the same subject.

I appreciate your efforts in looking into this matter.

Sincerely,

(Signed) H. Mergenthau, Jr.

Honorable Harold D. Smith
Director of the Budget
Executive Office of the President
Washington, D. C.

GCH:ek 8/26/43
HMJ:rick 8/27/43

W.H. Hines

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON, D. C.

50395

AUG 20 1943

My dear Mr. Secretary:

In a telephone conversation sometime ago you expressed concern over the effects of releases of savings data on the Government bond market. At your request our staff made a study of these releases and of the methods employed by the several agencies in preparing savings estimates.

We agree with you that some form of coordination of these savings releases is desirable at this time. To accomplish this we have arranged for the Securities Exchange Commission to clear all its savings releases with the Office of War Information. This procedure will assure that presentation of savings estimates to the public will be examined from the point of view of the Government program as a whole. No such arrangement appears necessary for the Department of Commerce releases at the present time.

Sincerely yours,

Wm. G. Donahoe
Director

The Honorable

The Secretary of the Treasury

AUG 27 1943

Dear Mr. McNutt:

As you know, the Government is now spending at the rate of \$7½ billions a month for war purposes; in order to reach the Budget estimate these monthly expenditures will have to average \$8½ billions. During the Third War Loan Drive, which commences September 9, the Treasury will undertake to raise the large sum of \$15 billions to take care of the major part of the financing of the war during the next few months. Of the \$15 billions, about \$5 billions must come from individuals and personal trust accounts. To get this money, we must reach every person with an income or with extra money from any source.

During the last six months of this calendar year, we must sell nearly twice as much in bonds to individuals as we did in the first half of the year. We will have to sell bonds to nearly every man, woman, and child in America. We must go from house to house, from bench to bench in factories, and from desk to desk in offices.

An undertaking of such magnitude requires the fixing of quotas for the various states and local communities. These quotas necessarily must take into account sales by the Government to its own employees.

The gross monthly pay roll of the Government for civilian employees is approximately \$522 millions. This amount will undoubtedly be augmented in many cases by income and extra cash, however small, which had accumulated from previous earnings and other sources. To reach our goal we must sell about \$156 millions of war bonds to Federal employees during September, of which roughly \$40 millions will come through pay-roll allotments and the balance of \$116 millions from extra cash sales during the drive.

In order to place all departments of the Government on a uniform basis, these \$116 millions have been allocated to the various departments, the quota of the Federal Security Agency being \$1,062,300, as detailed below:

- 2 -

Office of Administrator and Community War Services	\$44,300
American Printing House for the Blind	4,900
Office of Education	41,200
Food and Drug Administration ..	40,000
Freedmen's Hospital	11,700
Howard University	15,400
Public Health Service	468,100
Social Security Board	366,500
St. Elizabeth's Hospital	70,200

Proportionately, this quota is somewhat less than the per capita amount which we must get from individuals generally, allowance having been made for circumstances surrounding Government employment and the fact that Government employees have not benefited so greatly through salary increases during the war.

I realize that we are asking for a lot of money, but the demand is not out of proportion to the need, and certainly the inconvenience which an extra bond purchase may cause is by comparison small indeed to the sacrifices which are being made every day by our armed forces on the battle fronts.

I would appreciate it greatly if you would make an effort to sell an extra bond during the September Drive to each of your employees. The Treasury has had considerable favorable experience with the fine and efficient officers who have charge of the bond organizations of the various departments, and I am convinced that they are capable of reaching their respective quotas without causing undue hardship to individuals. To do this, of course, would require the full support and interest of the heads of the agencies concerned. That's what I am calling upon you for now.

Most sincerely yours,

(Signed) H. Morganthau, Jr.

Secretary of the Treasury

Honorable Paul V. McNutt
Administrator
Federal Security Agency
Washington, D. C.

EFBartelt:cal
8/10/43

AUG 27 1943

My dear Mr. Paget:

As you know, the Government is now spending at the rate of \$7½ billions a month for war purposes; in order to reach the Budget estimate these monthly expenditures will have to average \$8½ billions. During the Third War Loan Drive, which commences September 9, the Treasury will undertake to raise the large sum of \$15 billions to take care of the major part of the financing of the war during the next few months. Of the \$15 billions, about \$5 billions must come from individuals and personal trust accounts. To get this money, we must reach every person with an income or with extra money from any source.

During the last six months of this calendar year, we must sell nearly twice as much in bonds to individuals as we did in the first half of the year. We will have to sell bonds to nearly every man, woman, and child in America. We must go from house to house, from bench to bench in factories, and from desk to desk in offices.

An undertaking of such magnitude requires the fixing of quotas for the various states and local communities. These quotas necessarily must take into account sales by the Government to its own employees.

The gross monthly pay roll of the Government for civilian employees is approximately \$522 millions. This amount will undoubtedly be augmented in many cases by income and extra cash, however small, which had accumulated from previous earnings and other sources. To reach our goal we must sell about \$156 millions of war bonds to Federal employees during September, of which roughly \$40 millions will come through pay-roll allotments and the balance of \$116 millions from extra cash sales during the drive.

In order to place all departments of the Government on a uniform basis, these \$116 millions have been allocated to the various departments on the basis of 30 per cent of the gross pay roll for the month of September less the amount, if any, to be received from pay-roll allotments for the purchase of

- 2 -

war bonds. Proportionately, this quota is somewhat less than the per capita amount which we must get from individuals generally, allowance having been made for circumstances surrounding Government employment and the fact that Government employees have not benefited so greatly through salary increases during the war.

I realize that we are asking for a lot of money, but the demand is not out of proportion to the need, and certainly the inconvenience which an extra bond purchase may cause is by comparison small indeed to the sacrifices which are being made every day by our armed forces on the battle fronts.

I would appreciate it greatly if arrangements could be made for the sale of an extra bond during September to the officers and employees of the Botanic Garden.

The Treasury would be glad to assist in the working out of the details if you would be good enough to furnish me with the name of the officer to whom this responsibility will be assigned.

Most sincerely yours,

(Signed) H. Morganthau, Jr.

Secretary of the Treasury

Mr. Wilmer J. Paget,
Assistant Director,
Botanic Garden,
Washington, D. C.

EFB:mls 8/19/43

August 27, 1943

Dear Mr. Gibboney:

Thank you for your very thoughtful note received today. I appreciate the courtesies extended to Mr. Waldman and Miss Skinner and I am looking forward to seeing you on the occasion of my visit to Monticello on September 12th.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Stuart G. Gibboney,
President,
Thomas Jefferson Memorial Foundation,
Monticello,
Charlottesville, Virginia.

