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September 4, 1943

The Secretary sent a radio message to you late yesterday afternoon, saying that Judge Rosenman said he would be glad to see Messrs. McConnell and O'Connell on Tuesday, and that they should phone his office for a definite appointment. I have told both O'Connell and McConnell.

McH

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE September 4, 1943

TO: Secretary Morgenthau

FROM: Ted R. Gamble

We were so proud of our job over here on the purchase of War Savings Bonds, that I asked that a report be made to you. I think you will find it interesting.

Back The Soldier

3

The 15 billion dollars which the Treasury hopes to raise in its September bond drive is a staggering sum. When a figure has that many ciphers tacked onto it, the ordinary human mind can't quite grasp its meaning. There's a temptation to think of the individual contributor as negligible. A \$25 war bond, or even a \$1000 purchase, looks puny and insignificant in relation to the total. So does the individual soldier seem insignificant among the millions of a modern army. Yet he is the indispensable integer. The effectiveness of any democratic effort rests upon compounding the contributions of the many.

And each is indispensable. That is the innermost secret of our form of society. In all our common enterprises, we count implicitly upon the other fellow, upon the anonymous little fellow, to play his essential part. The simple act of mailing a letter, in full confidence that it will find its way through hundreds of unknown hands to its prescribed destination, involves an act of faith. This is the faith which has made possible the greatness of our democratic undertakings.

The individual bond buyer can, if he likes, translate his purchase in terms of so and so many bombs or bullets rained upon the Axis. Or he can reckon in sober reality that the amount of his purchase has borne the entire cost of the gigantic United Nations war effort for an infinitesimal fraction of its terrible duration. Better still, he can reckon it in negative terms—in terms of satisfactions deferred, of things not bought, trips not taken, materials and services released for the prosecution of the war. For these acts of self-denial also greatly serve the common cause. But, best of all, he can see himself as an irreplaceable unit in a great totality—as a vindicator of the bedrock faith on which our form of society is founded.

Over in the War Finance Division of the Treasury, the men and women at work on the bond campaign—guards, file clerks, stenographers, executives, a small cross-section of America—have set something of an example for the country as a whole. On an average they have chipped in more than two weeks pay for every member of the staff—over and above the amounts of their regular monthly bond buying. That hasn't been altogether easy in a city where the cost of living is higher than average. The goal is to get something like this from every single American with a job. The measure is not how much you contribute in relation to the total, but how much you contribute in relation to your own personal means. No one who meets that measure need feel small.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE September 1, 1943

TO: Secretary Morgenthau

FROM: Ralph G. Engelsman
Payroll Savings Section

Subject: Third War Loan Drive in War Finance
Division, Washington office.

When the Treasury set the goal of two weeks pay in Bonds (over and above present payroll deductions) for the Third War Loan and broadcast that quota throughout the country, there seemed to be some question in the minds of the field as to whether this was truly an attainable objective.

The War Finance Division in Washington felt that the most effective way to demonstrate that the job could be done would be to conduct a drive based on this quota among its own employees.

An analysis revealed that there were 330 employees in the Washington office of the War Finance Division. These are all "white collar" workers from office boy to executive, from nearly every state, all different in color, race and creed, ages ranging from 16 to 70 and living under varied circumstances. It was felt that this group would be a fair sample of what could be done with an organized drive for extra Bond sales.

A slogan "The War Finance Division Leads the Way" was adopted, and the Payroll Savings Section assigned to the job of organizing the Drive along precisely the same person-to-person, desk-to-desk, bench-to-bench canvass as it had recommended to industry throughout the country.

The following steps were taken:

1. An objective was set based on present buying plus what two weeks pay would buy in Bonds - AND BOOKKEEPING ARRANGEMENTS DEVISED.
2. A meeting of department heads was held - the drive explained and captains appointed for each 10 workers in a department.
3. A meeting of all captains was held and duties explained.
4. A private meeting was held with each captain and a quota for every individual worker established - and a card made out for each individual.

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5. Another meeting of captains - where they were given a sales talk and final instructions.
6. A Drive headquarters was established and a reporting system set up.
7. An opening mass meeting with singing and an appeal by an Army Nurse, who had been at Pearl Harbor on December 7, and a Sergeant who had been wounded and decorated for Gallantry in Action in Tunisia.
8. Personal solicitation of each and every worker followed during the next few days. The entire drive lasted six days.
9. A Progress Board showing progress of each section both in amount of Bonds sold and individuals participating.
10. A dedication board in the form of a large Service Flag with an inscription saying "When You Back the Attack in the Third War Loan, You Are Backing Your Husband, Your Son, Your Sweetheart or Your Friend. Dedicate Your Bond Subscription to Him," and as each Bond was subscribed to, the name of the Service man to whom it was dedicated was printed on the board.
11. An attractive paper tag indicating employee had bought was provided.
12. Follow-up squad on delinquent buyers.

RESULTS

No. of Employees	330	No. buying	314
Bonds bought present deductions	\$ 13,398	(Cash \$10,049)	
Amount of EXTRA Bonds subscribed	<u>39,900</u>	(Cash \$29,924)	
Total Bonds for THIRD WAR LOAN	\$ 53,298	(Cash \$39,973)	
Average Bonds per person	\$158	(Cash \$119)	
Average EXTRA Bonds	\$121	(Cash \$90)	
Percent of September <u>Gross</u> Payroll	46%		

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COST

Printing - tags

Photostats

Progress Boards

Taxi for Nurse and Sergeant

and other incidentals — \$50.00

The results of this guinea pig drive are being given publicity to the field, to the Government Departments and to the local and national press.

*Copy of inc and
out to Smith 9/8/43* 7v

September 4, 1943

My dear Mr. Davis:

In Secretary Morgenthau's absence, I wish to acknowledge receipt of your letter of September 2nd.

I communicated with the Secretary this morning, and extended to him your invitation to share with the Secretary of War the first radio program on September 10th at 9:30 p.m. Secretary Morgenthau will be very glad to appear on the program with Secretary Stimson.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Mr. Elmer Davis,
Director,
Office of War Information,
Washington, D.C.

*By message per A. Parsons
9/4/43 - 12:47 p.m.*

OFFICE OF WAR INFORMATION
WASHINGTON

OFFICE OF THE DIRECTOR

September 2, 1943

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

Dear Mr. Secretary:

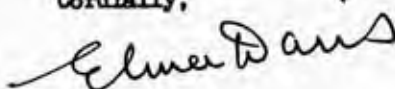
An important feature of BACK THE ATTACK, the Treasury-Army War Show, will be a series of 18 five-minute talks, one each evening at 9:30 p.m. to show how the entire Government functions in winning the war. These talks will be broadcast nationally and plans are being made to have them published in printed form for wide distribution.

This series will provide an extremely valuable opportunity for the heads of Government departments and agencies to make a "Report to the American People" concerning their particular problems, their accomplishments and their immediate objectives.

It would seem most appropriate that you and the Secretary of War share the first program on Friday, September 10. I hope that you will find it possible to do this.

If this suggestion meets with your approval, I shall be glad to assist in making the detailed arrangements.