TRG:fgt

Thomas Jefferson Memorial Foundation

Preserving as a National Memorial and Patriotic Shrine, Monticello,
the home of Thomas Jefferson at Charlottesville, Virginia



"At my wishes and where I hope my days will end at Monticello"
Jefferson

MONTICELLO
CHARLOTTESVILLE, VIRGINIA

Officers

Stuart G. Gibboney, President
Frank K. Houston, Vice-President
Wm. S. Hildreth, Treasurer
Henry Alan Johnston, Secretary
Paul F. Tate, Assistant Treasurer

Board of Directors

Claude G. Bowers
Stuart G. Gibboney
Wm. S. Hildreth
Frank K. Houston
Henry Alan Johnston
Flake Kimball
Breckinridge Long
Joseph Miller, Jr.
George J. Ryan

Restoration Committee

Flake Kimball, Chairman
Edwin M. Betts
Milton L. Criss
Charles Moore

Board of Governors

Charles Francis Adams
Vicomtesse Astor
George J. Atwell
Alben W. Barkley
George Gordon Battle
William P. Bassett
Claude G. Bowers
Wm. Marshall Bullitt
Nicholas Murray Butler
Harry Flood Byrd
Bainbridge Colby
Eugene A. Collins
Anthony Wayne Cook
James Collins
Frank D. Cofkin
Colgate W. Darden, Jr.
John W. Davis
James A. Farley
Frank L. Fuller
Flake J. Garrett
James W. Gerard
Stuart G. Gibboney
Mrs. Charles Dana Gibson
Carter Glass
Jacob Greenson
James Whiting Hall
Mrs. Fairfax Harrison
Joseph M. Harbord
Wm. H. Hays
Wm. S. Hildreth
Charles D. Hiles
Frank K. Houston
Corbett Hall
Henry Alan Johnston
Jefferson Randolph Keen
Flake Kimball
Rev. Dr. Nathan Kline
Herbert H. Lehman
Breckinridge Long
Charles D. Macpherson
Charles L. McNary
Joseph Miller, Jr.
Henry Morgenthau, Jr.
Arthur J. Morris
John Lloyd Newcomb
Mrs. Alice Brooke Parker
George C. Peery
Mrs. W. Allen Perkins
Randolph H. Perry
James H. Price
Franklin D. Roosevelt
Theodore Roosevelt
George J. Ryan
Howard W. Smith
Ernest M. Stine, D.D.
D. D. Thomas
Mrs. James M. Thompson
John Q. Tilson
Mrs. W. A. Williamson
Wendell L. Willkie

Personal

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

Dear Mr. Morgenthau:

Your representative, Mr. Waldman, and Miss Skinner called to see me at Monticello this morning and talked over with me the proposed broadcast by you on September 12th to open the Third War Bond Drive.

We shall be delighted to have you use Monticello for this broadcast and will endeavor to cooperate in every way possible.

We have, in the interests of economy, moved the office of the Foundation from New York to Thomas Jefferson's old law office at Monticello. I retired from the practice of law last April, and Mrs. Gibboney and I are now living in the old weaving house at Monticello. She and I will be delighted to extend any courtesies we can to Mrs. Morgenthau and yourself on the occasion of the broadcast on September 12th.

Very sincerely yours,

Stuart G. Gibboney
Stuart G. Gibboney

sgg:cc

8/27/43

Ted Gamble

Secretary Morgenthau

I notice from Mrs. Forbush's mail report of August 20th that a number of bonds are being turned in at Patchogue, New York. I wonder if somebody connected with our War Finance Committee in that locality could investigate and find out why people there are cashing so many of their bonds.

See memo from

Smith 9/11/43.

MEMORANDUM FOR THE SECRETARY.

August 27, 1943.

Mail Report

The week's tax mail, though not increased in bulk, has certainly increased in bitterness. So far, however, unemotional questions about the withholding tax, and about the Declaration of Estimation, outnumber the adverse comments on the whole tax situation. Abusive, anonymous communications have reappeared in the mail; these are almost all on taxation, and sometimes are scribbled on the edge of a set of the Declaration forms mailed out by Collectors. There are still demands that 1942 taxes already paid in full be immediately refunded. The recently formulated tax program of the CIO was endorsed by several local Unions, while other letters approved the sales tax, with no letters opposing it.

On the other hand, the flow of Bond mail has greatly increased. Communications about the Third War Loan Drive are coming in heavily, and most of them are replies to requests for participation both from individuals and from organizations. There are also many unsolicited letters submitting promotional ideas, suggestions as to sales technique, or requests for new types of Bonds. Some sort of Gift Bond particularly figures in these letters of suggestion. An Annuity Bond is also a favorite of our correspondents.

In the more routine Bond mail were several reports of overpurchase of Series E Bonds, and a few accounts of rackets in which War Bonds, not yet mature of course, have been bought at a discount from the original purchasers.

About the same number of Bonds were submitted for redemption this week as were submitted during last week -- 75 in all. Complaints from personnel of the War Department reached 40, and there were more complaints about nondelivery in industry than there have been for several months.

Currency was a popular subject this past week, with some correspondents questioning the legality of the so-called invasion money; others demanding that the new pennies be redesigned; and still others requesting copies of the revised stabilization plans.

Gabriel E. Forbush

General Comments

E. C. Hawes, Cashier, Bank of Thomson, Thomson, Ga.
First of all allow me to thank you for the splendid service that you have rendered in the past and are now rendering to the people of these United States. I know that it is very satisfying to you to know that you have served our country so well and so faithfully. * * *

A. MacLeod Finlayson, Kerrville, Texas. The CBS broadcast of 7 a.m., August 20, informed us that you had agreed to nullify the right of the United States to veto the action of any coalition of nations which might be advantageous to them but not to us. All intelligent men here are agreed on one principle, and that is that all our fighting and effort will have been in vain unless the United States assumes leadership in post-war policy making. Your action is a retreat from and an evacuation of this fundamental idea. Your abdication of leadership is a greater setback to our war effort than the loss of the Philippines. * * *

- 2 -

Favorable Comments on Bonds

John G. Schroer, Cincinnati, Ohio. Under date of September 30, 1941 -- over your signature you wrote a letter to Mrs. Dorothy Schroer, 3428 Trimble Ave., Cincinnati, Ohio, to express your personal thanks for the purchase of U. S. Savings Bonds and urging the plan of purchasing Bonds regularly and systematically. The purpose of this letter is to say that at that time your suggestion was given most serious thought; and from that moment on, a Bond has been purchased by Mrs. Schroer and or myself EACH AND EVERY month, without fail. And this regular purchase plan has been augmented whenever possible by the purchase of an additional Bond during special drives, etc. Mrs. Dorothy Schroer and I are grateful indeed for your suggestion and thought you may be interested in this demonstration of the "power of suggestion."

James McGovern, Denver, Colo. Please accept my sincere thanks for your generous award dated July 23, i.e., patriotic citation. The foregoing award gave me a most pleasant surprise and which I shall cherish and preserve to my dying day. Since June 1941, I invested about 17% of my wages in U. S. Defense and War Bonds. From Dec. 7, 1941, I have decided to pay a nickel per day (apart from my taxes) to the U. S. Treasury towards the War effort. This feeble effort is negligible compared to the sacrifices of our fighting forces.

- 3 -

Unfavorable Comments on Bonds

Harry Mendelsohn, United Office & Professional Workers of America, C.I.O., Los Angeles, Calif. I have been instructed by our organization to relate to you a matter of grave importance. Our union has a national contract with the Prudential Insurance Company of America and is the sole collective bargaining agent for all the agents in 31 states. We have offered a Victory Program to management and the U. S. Treasury Dept. dealing specifically with the promotion and sale of War Bonds. To date the local Treasury Dept. has not seen fit to co-operate with us by designating our members U. S. Treasury Dept. representatives. The company has rejected our program giving the lame excuse that "the insurance companies set up machinery for this purpose in 1917, and that our proposals would be a duplication." The fact remains that thousands of insurance agents are not permitted to sell War Bonds. Our membership is highly indignant at the injustice of blocking them from exercising their patriotic duty and are, therefore, lodging their protest with you with the hope that you may offer some encouragement to correct this wrong.

Andrew J. Valuchek, Manager, New Yorksky Dennik (Czechoslovak daily published in Slovak language), New York, N. Y. You and everybody connected with the War Bond drive seem to lay great stress on advertising - and properly so. But everybody seems to be overlooking the foreign language press which, as you undoubtedly know, is a tremendous power of millions of people. What puzzles me is that an extraordinary amount of space is allocated to the English language papers but virtually none to the foreign language press. * * * This is the time to

- 4 -

discard prejudices largely predicated on insufficient knowledge. I say insufficient knowledge because if American business would really take the trouble to understand the great educational and Americanizing influence of the foreign language press, they would be the first to utilize its beneficent power and influence. In a city where the combined circulation of the foreign language press is well over a million, it seems to me a little ridiculous and less than scientific to see page upon page of War Bond advertising, day in and day out, without a line in the foreign language press - this despite the encouraging talk delivered by Mr. Perry Hall who spoke to the foreign language publishers and editors at a luncheon at the Bankers Club, under the Chairmanship of Mr. Seidman. With the next War Bond drive only a few weeks away, I would earnestly urge you to remedy this situation which cries aloud for remedying. * * *

J. V. Weber, Publisher, Murray County Herald, Slayton, Minn. The Herald, like most country weeklies, has found it increasingly difficult to get advertisers to underwrite War Bond, War Fund and other patriotic advertisements. This is especially difficult in a town the size of Slayton, 1578, where advertisers are but few. Business and professional people feel they are called upon too frequently to pay for advertising which they feel the Government should pay for, in which event the cost would be borne by all taxpayers. I enclose herewith the front page of this week's edition of the Herald. You will note I have called upon all of our people to come to the aid of their Government, urging them to pay the small sum of 50¢ per week to underwrite the four page advertisements for the War Bond drive in September. This idea might be helpful to all other country publishers who are having similar difficulties. * * *

- 5 -

Mortimer Lowell - White, Lowell & Owen, Inc. (Advertising), New York, N. Y. As a purchaser to the hilt of United States War Bonds, I am seriously concerned about the safety of my principal. I am writing you because I believe my concern is shared by millions of other Americans, who are truly anxious to help through the current crisis but who are also farsighted enough to consider eventualities. Accordingly, you will be interested in the attached clipping from the August 18th New York Evening Sun (re invasion money). If consistent with the Treasury's policy, I believe it will be well not only to reply to me in person, but as well to give publicity to the Treasury's rebuttal.

J. V. Bickford, Mayor, The City of Hampton, Virginia. On April 15, 1943, I notified the Postmaster at Hampton, Va., that I had lost Bond #Q160357018E issued in the name of J. V. Bickford, III. On May 21 I wrote to the Treasury Department, Division of Loans and Currency, Merchandise Mart, Chicago, Ill., and on May 31 I received an acknowledgment of my communication that the matter was having attention. I waited until June 22, and I again wrote to the Treasury Department, to the attention of Mr. A. E. Wilson, Assistant Chief in charge and offered to furnish him with a bond or anything he might need. At the same time I mailed him a form he had sent me to fill in, properly signed and notarized. I received a letter on June 26, and another on August 19, but all the information I can get is that the matter is receiving attention. I want something done about this as I think we have killed about enough time and red tape, and if they are going to make good on this Bond to my grandchild, J. V. Bickford, III, I want them to do it. It seems to be the policy of most Government employees to have matters gradually drag along for months and months. * * *

- 6 -

Copy of letter addressed to War Finance Committee, Trenton, N. J., by O. E. Denivelle, Horsman Dolls, Inc., Trenton. * * * In the drive about a year ago when we were able to get 100% of our 600 employees to subscribe 10% of their weekly wages to War Bonds, we had the cooperation of our Union. This year we have been informed not to expect any help from the Union as the members have shown a decided reluctance to subscribing any more of their wages toward Bonds. This attitude is substantiated by the fact that of 314 employees on our payroll today, 10% have dropped participating in the payroll savings plan since the 20% withholding tax went into effect. In view of the above facts, we cannot hold out much encouragement to you on your forthcoming drive, and we feel you should be informed so that you may be prepared in advance and take whatever steps are necessary to make the drive a success.

- 7 -

Favorable Comments on Taxation

M. Lipit, Controller, The Namm Store, Brooklyn, N.Y.
* * * We are concerned with the case wherein the employee temporarily overpays. Those employees in this category have been informed that the Government will send them a refund within a short time, after the final income and Victory tax return is filed for the year. We have stressed the fact that these temporary overpayments represent savings in the finest bank in the world. If these refunds will be forthcoming in a prompt manner, the merits of the "Pay-As-You-Go" Plan will be greatly strengthened. We would appreciate your personal reassurance in this matter.

Rev. W. F. Carpenter, Haymarket, Va. A few weeks ago I wrote complaining of what seemed an injustice in the taxation law as administered. Since then our church treasurer has informed me that he has been notified that Ministers of the Gospel will be exempted from the withholding tax. I assure you that this is a great relief to me and I wish you to know of my personal gratitude.

- 8 -

Unfavorable Comments on Taxation

Roger Howson, N. Y. C. I am on the faculty of a University and I have asked three colleagues today if they understood your circular letter about the September 15 returns. None of them did, and I don't. Surely you could be more obvious and helpful if you tried. Granted that, it means that you have not tried. It is your privilege not to try, but why make use of this privilege?

Dwight L. M. Voorhees, Garrett, Ind. Received your instructions for 1943, and Form 1040 E.S. Would like to advise you I have paid my tax in full for 1942, which you already know if you have checked the records. Will I have to fill out this form? It looks like guess work to tell the amount I will make this year as I might not work any more this year -- we never know. Think I should have adjustment on half -- I paid \$437.57. Is it necessary to make deductions from my payroll?