Cordially,



Elmer Davis
Director



Treasury Department
Division of Monetary Research

9

Date September 4 1943

To: Secretary Morgenthau

Attached is a short summary prepared by Miss Bassett of this Division, of Sam Berger's report on the recent conference of the British Labor Party.

I think you will find the summary interesting.

The report you will remember was prepared by Sam Berger for Mr. Lubin. Mr. Casaday informed me that he regards Mr. Berger's reports on labor conditions in England as the most excellent prepared in the Embassy, and after reading the report I concur in his judgment that the reports are excellent. Mr. Lubin has kindly consented to send us copies of future reports that he receives on this subject.

H. D. White

MR. WHITE
Branch 2058 - Room 214½

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE September 4, 1943

TO Mr. White
FROM Miss Bassett

Subject: Main Issues before the Recent Conference of the British Labor Party.

The highlights of Mr. Berger's exhaustive report on the Labor Party Conference are summarized below:

1. Communist Party Application for Affiliation: The Labor Party Conference's rejection of the Communist Party's application for affiliation by a majority of almost 3 to 1 came as a surprise to the Communists who thought they commanded substantial support among the rank and file. Under Conference rules the issue cannot come up again for two years. The Communist Party has rejected the suggestion that they disband, as they still hope to secure affiliation eventually and some members expect the Labor Party will make a major blunder as in 1931 which will turn many disillusioned Labor Party members to the Communist Party--if the latter manages to establish itself as an independent national party free of Russian entanglements.

2. Continuation of the Electoral Truce: The vote of 7 to 1 in favor of continuing the electoral truce is significant when compared with last year's bare majority of only 66,000. It reflects the increased satisfaction with the progress of war production, the Government's conduct of the war and its post-war planning, and with the operations of the electoral truce. The chances are good that Labor will remain in the Coalition for the duration.

3. The Problem of Post-War Coalition: The Labor Party has been agitated since Churchill's speech of March 21 in which he suggested a post-war Coalition Government or "a Government composed of the best men of all parties willing to serve" for fear their leaders would break away from the Labor Party to enter such a Government. The left-wing--Laski, Shinwell, and Ansarin Bevan--wants a general election immediately after the war on an independent, uncompromising stand of "Socialism". The moderates, who are in a majority, are caught between a dislike of the role of junior partner of a Coalition, on the one hand, and the fear of Churchill's popularity in any independent test at the polls, on the other. However, the rank and file are suspicious both of any arrangement with the Conservatives and also of their own leaders and the ability of the latter to hold their own in such an arrangement. Labor participation in a post-war coalition will probably depend on whether the present Coalition Government can build up a substantial record of pledges and legislation for post-war reform and reconstruction.

Division of Monetary
Research

- 2 -

4. Problem of the General Election: It is agreed that, the present House of Commons having been elected in 1935, it is imperative that a General Election be held at the earliest opportunity. The difficulty is how to fight such an election and still ensure the subsequent formation of a new Coalition. If given free reign, Churchill's prestige would return such a large majority of Conservatives that Labor resentment would preclude any Coalition. Labor Party leaders are secretly working on a plan for a semi-free election which would give a large part of the electorate a chance to choose between the parties and the minority parties a chance to increase their representation in Parliament. It would provide that party leaders remain neutral. The plan contemplates that certain constituencies where the incumbents won the previous election by more than a given percentage will be assigned to each party while in the other constituencies an actual contest will be fought. The acceptance of any such scheme will depend on whether it insures the minimum requirement of substantially increasing Labor Party representation in the House of Commons.

5. Morrison's Defeat for the Post of Treasurer: This startling event which removed one of the two leading contenders for post-war Labor Party leadership (the other being Ernest Bevin) from all official position within the Party is seen more as a vote in favor of Mr. Greenwood who, it was felt, had been "victimized" last year when he was dropped from the Cabinet (in reality he was let out because he drank too much and couldn't keep Cabinet secrets) rather than a vote against Mr. Morrison. This defeat has not impaired Morrison's position and if Bevin doesn't choose to stand for Party leadership, Morrison, a very able and popular man, will undoubtedly succeed Atlee.

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August 10, 1943.

Dear Mr. Lubin:

Thank you for sending me the 16th letter in the series of bi-monthly reports on labor conditions in Great Britain. I am looking forward to going through the contents of this manuscript with a great deal of interest.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Isador Lubin,
Economic Assistant to the President
on Defense Matters,
The White House,
Washington, D. C.

GEF/dbs

THE WHITE HOUSE
WASHINGTON

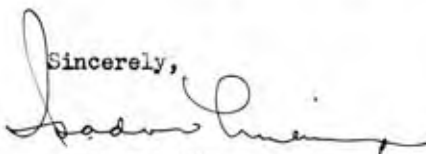
August 9, 1943

My dear Mr. Secretary:

I am herewith enclosing the 16th
in the series of bi-monthly letters on labor
conditions in Great Britain.

I think you will find it very in-
teresting.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Isador Lubin', written in dark ink.

Isador Lubin

The Honorable

The Secretary of the Treasury

1
July 22, 1943

LABOR LETTER NO. 14

Below is a resume of the main issues which came before the 42nd Annual Conference of the Labor Party, together with my comments on the significance of the decisions taken:

1. COMMUNIST PARTY APPLICATION FOR AFFILIATION: The Communist Party was stunned by the overwhelming vote in support of the National Executive's rejection of their application ~~which~~ for affiliation: 1,990,000 to 712,000/. The Communists did not expect the Conference to overturn the Executive's decision, but they did expect a much greater vote in their favor and much more support in the debate than they received. Reason for this optimism was that last year's Conference voted 1,244,000 to 1,231,000 in favor of a resolution calling on the Government to lift the ban on the Daily Worker, in spite of strong opposition to this resolution from the National Executive.

The Communists completely misunderstood the real significance of last year's vote, and they consequently have labored under the illusion that they commanded very substantial support in the Labor Party. The British labor movement is a tolerant and easy-going movement. Except for the pro-communist unions — the Miners, the Engineers, the Locomotive Engineers, and a few small unions (altogether representing about 700,000 votes) — the vote last year in favor of lifting the ban on the Daily Worker was not inspired by any profound ideological considerations, but because it was the sporting thing to do; because no harm would be done if the ban was lifted; and because the delegates like occasionally to assert their independence of the National Executive. There was little more than this involved in last year's decision.

The issue before this year's Conference was quite another matter. The affiliation of the Communist Party spelled danger to the Labor Party which was instinctively and widely appreciated. This was evident not only in the decisive vote against affiliation, but in the debate itself. Delegate after delegate got up to describe their disillusionment whenever they attempted to work in good faith with the Communists. This was true not only of the delegates representing the trade unions, but the delegates from the local Labor Parties, who are always more left, 2/ more intellectual and more tender-minded, were equally passionate in opposing the application for affiliation.