Mrs. Peter Chamois, Davenport, Iowa. We paid income tax last year for the first time - \$41.08. I was told here at the Federal office, also saw in our local paper, if it was under \$50.00, and paid at one time, it would be refunded in full in September. I've planned on that to help buy our coal. My husband, after 31 years for one concern, changed jobs in January to a defense job. For the 52 weeks he will make \$520 more this year than last, and according to figures I have here, the withholding will amount to \$223.08 for the year. * * * I am 52 and would like to work too, but under such conditions, it hardly seems worth while. * * * I wish some of these old Germans who emigrated here to the United States years ago and who have been living off

- 9 -

their big incomes were forced to buy some Bonds. I'm in northwest Davenport, and mostly all old Germans around here, and I'll say pro, too. I want to know if I'll get my 1942 money refunded in September. I need it.

Carlton C. Case, Attorney at Law, Stockton, Calif. About 150 clients depend on this office to prepare income tax returns. We have spent many hours -- running into days -- in familiarizing ourselves with the 1943 Act. Of course, Lawyers and Accountants will reap a harvest, but we do not want that kind of money. It takes our time which should be devoted to Bond selling, air raid warden work, draft board work, U.S.O., and many other war activities. Millions of dollars and millions of man-hours will be spent in making returns, auditing and collecting. It seems a crime to thus waste the time and money which are so valuable to the war effort when a simple sales tax, which in all probability could be collected through the State organization, (most all States have a sales tax) at a very low cost, and which would yield as much or more money than your income tax. There is no fairer or more satisfactory tax in the world than the sales tax. In California it has built up an enormous surplus. Every one is happy and more than willing to contribute a few cents or dollars, as the case may be, on each purchase. * * * The refusal of the Administration and the Congress to favor a sales tax convinces me beyond any doubt that the preservation of their political careers comes first and winning the war second, and all the while our boys are dying in foreign lands.

August 27, 1943

My dear Peter:

Yielding to the desire of President King to reclaim you I am accepting your resignation as Assistant to the Secretary only with the greatest reluctance.

I have had joy in our close personal relations over the last two years that adds immeasurably to my regret that you are leaving us to go back to your regular job.

Added to that is the recollection of the priceless work you have done in helping us to get started right in the War Bond campaign and to hew to a clear line throughout. I know that it has been a good job and if the credit the Treasury will receive for it in the years to come you will deserve a large share.

I am writing to President King to express my gratitude for the help you have given us.

I know that our friendship will endure and I shall hope to hear from you and to see you frequently.

Sincerely,

(H. M.) H. Mergenthaler, Jr.

Mr. Peter H. Odegard
Room 710
Washington Building
Washington, D. C.

HEG:pm

by Messenger Bunby 3:00



241
Fred Smith

TREASURY DEPARTMENT

WASHINGTON

August 24, 1943

My dear Mr. Secretary:

Stanley King, President of Amherst, has made an urgent request that I return to my duties at the College beginning with the opening of the fall term in September. As you know, President King and the Amherst Trustees have been generous in making it possible for me to carry on the work I have been doing for you and the Treasury Department since January 1941. In view of the urgency of the present request for my return to the college I think it best to comply. I am, therefore, submitting my resignation as Assistant to the Secretary. In doing so I want you to know how deeply I appreciate the opportunity you have given me to make some contribution to the defense of our beloved country. My association with you and your able colleagues in the Treasury during nearly three years has been a rich experience for me - the memory of which I shall cherish as long as I live.

If, in the months ahead and in light of my duties at the College, I can be of any help to you and the Treasury Department in any capacity, I am at your service.

With sincere respect for you and the magnificent organization over which you preside, I am

Sincerely yours,

Peter H. Odegard
Peter H. Odegard

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

RECEIVED

BUY
UNITED
STATES
SAVINGS
BONDS
AND STAMPS

August 27, 1943

My dear Mr. King:

In regretfully accepting the resignation of Peter Odegard from his duties as Assistant to the Secretary of the Treasury in order that he may return to his work at Amherst, I should be remiss in my duty if I did not thank you and the Amherst Trustees for your generosity in letting me have the great benefit of his services in the last two and a half years.

During this time he has been of inestimable help to me and to the Treasury Department. He gave us extremely valuable assistance in setting up and carrying forward the War Bond program and I have enjoyed and relied on his advice on a great variety of matters.

Mr. Odegard's colleagues here at the Treasury join me in expressing appreciation for his help and regret at his leaving.

Sincerely,

(Signed) H. Morgenthau, Jr.

Dr. Stanley King
President, Amherst College
Amherst, Massachusetts

HAG:psa

243

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 27, 1943

TO Secretary Morgenthau

FROM Fred Smith

Is someone taking care of Bob McConnell since Kades left?

I know that he reports direct to you, but there ought to be somebody, like Kades, who can hold his hand occasionally.

FS

August 27, 1943

Dear Cordell:

In regard to the exchange of civilians between Japan and the United States, which I understand is about to take place, I have learned informally that none of the Treasury people in Manila are to be included in the exchange. This seems most unfortunate to me.

I am enclosing herewith a list of the Treasury personnel in the Philippines, and I would appreciate your using your good offices to see whether these people cannot be repatriated at this time.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Cordell Hull,
Secretary of State,
Washington, D.C.

By Messenger *Bundy* 3:00

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau
FROM Randolph Paul and Harry White

AUG 24 1943

HPW REP

You will recall that you wrote to Cordell Hull in September, 1942, concerning the repatriation of the Treasury people in Manila. Copies of the exchange of correspondence with State are attached.

For your information, there is about to be another exchange of civilians between Japan and the United States, included in which will be over 150 Americans from Manila. We have learned informally from State that none of the Treasury people in Manila are to be included in the exchange. Allegedly the people to be exchanged have been selected by the Japanese government.

DEPARTMENT OF STATE

246

WASHINGTON

In reply refer to
SD 390.1115/4861

September 26, 1942

My dear Mr. Secretary:

I have for acknowledgment your letter of September 11, 1942, regarding the arrangements being made for the exchange of United States officials in the Philippine Islands. You request assurances that the Treasury personnel in the Philippine Islands, i.e., T. Maxwell Anderson, William L. Hebbard, Thomas Page Nelson, Reynolds B. North, and Albert E. Price, be included among the American officials to be exchanged.

The Japanese government has recently indicated that a small number of Americans from Manila, including the Foreign Service personnel not connected with the local administration, will be included in the forthcoming second exchange of nationals between the United States and Japan. No information has yet been received however concerning the basis on which the Japanese government proposes to select such Americans for embarkation in the next exchange operation, but the Department is endeavoring to obtain their names and upon the receipt of this information I shall of course be pleased to inform you promptly if any of the representatives of the Treasury Department are included. I may mention moreover that the Department has no discretion in the selection of the Americans in the Philippines who may be designated for embarkation in the next exchange.

In view of the continued unwillingness of the Japanese government to apply the provisions of the present exchange agreement to the Philippines no assurance can unfortunately be given at this time that the persons referred to by you will be accorded the priority as official personnel of the United States Government that might otherwise be applicable to the persons in their category. While you may be sure that this Department will do whatever may be possible to effect the return to this country at the earliest feasible opportunity of the Treasury personnel, the refusal so far of the Japanese government to permit the return to the

- 2 -

continental United States of officials who were a part of the administrative personnel of this Government in the Philippine Islands will complicate the inclusion of these persons in any arrangements that it may be possible to make for the evacuation of Americans from the Philippine Islands.

Sincerely yours,

For the Secretary of State:

(signed) Breckinridge Long

Assistant Secretary

The Honorable Henry Morgenthau, Jr.,

Secretary of the Treasury.

September 11, 1942

My dear Mr. Secretary:

I have received unofficial information that arrangements are being made for the exchange of United States officials in the Philippine Islands.

I shall be glad if you would inform me as soon as an exchange has been arranged, and if you would give me your assurance that the Treasury personnel in the Philippine Islands, indicated on the enclosed list, will be included among the American officials to be exchanged.

Sincerely yours,

(signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable
Cordell Hall,
Secretary of State.

Enclosure

AUG 27 1943

Dear Judge Rosenman:

In connection with our discussion last Thursday concerning problems involved in conversion to a peacetime economy, you may be interested in the enclosed summary of post-war activities of the Treasury Department following World War I.

Sincerely,

(Signed) H. Mergenthau, Jr.

Secretary of the Treasury.

The Honorable Samuel I. Rosenman

The White House

TJL:ims
8/24/43

By Mess. Schuy 11:55

SUMMARY OF POST-WAR ACTIVITIES OF TREASURY
DEPARTMENT FOLLOWING WORLD WAR I.

(1) War Finance Corporation. The War Finance Corporation was created by the Act of April 5, 1918, as an agency of the Government for the purpose of rendering financial support to industries whose operations were "necessary or contributory to the prosecution of the war". The Secretary of the Treasury was Chairman of the Board of Directors. During the war period the Corporation made advances to industrial companies, railroads, public utilities, and for agricultural purposes, aggregating \$300,000,000.

After the Armistice, the Secretary of the Treasury, as Chairman of the Corporation, sponsored the Act of March 3, 1919, which authorized the Corporation to make advances up to \$1,000,000,000 in the aggregate for the purpose of aiding the exportation of domestic products. On May 10, 1920, at the Treasury's request, the Corporation suspended its financial aid to exporters. Pursuant to the Joint Resolution of January 4, 1921, the Corporation resumed its operations for the purpose of assisting in the financing of the exportation of agricultural and other products to foreign countries. The Act of March 1, 1929 placed the Corporation in the Treasury Department for final liquidation.

(2) Control over Railroads. While the Treasury was not involved officially in the wartime control and operation of the railroads, the first Director General of Railroads was William G. McAdoo, then Secretary of the Treasury, who was Secretary

- 6 -

until December 15, 1918 and who served as Director General from December 26, 1917 until January 10, 1919. The Treasury was instrumental in providing financial assistance, through the War Finance Corporation, to the railroads and to the Railroad Administration, both during and after the war. The Railroad Administration was terminated, except for accounting and liquidating purposes, with the return of the railroads to private ownership pursuant to the Transportation Act of 1920, and that Act provided for direct Treasury financial aid to the railroads. Secretaries of the Treasury were from time to time named as Director General charged with liquidating the Railroad Administration until, on July 1, 1939, Reorganization Plan II placed these liquidation functions in the Treasury Department.

(3) Agricultural Credit.

(a) Advances by War Finance Corporation. During the war the War Finance Corporation provided limited financial aid to farmers and cattlemen in drought areas. The Act of November 21, 1918, specifically authorized the Corporation to make advances for "stimulating agriculture and facilitating the distribution of agricultural products". After the resumption of the Corporation's activities in 1921, the Treasury was instrumental in obtaining passage of the

- 3 -

Agricultural Credits Act of August 24, 1921, which broadened the Corporation's powers in connection with financial aid to agriculture.

(b) Seed-Grain Loans to Farmers. Toward the end of the war the President made available a fund to be administered jointly by the Treasury and Agriculture Departments for the purpose of making seed-grain loans to farmers in drought areas. This activity was continued during the post-war period.

(4) Aid to Foreign Governments.

(a) Loans. Various acts during the war authorized the Treasury to make loans to allied governments. The Victory Liberty Loan Act of March 3, 1919, sponsored by the Treasury, included a provision authorizing loans for the purpose of financing the disposal of United States surplus property and wheat, the price of which had been guaranteed by the United States. However, the Treasury's announced policy was to encourage the making of these loans in the private financial markets of the United States.

(b) Interallied Purchasing Commission. The Secretary of the Treasury was responsible for wartime arrangements with allied governments resulting in the creation of this Commission to supervise purchases made by foreign governments in the United

- 4 -

States. The Commission cooperated with the Food Administration, Fuel Administration and War Industry Board in the coordination of Government and foreign purchases in the United States. After the Armistice the functions of the Commission were transferred to the Treasury.

(c) European Relief. The Treasury recommended the enactment of legislation to permit advances for the relief of destitute people in Europe. The Act of March 30, 1920 authorized the United States Grain Corporation, with the approval of the Secretary of the Treasury, to sell or dispose of not in excess of 5,000,000 barrels of flour in the possession of the Corporation.

(5) General Post-War Policy of the Treasury.

(a) Prompt Removal of Government Controls. The 1919 annual report of the Secretary of the Treasury describes the general policy of the Treasury since the Armistice as being "to restore private initiative and remove Government controls and interferences". Pursuant to the Treasury's suggestions the embargoes on gold and silver and the control of foreign exchange were removed. The wartime control of the Capital Issues Committee over capital issues of corporations in the United States was discontinued. These measures were aimed at

- 5 -

making available "American capital and credit resources, as well as its great gold reserve, in aid of the world's commerce and Europe's need."

(b) Economy. The 1920 annual report of the Secretary emphasized the need for rigid economy in Government expenditures and a balanced budget as a condition to any sound financial program. It also recommended the speedy elimination of the wartime revolving funds and Government corporations, which operated apart from regular Federal controls over expenditures, and the creation of a budget system. Consistent with its economy program, the Treasury strongly opposed the proposed soldiers' bonus program which would have involved expenditures of \$1,000,000,000 to \$2,000,000,000.

(c) Taxation. In 1919 and 1920 the Treasury recommended that wartime taxes be revised but without loss of revenue. Its program included the repeal of the excess profits tax and the substitution of a corporate undistributed profits tax or a surtax on corporations; and the reduction of the surtaxes on individual incomes in the high brackets coupled with an increase of surtaxes in the low brackets. The Treasury also opposed a general sales tax and strongly asserted the right of the Federal Government to include

- 6 -

as part of income for tax purposes income derived from
State and municipal bonds.

DJS:TJL:ims
8/24/43

SUMMARY OF POST-WAR ACTIVITIES OF TREASURY
DEPARTMENT FOLLOWING WORLD WAR I.