In the course of the debate Herbert Morrison stated on behalf of the National Executive that if the Communist Party followed the example of the Comintern and dissolved, the National Executive was prepared to withdraw its ban on Communists. Individual Communists would be welcomed into the Labor Party as ordinary members. Morrison warned that if this offer was accepted there must be no tricks. He had in mind the formation of a Communist cell inside the Labor Party, and the maintenance of an underground movement.

The Executive Committee of the Communist Party promptly issued a statement rejecting Morrison's offer, and proclaiming that it intended to persevere in its fight for admission and for "working class unity". However, under the rules governing the Conference, the issue of affiliation cannot come up before the Labor Party again for two years. The present plan of the Communists is to use the time to build up their voting strength in the Labor Party, by increasing the number of Labor Party members in the unions which the Communists control or in which they have considerable influence. The Amalgamated Engineering Union is the special province for these activities. It is a union of over 1,000,000 members, but only about 90,000 have "checked in" to pay the political levy to the Labor Party.

Although the Communist Party of Eire has just dissolved and its members have been instructed to seek admission to the Irish Labor Party, it is unlikely that the British Communists will follow the same course. In the first place, they are still hopeful about their chances of eventually securing affiliation with the Labor Party. In the second place, there are elements in the Communist Party who feel that the dissolution of the Comintern makes it possible for the British Communist Party to develop into a mass party. They expect the Labor Party to make another major blunder such as was made by the MacDonald Government in 1931 and as they see it, when that happens tens, perhaps hundreds of thousands of disillusioned Labor Party members will be prepared

1/ You will notice that my prediction of the pro-Communist vote was not far off. I gave them between "700,000 and 800,000 votes". (See LL 14, item 2b.)

2/ The left wing of the Labor Party frequently referred to in this letter should not be confused with the pro-communist section of the Labor Party. At the present time the Communists support the National Executive on almost all questions of policy, (except their opposition to Communist affiliation).

CONFIDENTIAL

Regraded Unclassified

to break away. If the Communist Party is kept alive, and really establishes itself as a genuinely independent national party without Russian entanglements, it will reap the benefit of the expected split. 1/

But whatever the Communists plans and expectations may be, the vote at the Labor Party Conference indicates clearly that the Communists will have no easy time living down their part and establishing their bona fides.

2. CONTINUATION OF THE ELECTORAL TRUCE: One of the most significant decisions of Conference was the one to continue the "electoral truce". In contrast to last year's vote when the majority in favor of continuing the "truce" was only 66,000 — 1,275,000 to 1,209,000 — the vote this year was overwhelmingly in favor: 2,243,000 to 374,000. The full significance of this can only be appreciated if it is realized that the motion to end the "truce" was tantamount to a motion to withdraw from the Coalition Government.

The "electoral truce" is the inter-party agreement entered into soon after war was declared, which provides for the suspension of by-election contests in which the event of a parliamentary vacancy. The "truce", which is terminable on notice from any party, gives the incumbent party the right to fill such vacancies without opposition from the other parties. Since the outbreak of war there have been about 175 such vacancies. In all but five cases, the "electoral truce" has operated to secure the return of the incumbent party's candidate, known as the Government candidate.

Purpose of the electoral truce was to insure national unity by avoiding partisan controversy which would be inevitable if "free" by-elections were fought. The "electoral truce" is not a "political truce in any sense since it does not involve any commitment not to raise controversial questions, or not to indulge in party propaganda.

Effect of the "electoral truce" was that it froze the relative strength of the several parties in Parliament at their September 1939 strength. The Labor Party with 172 seats, compared with over 300 for the several Conservative parties, has naturally been the least happy signatory to this agreement. The moderates in the Labor Party approved the "truce", but only with greatest reluctance, while the left-wing of the Labor Party opposed it from the very beginning and have maintained an unceasing agitation to terminate it. This agitation made no headway until the spring of 1942, when a complicated set of events interacted to produce the close vote to end the "truce" at last year's Labor Party Conference (May 1942).

The agitation of the left wingers from the very start fastened on the Government's conduct of the war, but they got nowhere until after the Japanese declaration of war. Government propaganda had unfortunately misled the country on the possibilities of defending the Pacific, and when it proved impossible to stem the Japanese advance a wave of indignation and uneasiness swept the country. All kinds of rumors were afoot and anxious questions were being asked about the Government's conduct of the war. 2/

This uneasiness increased as the Japanese began to approach India, and it became known in Britain that the Government had failed to secure the support of the Indian leaders. To many people — especially those in the Labor Party — the hidden hand of the "imperialist interests" was seen as overriding military considerations, hence the haggling over Indian independence and the failure of the Cripps' negotiations.

The agitation of the left-wingers also fastened on the Government's failure to coordinate its military policy with the Russians' winter offensive of 1941-42. A double charge was levelled at the Government: first, that "certain reactionaries" in the War Office and the Foreign Office had a prejudiced view of Russia's war power, and since they expected Russia to collapse they had made no plans to relate Britain's military policy to Russia's strategy. Alternatively, that these "interests", fearing

1/ The possibility of an eventual split inside the Communist Party on this very issue should not be discounted. Ever since September 1939 there has been a deep split inside the Communist Party between those who favored an independent policy (Harry Pollitt, Arthur Horner, etc.) and those who were carrying out Comintern orders (Palme Dutt). The former were held in check only by the fear of excommunication, but if the Comintern dissolution is genuine that threat will no longer operate to preserve discipline. It is very possible that an irreconcilable fight will develop inside the Party between those who still insist on orientating the Party's policy exclusively around Russia, and those who feel that with the dissolution of the Comintern, it is now possible to develop an autonomous and really indigenous party.

2/ Why had the Government failed to enlist the aid of the natives? Why were the troops unprepared for jungle warfare? Why had the tin-smelting plans in Malaya not been de-

a Russian victory as much as they feared a German victory, were withholding aid to Russia, and playing the dangerous game of letting the two empires exhaust themselves in combat. This argument was not without its effect — particularly in labor circles, which are always ready to believe the worst about the Conservatives.

Complicating with a general uneasiness over the conduct of the war was a widespread suspicion that war production was being badly bungled — a suspicion which the Government had helped to produce by excessive criticism in withholding information regarding production. Here again, the trouble was attributed to the influence of "vested interests". The establishment of a Ministry of Production in the early part of the year lent weight to these suspicions. The crisis in coal production in the spring of 1942 was regarded as further evidence of the Government's meddling and bungling. In labor circles, the failure to nationalize the coal industry at this juncture, and the successful resistance of the public utilities and the Conservative M.P.'s to the Government's proposal to ration fuel, was looked upon as another instance of "vested interests" dominating the Government at the expense of the war effort.

All in all, the Spring of 1942 was one of the darkest periods of the war, and the country was uneasy, frustrated and irritated. It began to manifest its displeasure toward the end of March by defeating in quick succession three Government (Conservative) candidates in the by-elections then in progress. These were the first instances since the outbreak of war in which the public had flouted the "electoral truce" and failed to support Government candidates. The criticism was not directed against Churchill, but against the Conservative Party, which, being the majority party, was held responsible for the unhappy situation. The election of Independents was intended to shake the Government up.