(1) War Finance Corporation. The War Finance Corporation was created by the Act of April 5, 1918, as an agency of the Government for the purpose of rendering financial support to industries whose operations were "necessary or contributory to the prosecution of the war". The Secretary of the Treasury was Chairman of the Board of Directors. During the war period the Corporation made advances to industrial companies, railroads, public utilities, and for agricultural purposes, aggregating \$300,000,000.

After the Armistice, the Secretary of the Treasury, as Chairman of the Corporation, sponsored the Act of March 3, 1919, which authorized the Corporation to make advances up to \$1,000,000,000 in the aggregate for the purpose of aiding the exportation of domestic products. On May 10, 1920, at the Treasury's request, the Corporation suspended its financial aid to exporters. Pursuant to the Joint Resolution of January 4, 1921, the Corporation resumed its operations for the purpose of assisting in the financing of the exportation of agricultural and other products to foreign countries. The Act of March 1, 1929 placed the Corporation in the Treasury Department for final liquidation.

(2) Control over Railroads. While the Treasury was not involved officially in the wartime control and operation of the railroads, the first Director General of Railroads was William G. McAdoo, then Secretary of the Treasury, who was Secretary

- 2 -

until December 15, 1918 and who served as Director General from December 26, 1917 until January 10, 1919. The Treasury was instrumental in providing financial assistance, through the War Finance Corporation, to the railroads and to the Railroad Administration, both during and after the war. The Railroad Administration was terminated, except for accounting and liquidating purposes, with the return of the railroads to private ownership pursuant to the Transportation Act of 1920, and that Act provided for direct Treasury financial aid to the railroads. Secretaries of the Treasury were from time to time named as Director General charged with liquidating the Railroad Administration until, on July 1, 1939, Reorganization Plan II placed these liquidation functions in the Treasury Department.

(3) Agricultural Credit.

(a) Advances by War Finance Corporation. During the war the War Finance Corporation provided limited financial aid to farmers and cattlemen in drought areas. The Act of November 21, 1918, specifically authorized the Corporation to make advances for "stimulating agriculture and facilitating the distribution of agricultural products". After the resumption of the Corporation's activities in 1921, the Treasury was instrumental in obtaining passage of the

- 3 -

Agricultural Credits Act of August 24, 1921, which broadened the Corporation's powers in connection with financial aid to agriculture.

(b) Seed-Grain Loans to Farmers. Toward the end of the war the President made available a fund to be administered jointly by the Treasury and Agriculture Departments for the purpose of making seed-grain loans to farmers in drought areas. This activity was continued during the post-war period.

(4) Aid to Foreign Governments.

(a) Loans. Various acts during the war authorized the Treasury to make loans to allied governments. The Victory Liberty Loan Act of March 3, 1919, sponsored by the Treasury, included a provision authorizing loans for the purpose of financing the disposal of United States surplus property and wheat, the price of which had been guaranteed by the United States. However, the Treasury's announced policy was to encourage the making of these loans in the private financial markets of the United States.

(b) Interallied Purchasing Commission. The Secretary of the Treasury was responsible for wartime arrangements with allied governments resulting in the creation of this Commission to supervise purchases made by foreign governments in the United

- 4 -

States. The Commission cooperated with the Food Administration, Fuel Administration and War Industry Board in the coordination of Government and foreign purchases in the United States. After the Armistice the functions of the Commission were transferred to the Treasury.

(c) European Relief. The Treasury recommended the enactment of legislation to permit advances for the relief of destitute people in Europe. The Act of March 30, 1920 authorized the United States Grain Corporation, with the approval of the Secretary of the Treasury, to sell or dispose of not in excess of 5,000,000 barrels of flour in the possession of the Corporation.

(5) General Post-War Policy of the Treasury.

(a) Prompt Removal of Government Controls. The 1919 annual report of the Secretary of the Treasury describes the general policy of the Treasury since the Armistice as being "to restore private initiative and remove Government controls and interferences". Pursuant to the Treasury's suggestions the embargoes on gold and silver and the control of foreign exchange were removed. The wartime control of the Capital Issues Committee over capital issues of corporations in the United States was discontinued. These measures were aimed at

- 5 -

making available "American capital and credit resources, as well as its great gold reserve, in aid of the world's commerce and Europe's need."

(b) Economy. The 1920 annual report of the Secretary emphasized the need for rigid economy in Government expenditures and a balanced budget as a condition to any sound financial program. It also recommended the speedy elimination of the wartime revolving funds and Government corporations, which operated apart from regular Federal controls over expenditures, and the creation of a budget system. Consistent with its economy program, the Treasury strongly opposed the proposed soldiers' bonus program which would have involved expenditures of \$1,000,000,000 to \$2,000,000,000.

(c) Taxation. In 1919 and 1920 the Treasury recommended that wartime taxes be revised but without loss of revenue. Its program included the repeal of the excess profits tax and the substitution of a corporate undistributed profits tax or a surtax on corporations; and the reduction of the surtaxes on individual incomes in the high brackets coupled with an increase of surtaxes in the low brackets. The Treasury also opposed a general sales tax and strongly asserted the right of the Federal Government to include

- 8 -

as part of income for tax purposes income derived from
State and municipal bonds.

DJS:TJL:ims
8/24/43

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE
August 24, 1943TO Secretary Morgenthau
FROM Mr. Lynch 

You suggested that a memorandum be prepared for Judge Rosenman summarizing the post-war activities of the Treasury Department following World War I.

Attached is a memorandum which you may want to use for that purpose.

Dear Mr. Geer:

This is in reply to your letter of August 12, 1943, regarding the article on "The World Bank Proposals" in the August issue of Fortune.

The editors and publishers of Fortune have performed a public service in bringing to the attention of their readers the importance of international monetary cooperation in the postwar period.

I shall be glad to have a half-dozen copies for Treasury use.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. William D. Geer,
General Manager,
Fortune,
Time & Life Building,
New York, New York.

EMB/jm
8/25/43 *H.W.* FILE COPY

FORTUNE

TIME & LIFE BUILDING
ROCKEFELLER CENTER
NEW YORK

EXECUTIVE OFFICES

August 12, 1943

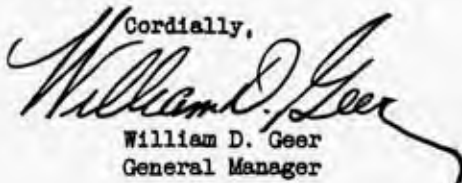
Dear Mr. Morgenthau:

In your new August issue of FORTUNE, there is one article that I wanted to call to your particular attention -- because I think you will not want to miss reading it.

"The World Bank Proposals" is concerned with the pros and cons of a non-gold-standard international currency, and the workings of a World Banking Institution.

And I wanted to let you know, too, that some extra copies of this article are available. So if any of your friends or associates would find it interesting or valuable, you can just let me have their names and addresses. I shall be glad to send copies to them.

Cordially,



William D. Geer
General Manager

WDG:se

AUG 27 1943

Dear Mr. Rockefeller:

I too am disappointed to be informed of the incorrectness of the report that the Argentine Clarín had ceased publication. As you know, I have been much concerned over this problem, both in general and in this particular case, and I shall welcome any further word from you.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Nelson A. Rockefeller,
Coordinator of Inter-American
Affairs,
Department of Commerce Building,
Washington 25, D.C.

NTN:imo:8/25/43

N.N.

HON

FILE COPY

11-1111 266
Cub-

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE FOR EMERGENCY MANAGEMENT
COORDINATOR OF INTER-AMERICAN AFFAIRS

COMMERCE DEPARTMENT BUILDING
WASHINGTON, D. C.

August 17, 1943

Dear Mr. Secretary:

It is with great regret that I have to inform you that the information which I got from our Argentine friends concerning the discontinuance of CLARINADA was not correct. I received a cable from Argentina which I quote as follows:

"July issue of CLARINADA appeared as usual and can find no evidence that publication has been closed down or warned by government."

This is a tough one but we will keep after it.

With personal regards,

Sincerely,

Nelson A. Rockefeller
Nelson A. Rockefeller
Coordinator

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

August 27, 1943.

Dear General Hildring:

In our recent conference you stated that you did not intend to send any financial experts abroad to work on financial matters unless they had the approval of the Treasury. In view of the fact that the Italian operation is the first large undertaking of this character and one in which there must be success, I feel very strongly that qualified and experienced personnel must be secured. I would appreciate it, therefore, if we could help in selecting the personnel to serve under Colonel Foley.

In this connection I think it is important to take affirmative action to hold Colonel Bernstein and Lieutenant (Navy) Southard available to join Colonel Foley as soon as he arrives in the area to begin to plan the organization and campaign of operations. Harold Glasser is in North Africa and I believe should be commissioned and also should immediately join Colonel Foley's staff. When this operation is over it would be satisfactory to the Treasury if Glasser were decommissioned. In order that Southard might have the necessary status, he probably should be promoted by the Navy to Lieutenant Commander.

I believe that the Finance and Property Divisions under the organizational set-up of AMG are the two most important divisions in the whole operation and I think we should have competent technicians for these places.

I assume you will also want our recommendations with respect to a somewhat similar set-up in London. I shall be glad to talk to you about it if you do want our advice.

Sincerely yours,

Major-General John H. Hildring
Civil Affairs Division
War Department

DWB:ev

John H. Hildring
Spencer 267

AUG 27 1943

My dear Mr. Ambassador:

I would like to extend my congratulations to you on your new appointment. From our previous contacts in connection with matters of mutual interest to your Government and my Department, I am sure that you will do your utmost to promote understanding and friendship between our two countries.

I have no doubt that, like your predecessor, you will soon enjoy the good will and confidence of the people of the United States and their Government.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

His Excellency,
The Ambassador of Union
of Soviet Socialist Republics,
Washington, D.C.

ISF:rl 8/24/43

O

August 28, 1943

Dear Mr. Secretary:

I sincerely appreciate your greetings and thank you very much for them. May I take this opportunity to add that my desire is to maintain the excellent relations which have always existed in our previous contacts in connection to your Department and my Government, and I shall do the utmost to promote them.

I thank you again for your good wishes and remain

Sincerely yours,

A. Gromyko
A. Gromyko
Ambassador

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

August 27, 1943

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended August 18, 1943, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

Amb

FEDERAL RESERVE BANK
OF NEW YORK

August 26, 1943.

CONFIDENTIAL

Dear Mr. Secretary: Attention: Mr. H. D. White

I am enclosing our compilation for the week ended August 18, 1943, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke,

L. W. Knoke,
Vice President.

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

Enclosures

C O P Y

ANALYSIS OF BRITISH AND FRENCH ACCOUNTS
(In Millions of dollars)

Strictly
Week Ended August 18, 1943 Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)									BANK OF FRANCE			
	D E B I T S				C R E D I T S					Net Incr. (+) or Decr. (-) in \$ Funds (d)	Total Debits (e)	Total Credits (e)	Net Incr. (+) or Decr. (-) in \$ Funds (d)
	Total Debits	Gov't Expendi- tures (a)	Transfers to Official Canadian Account	Other Debits	Total Credits	Proceeds of Sales of Gold	Securities (Official) (b)	Transfers from Offi- cial Aus- tralian Account	Other Credits (c)				
First year of war (g)	1,793.2	605.6	20.9	1,166.7	1,828.2	1,356.1	52.0	3.9	416.2	+ 35.0	866.3(f)	1,095.3(f)	+299.0
War period through December, 1940	2,782.3	1,425.6	20.9	1,335.8	2,793.1	2,109.5	108.0	14.5	561.1	+ 10.8	878.3	1,098.4	+220.1
Second year of war (h)	2,203.0	1,792.2	3.4	407.4	2,189.8	1,193.7	274.0	16.7	705.4	- 13.2	38.9	8.8	- 30.1
Third year of war (i)	1,235.6	904.8	7.7	223.1	1,361.5	21.8	5.5	57.4	1,276.8	+ 125.9	18.5	4.4	- 14.1
1942													
Sept. 3 - Sept. 30	56.1	37.1	-	19.0	81.6	-	0.5	20.5	60.6	+ 25.5	10.1	0.4	- 9.7
Oct. 1 - Oct. 28	45.7	27.4	-	19.3	57.5	-	-	12.0	45.5	+ 10.8	-	0.3	+ 0.3
Oct. 29 - Dec. 2	96.6	35.5	-	61.1	83.7	-	-	5.5	78.2	- 12.9	0.2	0.3	+ 0.1
Dec. 3 - Dec. 30	30.4	13.3	-	17.1	51.9	-	-	8.0	43.9	+ 21.5	-	-	-
1943													
Dec. 31 - Feb. 3	168.6	20.9	125.0	22.7	58.9	-	-	8.0	50.9	- 109.7	-	-	-
Feb. 4 - Mar. 3	87.2	17.8	37.7	31.7	120.8	-	-	15.0	105.8	+ 33.6	-	-	-
Mar. 4 - Mar. 31	35.3	12.9	-	22.4	64.4	-	-	5.0	59.4	+ 29.1	-	-	-
Apr. 1 - Apr. 28	37.0	16.3	-	20.7	87.4	-	-	15.1	72.3	+ 50.4	-	-	-
Apr. 29 - June 2	90.4	74.3	-	16.1	103.4	-	-	19.0	84.4	+ 13.0	-	-	-
June 3 - June 30	31.6	11.6	-	20.0	130.7	-	-	20.0	110.7	+ 99.1	-	-	-
July 1 - July 28	33.0	18.2	-	14.8	100.5	-	-	16.0	84.5	+ 67.5	-	-	-
WEEK ENDED:													
July 28	9.3	5.1	-	4.2	28.4	-	-	-	28.4	+ 19.1	-	-	-
Aug. 4	8.5	5.1	-	3.4	14.0	-	-	1.0	13.0	+ 5.5	-	-	-
11	11.0	6.9	-	4.1	34.1	-	-	10.0	24.1	+ 23.1	-	-	-
18	19.6	8.1	7.5	4.0	12.9(j)	-	-	-	12.9(j)	- 6.7	-	-	-

See attached sheet for footnotes.