The Government was quick to appreciate the ominous significance of these by-election defeats. A meeting of party leaders was held to consider what measures were needed to combat the Independents and insure the return of Government candidates under the "electoral truce". It led to a decision that henceforth the party leaders must actively enter into the by-election campaigns in order to induce their adherents to go to the polls in support of the Government candidates. The National Executive of the Labor Party shortly thereafter dispatched Eileen Williams, a member of the Executive, to give active platform support to one of the Conservative candidates.

This was the final touch which threw the Labor Party into an uproar, and into rebellion against the "electoral truce". The Labor Party had never liked the "electoral truce", which froze their party to its minority status in the House of Commons. That dislike had been intensified after the Labor Party entered the Coalition Government, since many people in the Labor Party felt that full partnership in the Government entitled them to full partnership in the House of Commons. This dislike was still further accentuated when the Independents won the three parliamentary seats which, but for the "electoral truce" would have been won hands down by the Labor Party. And finally, to alienate their dissenters, they were now not only being called upon to abide by the "electoral truce", which they had come to dislike more and more, but to give active campaign support to the Conservative Party, whose conduct of the war they criticized, and whose by-election candidates were in many cases men who had long anti-Labor records.

To many elements in the Labor Party this was the last straw. The "electoral truce" was bad enough, but it was merely an agreement not to contest by-elections; it did not carry with it the corresponding responsibility to save Conservatives from defeat.

This is the explanation of last year's uprising in the Labor Party against the "electoral truce", and the large vote cast in favor of ending the "truce". The Government was well aware that ending the "truce" meant the withdrawal of the Labor Party from the Coalition and that it might force a general election. But tempers were over-heated, and in a fury of anger nearly half of the Conference voted to end the "truce" regardless of the consequences. The revolt was put down by the narrow majority of 66,000 votes, but the National Executive of the Labor Party came away with a clear realization that it could not carry out the policy of asking support to Conservatives in by-elections. All that it could do was insist that local Labor Parties remain neutral during the by-elections. This has been the cautious and restrained policy followed by the National Executive as a result of the close vote at last year's conference.

(Footnote 2, continued from page 2) demobilized? Why had 60,000 troops been dispatched to Singapore when the situation was hopeless? Why were the Singapore guns all pointing seawards? Why had the Prince of Wales and the Repulse been sent out without air cover and when would the Government learn the lesson of seapower v. airpower, etc., etc.

CONFIDENTIAL

The enormous majority this year in favor of continuing the "electoral truce" springs mainly from the fact that the National Executive has not insisted on active support for Conservatives. In large part, it also represents the increased confidence in the Government's conduct of the war, trust in the Government's bona fides towards Russia, and satisfaction with the progress of war production (the Government during the past year finally began to reveal the impressive production figures, and this has dissipated all suspicion of bungling and meddling.

The left-wingers, realizing that they could get nowhere with last year's arguments, attempted to build their case this year around charges that the Government had emasculated the Beveridge Report, that the Government lacked initiative and energy in preparing post-war plans, and that the Conservatives were interfering with and nullifying every attempt to make such plans. They evoked little support, mainly because the other factors were overriding, but partly because, even on this score, there is in the Labor Party a feeling that the Government is making progress along a broad front.

(viz: Churchill's March 21st speech calling for two 4-year plans of reconstruction and his frank statement that there will be a place for public ownership and control; the Cabinet's support of Bevin's Catering Bill in the face of Tory back-bench opposition; the proposed 12-year plan for the building industry; the promise that legislation implementing the Beveridge Report will be introduced at the earliest moment; and the progress being made in a number of other directions (the new Education Bill, the forthcoming Bill on Town and Country Planning, etc.)

All these have combined to create a feeling in the Labor Party that their representatives in the Government will see to it that preparations for post-war will not be allowed to languish because the issues concerned are controversial.

There are many misgivings in the Labor Party about post-war problems, and if the Government had done nothing in the last few months, it would almost certainly have led to another substantial vote against the "electoral truce". But the Government's record on this score was such that the left-wingers were unable to work up any great support to break the "truce". Their agitation had no effect except, perhaps, to fan the doubts and suspicions which are ever present in the minds of the Labor Party supporters.

One further comment needs to be made here. The overwhelming vote for the continuation of the "electoral truce" makes it safe to predict that, providing the Government weathers the crisis over the Trades disputes Act (see Section 7 below) Labor will remain in the Coalition Government for the duration of the war, and the left-wing has no chance whatever of pulling Labor out of the Coalition. There may be more parliamentary flare-ups over reconstruction questions (such as occurred during the Beveridge debate) but these will not undermine either the "electoral truce" or the present Coalition Government. 1/

3. THE PROBLEM OF POST WAR COALITION: Ever since the Prime Minister's speech of March 21st in which he threw out the suggestion that after the war a Coalition Government, or "a Government composed of the best men of all parties willing to serve", should be formed to carry out the job of reconstruction, the Labor Party has been in a state of agitation. The left-wing immediately began to spread charges that the Labor Ministers had entered into secret agreements with the other party leaders to continue the Coalition after the war. The rumours and charges became so widespread that Attlee, on behalf of the Parliamentary Labor Party, had to issue a statement saying that no agreement or commitment had been made; that there was no point in getting agitated until the problem had to be faced; and that when the issue had actually to be faced the Labor Party would be called to a Conference to decide its policy on this issue.

Despite this statement the rumours and insinuations have persisted, and it was inevitable that this issue would be raised at the Conference. Attlee reiterated the statement previously made, and added the significant addendum that the Labor Ministers would abide by whatever decision was arrived at by the Conference. This was intended to spike the numerous rumours that some of the Labor Ministers were planning to break away from the Labor Party and join Churchill in forming "a Government composed of the best men in all parties willing to serve" unless the Party voted in favor of a post-war Coalition arrangement when the time came.

1/ The pro-Communist elements in the Labor Party differ from the Left Wing on this issue: They are the most ardent supporters of the "electoral truce" and the Coalition Government.

The issue which underlies this controversy and which needs to be understood in order to follow future events over here can be summarized as follows:

The left-wing of the Labor Party (Laski, Shillwell, Amurim Bevan) commanding substantial support amongst the intellectuals and in the local Labor Party branches (as distinct from the trade union branches), takes the uncompromising view that the Labor Party should make its bid for power in the first General Election after the war on the clear issue of "Socialism". It should stand by this program even now, whatever the consequences. The country, they maintain, is ripe for fundamental changes and is fed up with the Conservative Party. The Labor Party can probably be returned in a General Election with a majority even against Churchill. At worst, even if Labor does not secure a majority it can very substantially increase its strength in the House of Commons, so that it has nothing to lose. But more important by taking this position, and by adhering to this position and by refusing to support half-measures of reconstruction and reform, such as are now being foisted on the country, the Labor Party will establish for itself a reputation for boldness, far-sightedness, and determination, which sooner or later will rebound to its advantage. By abjuring half-measures of post-war reconstruction, the Labor Party will avoid any responsibility for their inevitable failure, and the country will turn to the Labor Party, as soon as disillusionment with Conservative policy sets in.