See attached sheet for footnotes.

Average Weekly Expenditures Since Outbreak of War
 France (through June 19, 1940) \$19.6 million
 England (through June 19, 1940) \$27.6 million
 England (June 20, 1940 to March 12, 1941) \$54.9 million
 England (since March 12, 1941) 21.5 million

ANALYSIS OF CANADIAN AND AUSTRALIAN ACCOUNTS
(IN BILLIONS OF DOLLARS)

Week Ended August 18, 1943

Strictly
Confidential

PERIOD	BANK OF CANADA (and Canadian Government)								COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)							
	DEBITS				CREDITS				DEBITS				CREDITS			
	Total Debits	Transfers to Official British A/C	Others Debits	Total Credits	Proceeds of Gold Sales	For Own A/C	For French A/C	Other Credits	Net Incr. (+) or Decr. (-) in Funds	Total Debits	Transfers to Official British A/C	Others Debits	Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in Funds
First year of war (a)	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9
war period through December, 1940	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+ 230.2	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5
Second year of war (b)	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 9.0
Third year of war (c)	525.8	0.3	525.5	566.3	198.6	7.7	-	360.0	+ 40.5	107.2	57.4	49.8	112.2	17.2	95.0	- 5.0
1942																
Sept. 3 - Sept. 30	46.3	-	46.3	53.6	13.2	-	-	40.6	+ 7.3	28.0	20.5	7.5	18.1	-	18.1	- 9.9
Oct. 1 - Oct. 28	44.9	-	44.9	51.5	16.6	-	-	34.9	+ 6.6	14.3	12.0	2.3	14.6	-	14.6	+ 0.3
Oct. 29 - Dec. 2	56.3	-	56.3	80.8	14.4	-	-	66.4	+ 24.3	10.2	5.5	4.7	9.4	-	9.4	- 0.8
Dec. 3 - Dec. 30	48.2	-	48.2	43.9	2.9	-	-	41.0	- 4.3	14.1	8.0	6.1	11.7	-	11.7	- 2.4
1943																
Dec. 31 - Feb. 3	52.5	-	52.5	217.1	-	125.0	-	92.1	+ 144.6	16.2	8.0	8.2	17.3	-	17.3	+ 1.1
Feb. 4 - Mar. 3	35.1	-	35.1	101.2	-	37.7	-	63.5	+ 66.1	15.9	15.0	0.9	16.0	-	16.0	+ 0.1
Mar. 4 - Mar. 31	36.2	-	36.2	51.6	-	-	-	51.6	+ 15.4	7.1	5.0	2.1	6.7	-	6.7	- 0.4
Apr. 1 - Apr. 28	29.0	-	29.0	39.6	-	-	-	39.6	+ 10.6	16.4	15.1	6.3	19.3	-	19.3	+ 2.9
Apr. 29 - June 2	79.9	-	79.9	95.8	-	-	-	95.8	+ 15.9	21.8	19.0	2.8	20.1	-	20.1	+ 1.7
June 3 - June 30	53.8	-	53.8	77.2	-	-	-	77.2	+ 23.4	20.0	20.0	-	27.3	-	27.3	+ 7.3
July 1 - July 28	102.1	-	102.1	61.8	-	-	-	61.8	- 40.3	19.2	16.0	3.2	12.5	-	12.5	- 6.7
WEEK ENDED:																
July 28	6.5	-	6.5	9.3	-	-	-	9.3	+ 2.8	0.1	-	0.1	0.3	-	0.3	+ 0.2
Aug. 4	6.1	-	6.1	15.9	-	-	-	15.9	+ 9.8	2.3	1.0	1.3	10.5	-	10.5	+ 8.2
11	5.6	-	5.6	15.6	-	-	-	15.6	+ 10.0	10.2	10.0	0.3	0.4	-	0.4	- 9.9
18	113.1 (a)	-	113.1 (g)	14.5 (a)	-	7.5	-	7.0 (a)	- 98.6	0.2	-	0.2	0.3	-	0.3	+ 0.1

Average Weekly Expenditures

First year of war 6.2 million.
Second year of war 8.9 million.
Third year of war 10.1 million.
Fourth year of war (through August 18, 1943) 9.7 million.

- (a) For monthly breakdown see tabulations prior to April 23, 1941.
(b) For monthly breakdown see tabulations prior to October 8, 1941.
(c) For monthly breakdown see tabulations prior to October 11, 1942.
(d) Reflects changes in all dollar holdings payable on demand or maturing in one year.
(e) Does not reflect transactions in short term U. S. securities.
(f) Includes \$ 2.7 million deposited by War Supplies, Ltd. and \$4.1 million received from New York accounts of Canadian Chartered Banks.
(g) Reflects payments of \$76.0 million and \$30.0 million to New York Agency of Bank of Montreal, to cover redemption of 2 1/2% of 1945 and 2 1/4% of 1944 Dominion of Canada bonds, both of which issues were called for redemption on August 16, 1943.

Regraded Unclassified

- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941.
- (h) For monthly breakdown see tabulations prior to October 8, 1941.
- (i) For monthly breakdown see tabulations prior to October 14, 1942.
- (j) Includes \$8.3 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports;
2.0 million to be held for credit of the U. S. Army.

NOT TO BE RE-TRANSMITTED

COPY NO. _____

BRITISH MOST SECRET
U.S. SECRETOPTEL NO. 282

Information received up to 10 a.m., 27th August, 1943.

1. NAVALMEDITERRANEAN. Nights 23rd/24th/25th. Allied Naval forces operated in TYRRHENIAN SEA, off CALABRIAN Coast and VIBO VALENTIA.

25th. One of H.M. Cruisers bombarded CALABRIAN Coast. In enemy air attack on AUGUSTA, an Infantry landing ship was slightly damaged.

2. AIR OPERATIONSWESTERN FRONT. 26th. Escorted Marauders (B.26) dropped 41 tons on CAEN-CARPIQUET airfield and Bostons (A.20) made effective low level attack on power station at GUERLEDAN (BRITANNY).

26th/27th. Aircraft despatched: Sea-mining - 32, Leaflets - 1, Intruders - 2, Anti-shipping - 7.

ITALY. 24th/25th. 17 heavies attacked COTRONE Railway Centre and Wellingtons dropped 67 tons on Railway Centre and Steel Works Southeast of NAPLES.

25th. 155 Heavies bombed Railway Centre and Airfield at FOGGIA and 133 Lightnings (P.38) attacked SATELLITE Landing Grounds in same area. Enemy casualties 26.5.2. Three Fortresses (B.17) and 12 Lightnings (P.38) missing.

SARDINIA. Photographs taken 25th indicate enemy have blown up landing areas at ELIAS, MONSERRATO and CAPORETTA Airfields.