It can be inferred from this that the left-wing elements will oppose every move to arrange for a post-war Coalition Government, and now that their efforts to end the electoral truce have failed, their tactics will be to agitate continuously against such a policy.

At the opposite end of the Labor Party are the hard-boiled, pragmatic right-wingers (Bevin, Attlee and Morrison) heavily weighted with trade union elements. Although they do not admit it publicly, they are in favor of a post-war Coalition Government. As they see it, to fight the post-war election on the issue of "Socialism" and "No Compromise" is foolhardy. It will insure the return of a Conservative Government led by Churchill and will result in a smashing defeat for Labor. Labor would probably even lose seats which it now holds. The consequence of such a policy would be that during the vital years immediately after the war when peace is being made and when reconstruction is taking place, Labor will be reduced to a futile minority opposition, unable to press its views on the Government and unable to influence international or domestic policy.

Apart from this, they believe it is absolutely vital to the country, and to the Labor movement in particular, that the war-time controls be maintained for a number of years after the war in order to secure an orderly return to a peace-time economy. Only a Coalition Government, uniting all parties, will be able to command the discipline and restraint and good-will which will be required to carry the country through this difficult period smoothly and harmoniously. And only a Coalition Government will be able to withstand the pressure certain to be exerted by all groups — labor, employer, consumer, importers, exporters, soldiers, etc. — to get rid of war-time controls and restrictions at the earliest possible moment.

And finally, they feel that the Prime Minister's speech of March 21st on post-war reform is evidence that there are sufficient grounds of agreement amongst the party leaders to produce a program of reconstruction acceptable to all parties.

These are the two views over which the battle in the Labor Party will be fought from now on. The moderate and majority opinion in the Labor Party is fully alive to the issue. Semimentally, the majority of the Labor Party is strongly attached to the left-wing position of "Pure Socialism" and "No Compromise", but their common-sense inclines them to the pragmatic and opportunist view. They have misgivings on both scores. If they follow the left-wing and refuse to come to any arrangement for a Post-War Coalition they see themselves out of power, a helpless minority. If they follow the right wing, they see themselves as a junior partner in a Post-War Coalition, which, whatever its pretensions, will insure the preservation of "Capitalism", and leave Labor, in the end, holding a bag of unfulfilled or partially-kept promises.

The Labor Party rank-and-file is instinctively suspicious of any arrangement with Conservatives (Churchill included), and at the same time it instinctively mistrusts its own leaders, or their capacity to hold their own against the Conservatives in any such arrangements. The experience of the two Labor Governments left an ineradicable impression on the Labor Party on both scores.

On the one hand, they feel that the Tories are capable of any and every underhanded trick, and that they will repeat their past performances again if it suits their purposes. The Labor Party remembers, as though it were yesterday, the Kirov letter of 1942, which brought the first Labor Government down; and the manufactured financial

paid in 1931 (because the budget threatened to be unbalanced to the extent of \$250,000,000) which brought the Second Labor Government down. They consequently expect that the Tories will support the proposed Coalition only so long as it suits their purpose, and junk it when they no longer need it, making Labor the scapegoat.

On the other hand, they mistrust their own leaders because they remember how inept they proved both times they held office and they have never forgotten Ramsey MacDonald's betrayal of the Party in 1931. To this day the Labor Party has no real confidence in its leaders, nor can it rid itself of the feeling that they might betray the Party again. Y

It is evident from the above, that it is not safe to predict which way the moderate and majority opinion will swing when the issue of joining a post-war coalition has to be decided. But this is the background against which every issue will be fought inside the Labor Party from now on. If the present Coalition Government can build up a substantial record of pledges and legislation for post-war reform and reconstruction, the pragmatic wing in the Labor Party may be able to carry the Party into a Coalition. But it will not be easy, and the Party leaders came away from the Conference with a definite sense that the Party will refuse to be led in this direction without convincing evidence of what they stand to gain, and without compelling evidence that their leaders can be trusted.

How will the Party leaders interpret the Party Conference's decision? I think they have come away with the feeling that, in order to induce the Party to enter a post-war coalition, they must secure, while the war is still on, sufficient commitments to enable them to go to the Party and point to the record of accomplishments. Secondly, they must secure sufficient commitments and pledges for the future to enable them to bring before the Party more or less concrete proposals which the Post-war Coalition Government is prepared to institute.

It should be pointed out, in fairness to Bevin, Attlee and Morrison, that they themselves do not favor a Post-war Coalition at any price. The problem which they must resolve first of all is what price they themselves will fix as the minimum which warrants their personal support of a Post-war Coalition arrangement. Secondly, they must decide whether that price is sufficiently high to enable them to win the support of their Party for such a Coalition.

But before there can be any Post-war Coalition there will need to be a General Election, and the form which that General Election takes will to a very large extent determine whether a new Coalition can be formed to carry on the tasks of reconstruction.

4. PROBLEM OF THE GENERAL ELECTION: All parties are agreed that the present House of Commons, which was elected in 1935 on issues wholly unrelated to the war, is completely unrepresentative, and that a General Election needs to be held at the earliest possible moment. On March 21, in the same broadcast speech in which he suggested a Coalition Government to carry on after the war, Churchill suggested that the earliest possible time for a General Election would come after victory over Germany had been achieved.

There is a close connection between the problem of holding a General Election and the subsequent problem of forming a new Coalition, and it was this connection which was behind Churchill's proposal to "win" the General Election when he did. "Winning" the General Election while the war with Japan is still on would obviously facilitate the formation of a new Coalition Government in order to carry on the war in the Pacific. This Coalition would, simultaneously, be involved in all the tasks of dealing with Europe, as well as in many tasks connected with the partial demobilisation which would be started after the collapse of Germany. The new Coalition Government, once entrenched in these various activities, and having won the confidence of the country, might, then very well go on for some years as a Reconstruction Coalition Government, even after Japan was defeated.

The difficulty, of course, is how a General Election can be fought, which will insure the subsequent formation of a new Coalition. Obviously, such an election cannot

Y This suspicion explains why Attlee stated so preciously that the Labor Ministers would act in accordance with the decision which the Party came to. It was to quiet any allegations that the Labor Ministers would bolt the Party and join Churchill in his alternative to a Coalition Government -- "a Government composed of the best men in all parties willing to serve".

be fought out in the usual way with each party making a genuine bid for electoral support. This would mean Churchill championing the Conservative Party and attacking his erstwhile colleagues and their parties. In such an election the Conservatives, thanks to Churchill's enormous prestige, would be returned with an over-whelming majority, and the Labor Party's resentment would then be such as to make the formation of a Coalition Government impossible.

Almost the identical problem arose in 1918, and the Lloyd George Coalition Government was unable to solve it. Then, as now, the Parliament had been elected prior to the war on issues wholly unrelated to the war. Then, as now, it was felt that the House of Commons was outmoded and unrepresentative, and that a General Election should be held as soon as possible after the war ended. Then, as now, the leaders of the Liberal, Conservative and Labor Parties favored the idea of another Coalition to arrange the terms of peace and carry out the tasks of demobilization.

Lloyd George tried to solve the problem by means of a "coupon election". He proposed that the three parties draw up a list of candidates who had supported the Lloyd George Coalition, designate them as Coalition candidates, and he would use his great personal prestige to secure their return. 1/

The Labor Party, with forty members in the House of Commons, rejected the proposal, which would merely give them a small number of additional seats and leave them a helpless minority. The Labor Party reluctantly broke away from the Coalition a few days after the Armistice was declared, 2/ and fought the December election on an independent basis. In view of this, Lloyd George and Bonar Law (the Conservative leader) only "gave the coupon" to the Coalition Liberals and Coalition Conservatives. The results were what might be expected. The Labor Party won a total of 63 seats, but the Coalition Government won 478 seats.

It is obvious from this that a "coupon election" would be even less acceptable to Labor today than it was in 1918. Nearly all members of the present House of Commons except perhaps about a dozen, have been loyal to the Coalition, and such an arrangement would merely renew the present distribution of power between the parties. Moreover, the Labor Party is even more convinced now than in 1918 that it enjoys great support in the country, and that it can increase its Parliamentary strength very considerably.

It is obvious, therefore, that some way will need to be found which provides for a more or less free election, yet at the same time virtually insures that whatever the results a Coalition Government can subsequently be formed. It is obvious also that in such an election some way will need to be found to prevent Churchill's prestige being used for party advantage.

Few delegates to the Labor Party Conference were more than vaguely aware of the implications of Churchill's proposal to "time" the General Election after the collapse of Germany, or the relation which this bears to the problem of forming a Coalition Government. But the left-wingers, who are more astute, suspected what was behind the Prime Minister's speech, and they tried to pin the National Executive down to three specific commitments:

(i) That the present House of Commons would be dissolved and the General Election held immediately hostilities ended in Europe;

(ii) that there would be no "coupon election", or no prior arrangements of any kind to allocate to each party a specific number of seats in the House of Commons; and that it would be a genuine free election in which the Labor Party would make its appeal to the country on the basis of its own full program with the firm intention of winning power for itself; and

1/ It will be remembered that the Asquith Liberals, certain Conservatives who disliked Lloyd George, the Labor Pacifist M.P.'s, the Irish M.P.'s and certain others had opposed the Lloyd George Coalition. Under Lloyd George's plan the anti-Coalition seats were to be divided among the three parties.

2/ Prior to the Armistice the Labor Party was one of the most ardent advocates of a General Election as soon after the war as possible. But when the Party met to consider its policy it found itself in the curious position of not wanting a General Election after all, in view of the implications. It would have preferred to forget the whole issue and continue the existing Coalition indefinitely. But by then it was too late.

(iii) that the election would be fought without any prior commitments of any kind to participate in a Coalition Government. 1/

Atlee, replying for the National Executive, made a very brief statement, which, quite properly, dodged all the questions at issue. On the first point, he said the National Executive was unwilling to say that the House should be dissolved and a General Election held immediately after the defeat of Germany, but he left the impression that there would be an election not too long afterwards.

On the second and third points, Atlee merely said "There will be no 'coupon election'". However, he carefully avoided giving any explanation of what form the election might take if it was not a coupon election, and he carefully avoided saying that there would be an absolutely free election of the pre-war type. The reason for this omission is that the party leaders are now trying to work out a plan which solves the difficulty of holding a General Election and at the same time insures a Coalition Government. This plan will give the parties wide latitude to fight a general election. It will give a large part of the electorate a chance to choose between the parties. It will enable minority parties to enlarge their representation in the House of Commons if they can win popular support. And it will provide for the party leaders remaining neutral so that Churchill will not be able to exercise undue influence in favor of his own party. The plan contemplates assigning to each party certain constituencies in which they can return candidates without opposition. The constituencies so selected will be those in which the incumbent party has won the previous election by more than a given majority percentage. In other constituencies the parties will actually contest the election, and make their bid for electoral support on the issues that their party is better to be trusted to carry on the war and carry on the tasks of reconstruction, but the leaders will remain neutral in these contests. Finally, the plan is based on a prior understanding to form a new Coalition irrespective of the outcome of the contested part of the election. (This is strictly confidential)

Atlee's very brief and ambiguous statement was, in fact, little more than a promise that at the appropriate time the Labor Party would be called to conference to decide what policy was to be followed and that the leaders would abide by the decision of the Conference. But he made the significant reservation that the National Executive was not prepared to say that the "right time to end Labor's participation in the Government would be after the defeat of Germany". In this phrase the door was left open for the National Executive to advocate participation in another Coalition Government.

The Conference accepted Atlee's statement, but it would hardly be true to say that it had any clear realization of the way in which a General Election is intertwined with the problem of forming another Coalition Government. The Conference, in fact, came to no decision other than to put off consideration until the issue had to be faced. I think the leaders of the Party interpret the Conference's attitude somewhat as follows.

The left-wing and members of the party who hope to run for Parliament in the next election will insist on absolute freedom of electoral action, and no arrangements of any kind with other parties.

The pragmatic wing of the Labor Party realizes that some election arrangement must be made in order to insure a new Coalition Government. What this arrangement will be has yet to be worked out, but it must be such that the Labor Party will either be assured of a substantial increase in its representation in the House of Commons by agreement, or else have a fair chance to bid for electoral support without having Churchill's influence weighing unduly on the side of the Conservatives.

The moderate and majority opinion in the Labor Party sentimentally leans towards an absolutely free election. But, when the time comes to face up to the issue, their common sense will tell them that the implications of a free election would be Churchill stamping the country on behalf of the Conservative party. In that case, not only is the Labor Party likely to be mattered, but there will be no chance to form a new Coalition Government, which, thanks to their common sense, they will be inclined to favor.

Whether the leaders of the Labor Party will be able to induce the party to accept the plan for a semi-free election, such as they now contemplate, will depend on what

✓ I cannot pretend that the Labor Party Conference was as precise as all this but I am giving, in what, I hope, is intelligible language, what lay behind the debate. It also should be pointed out that the question of the form of the General Election was not a separate debate, but was debated together with the issue involving a Coalition Government after the war. I treat them here separately in order to make them clear.

A most complicated question

arrangements they are finally able to come to with the other parties. Obviously they will not be able to get the party to endorse any plan which does not meet the minimum requirements usually, assure a substantial increase in Labor's representation in the House by agreement, or give Labor a chance to win a much larger representation than they now have by appealing to the country on equal terms with the Conservatives. //

5. THE BEVERIDGE REPORT. You will recall that when the Government made its first statement on the Beveridge Report in the House of Commons' debate in February the Labor members of Parliament revolted and 180 of them, led by Arthur Greenwood, Floor Leader of the Parliamentary Labor Party, went into the Lobby to vote against the Government. For a week or ten days thereafter the Parliamentary Labor Party and the Labor Ministers were at loggerheads. The Labor M.P.s accused their leaders of "selling out" to the Conservatives whilst the Labor Ministers threatened to resign from the Government because they resented the lack of discipline in the Party and they regarded the revolt as tantamount to a motion of no confidence in their leadership.

Following the Parliamentary uprising the National Executive of the Labor Party (as distinct from the Parliamentary Labor Party) met and issued a denunciation of the Government's position on Beveridge. A motion which came before this same meeting of the National Executive expressing confidence in the sitting Labor Ministers was rejected. This exacerbated an already difficult situation and for a few days it appeared as if the Labor Party might withdraw from the Coalition Government.

It was not until the General Council of the Trade Union Congress took its stand that the situation was stabilised. The General Council took a less emotional view of both the Beveridge Report and the Government's position. On the one hand, the General Council had certain reservations about some sections of the Beveridge Report and it was also in accord with the Government view that certain sections of the Beveridge Report needed further examination — a view which had given rise to the charges that the Government was guilty of dilatory tactics. On the other hand, the Trade Union Congress was not altogether satisfied with the Government's position and in its public statement the Trade Union Congress expressed regret that the Government had not gone further to accept certain of the recommendations of the Beveridge Report. But ultimately, the Trade Union Congress voted and stated publicly its "confidence" in the Labor Ministers.

In order to reconcile the difference between the political and the trade union wing of the Labor Movement the Trade Union Congress proposed that the National Council of Labor — the joint coordinating body of the Labor Movement — make a dispassionate survey of both the Beveridge Report and the Government's position, in order to formulate the precise points on which the Labor Movement as a whole would ask for amendments and reconsideration.

This survey was completed in time for the Labor Party Conference and was presented as the National Executive's report on the whole situation. The report consisted of an item by item account of the Beveridge recommendations, the Government position on each of these and the Labor Movement's position where it differed from or took exception to both. See as I predicted in II. 11, Item 1, this balance sheet narrowed the controversy down to the specific points of difference and it showed that the difference between the Beveridge Report and the Government's position and the difference between the Government's position and the Labor position were not nearly so great as had been alleged.

The National Executive's report ended with an appeal to the Government to consider Labor's criticism and reservations and it called on the Government to move with the greatest speed "in the preparation of the necessary legislation" so that the "shorter of security" will be "ready for operation at the conclusion of hostilities".

The National Executive's Report reflects the more sober and impartial view of the Government's position which now prevails in Labor circles in contrast to the unreflective position taken by Labor M.P.s during the Commons debate in February.

One of the most able and responsible Labor Front-Benchers, who frequently supports the left-wing of the National Executive and whose public utterances are to the effect that "there must be no coupon election", and "Labor must be absolutely free in the General Election", told me privately that he would not oppose an arrangement which guaranteed 275 seats to the Labor Party (the total number of seats is 615, of which Labor now holds 172). Alternatively, he said he would not oppose a partially free election, in which a sufficient number of seats were being contested to enable Labor to win a majority in the House, providing they can secure electoral support.

The issue before the Labor Party Conference was to decide whether to accept the National Executive's statement of the position or whether to support a resolution put forward by the amalgamated Engineering Union "expressing dissatisfaction with the timidity, delay and evasion shown by the Government which clearly indicates that the Government refused to be committed to the Beveridge proposals" and "congratulating the Parliamentary Labor Party in recording by vote its profound distrust of the Government's statement".

In other words the amalgamated Engineering Union tried to get the Conference to (a) reaffirm the position taken by the Parliamentary Labor Party and (b) to approve the action of the Labor M.P.'s in voting against the Government.

The National Executive put up Arthur Greenwood to defend its report and to oppose the Engineers' Resolution. This created the comical paradox of Greenwood attacking a resolution which endorsed his personal action in voting against the Government. Greenwood put forward the sober view that the Government had gone a very long way to accept the Beveridge Report and that the National Executive hoped that it might be possible to secure further improvements in the Government's position. He then attacked the Parliamentary Labor Party for voting against the Government and he warned that such action was tantamount to repudiation of its own Ministers by the Labor Party. If persisted in in the future, he said, such action would make the position of the Labor Ministers in the Government impossible and it would inevitably result in the Labor Party having to withdraw from the Coalition.

"If we go on creating divisions in the Party the one end will be that our people will come out (of the Government) and leave the rest of the war to a predominantly Tory Government. You may get a few parings off the Beveridge Report; you may get some offers of social reform after the war but you will be regarded by the Tory Party and by a large number of people in the country as quitters who cannot take their gruel in war-time. What happens then is that this Movement has committed suicide for our lifetimes."

In view of the fact that Greenwood had himself participated in the vote against the Government it was felt that his speech came with bad grace. The debate was extremely heated but the National Executive carried the day. The Engineers' Resolution attacking the Government's position on Beveridge and supporting the declaration of the Parliamentary Labor Party to vote against the Government was defeated by 1,715,000 to 955,000 votes and the Conference approved the National Executive's less critical view of the Government.

6. MORRISON'S DEFEAT FOR THE POST OF TREASURER: The election of Arthur Greenwood, former leader of the Parliamentary Labor Party, as Treasurer for the Labor Party over Herbert Morrison, was one of the dramatic events of the Conference and one which created a great deal of speculation in Labor circles and in the press.

Unlike other Executive members the Treasurer is a permanent member of the National Executive and does not need to stand annually for election. Apart from the advantage of tenure, the Treasurer exercises considerably more influence than other Executive members. This is because many local party branches rely heavily on the national treasury to wage their election campaigns and it is the Treasurer who makes the recommendations on their requests for funds. The Treasurer is therefore in a position to exercise considerable over the local Labor Parties in their selection of candidates.

Morrison has been one of those who has fought most energetically for improving the quality of Parliamentary candidates and he was angling for the job of Treasurer in order to put himself in the strongest position to press his views for younger and better candidates. But an even more compelling reason why Morrison decided to give up a safe seat on the National Executive (so which he had been re-elected for 20 years) was in order to test out his strength in the Labor Party.

It is no secret that Morrison's ambition was to replace Ailes as leader of the Party. Although Ailes is respected for his integrity and sincerity, and his capacity for hard work, the common criticism, even among respectable and right-wing leaders of the Labor Party, is that he lacks colour and political glamour, and that the Party will never be able to achieve power under Ailes's untimpered leadership. Most Labor leaders look either to Morrison or to Bevin to replace Ailes after the war.

Morrison's ability is recognised by everyone. He is a young man as political leaders go (§5). He is a first-rate administrator and, as Minister of Home Security, has done one of the outstanding jobs of the war. He is a brilliant, witty and cogent speaker. Next to Churchill he is regarded as the ablest parliamentarian in the House of Commons. It was on Morrison that the Coalition Government relied to defend its

position during the Beveridge Debate, and his speech on that occasion has been ranked as one of the great debating speeches. Similarly it is hard to recall when the National Executive of the Labor Party invariably puts up in the Party conference when the executive experts serious opposition to a major policy matter. He has genius for making a policy based on compromise appear to be the wisest of policies and consistent with socialist principles. (Morrison is far from being a doctrinaire socialist, and what he really believes in is a mixed economy - partly socialist, partly private enterprise - in which the State plays a continuous and active role.)

The vote for Treasurer gave Arthur Greenwood, 1,253,000; Morrison 926,000; and a third candidate 519,000. The left-wing interpretation of Morrison's defeat attributes it:

- (4) To Berin who organized the trade union vote against Morrison, partly because he dislikes Morrison and partly in order to clip the wings of his chief rival for the Party leadership;

- (14) To the trade union leaders who dislike and distrust Morrison (a) because he comes up from the political side of the Labor movement (as distinct from the trade union side), (b) because he is more progressive than the trade unionists; and (c) because he is not likely to be as amenable to trade union control as a weaker man such as Greenwood;

I doubt whether this interpretation will stand, even though there is a measure of truth in both of them. Several of the shrewder and best informed members of the National Executive have given me the following view:

While it is true that Berin opposed Morrison and some of the Trade unions are afraid of Morrison's independence, the fact is that the vote was not so much against Morrison who is on the whole very popular and highly regarded, as it was a pro-Greenwood vote. A great part of Greenwood's support came from those who felt that Greenwood had been "victimized" last year when he was dropped from the Cabinet and that the reason why he was "victimized" was because of his excessive zeal in carrying out his job as Minister without Portfolio in charge of reconstruction. (The real reason for his being dropped was excessive drinking and his inability to keep Cabinet information confidential.) Greenwood also picked up support because it was he who had created the Beveridge Committee and it was felt that he ought to be rewarded for this great service to the Labor Movement. Finally, and what perhaps counted most of all in Greenwood's favor, is his personal popularity. He is affable, convivial, known and liked by everyone. (At the same time, everyone regrets that his very considerable ability and energy have been allowed down by heavy drinking.)

Morrison's defeat removes him from the National Executive of the Labor Party for this year but it will not impair his position and influence in the party or lessen his chances for ultimately succeeding Atlee. The unprecedented slack overhauled given him when he rose to speak in a debate a few hours after the results of the election were announced, is evidence of his great and growing popularity. Whether Morrison will achieve his ambition to succeed Atlee after the war will depend upon whether Berin ultimately decides to run for the party leadership - a matter on which Berin is himself still undecided. If Berin does stand, he will probably be able to defeat Morrison. If he does not stand, Morrison will probably succeed Atlee.

7. TRADE DISPUTES ACT: It was of course inevitable that the question of the Trades Disputes Act would be brought up at the Conference. The decision of the General Council of the Trades Union Congress a week before the Conference opened to reaffirm the Cyril Serrault's Union in defiance of Clause 5 of the 1927 Act, which prohibits such affiliation, has the most serious implications for the Labor Party which could not be brushed aside. 2/

The Chairman of the Labor Party Conference, under instructions from the National Executive, damped down every attempt to discuss the situation and the issue was finally handled by means of a prepared statement read out to the delegates. That statement reversed the history of Labor's efforts over 15 years to secure the repeal of the 1927

1/ The decision to defy the Act now puts the Cabinet in the uncomfortable position of having either to enforce the penalty clauses (an action which the Labor Ministers and Labor Party could not support) or to ignore the violation or repeal Clause 5 (an action which the Conservatives would not support). The Cabinet consequently finds itself in a very ticklish position.

Act, and made particular reference to the recent attempts to secure the repeal of Clause 51

"The National Executive wish to make it clear that in their opinion the refusal of the Conservative Party to consent to the proposed limited amendment of the Act can only be considered as an extreme manifestation of partisan prejudice and power. It is not only at variance with the conciliatory attitude of the trade union and labor movement but -- it is also out of harmony with the spirit of national unity and national effort to which the trade union and labor movement have made so conspicuous a contribution."

The present position, as the Conference will realize, is one of delicacy and it is undesirable that any action should be taken to complicate it. The National Executive, therefore, strongly urges the delegates to refrain from any form of intervention, even by discussion, but to have full confidence in the handling of the matter by the movement's responsible authorities".

The statement carefully omitted any positive endorsement of the Trade Union Congress' decision and it carefully avoided speculating about the political crisis which has been created. The vast majority of delegates appreciated the delicacy of the situation and refrained from discussion.

Newspaper reports on the Conference treatment of the issue emphasized the failure of the National Executive to give positive endorsement to the Trade Union Congress' decision to defy the 1927 Act. The press regarded this as indicative of a split between the General Council of the Trades Union Congress and the National Executive of the Labor Party. Most papers suggested that the National Executive was actually opposed to the T.U.C. decision to defy the Act at this time, and create a political crisis. I can advise you that this is not a wholly true explanation of the Executive's failure to give positive support. Though there is some resentment against the T.U.C. because it failed to consult with the Labor Party before taking this step, and some members of the National Executive are opposed to the T.U.C.'s decision, the real reason the National Executive did not take a stand was because as a member of the Coalition Government, it could not publicly endorse what is, in effect, a decision to violate an existing law. Secondly, the Trades Union Congress specifically asked the National Executive not to take a stand or intervene, since the issue involves only the industrial side of the Labor Movement.

A few days after the Labor Party Conference adjourned the National Executive directed an appeal to the Government

"to meet the situation by introducing legislation to restore to the Civil Servants the individual rights enjoyed by all other workers".

Although I know it is dangerous to predict, my personal view is that the political crisis which has been predicated by the T.U.C.'s decision will not bring the Coalition down. It is inconceivable to me that an issue so small will be permitted to destroy the national unity which exists. My own view is that the Cabinet will find some way to repeal the obnoxious clauses, and that Churchill, who personally favors amendment will force the Conservative Party to accept such repeal. I make this prediction because the Cabinet wants to create a new Coalition Government, and such a move would strengthen the position of those people in the Labor Party who favor such a Coalition and who can subsequently use this as evidence that such a Coalition could be independent of partisan consideration.

8. LABOR'S ATTITUDE TOWARD GERMANY: The most violent debate of the Conference occurred over a number of resolutions on the post-war treatment of enemy peoples, and Germany in particular. These resolutions boiled down to two opposing views.

The so-called Vanasticht view holds that it is impossible to distinguish between the German people and the German Government as though they were "two nations". The vast majority of the German People, and not merely a small group of militarists, nationalists, and anti-democrats, must be held responsible for the war and for German aggression. Too much faith should not be put in the democrats, socialist and trade union forces in Germany -- many of whom went over to Hitlerism. In the post-war treatment of Germany, while the democratic and Socialist forces -- such as they are -- should be supported, it is imperative that a stern and not a sentimental policy must be followed.

1/ Clause 5 also prohibits the Civil Service Unions from affiliating with the political Labor Movement. But that issue is not involved in the present controversy since the Civil Service Unions are not now demanding the right of re-affiliation to the Labor Party.

The anti-Vansittart view makes a distinction between the democratic elements in Germany, and the Nazi, militarist, anti-labor and anti-democratic elements. It emphasizes that the former are substantial, if temporarily cowed, and that at least part of the responsibility for their eclipse and for the war can be put on the shoulders of the reactionary, capitalist elements in other countries, who not only failed to support the Weimar Republic, but aided and abetted the Nazis. This view suggests that only the guilty Germans should be punished, but that the democratic, socialist, and labor elements in Germany — which exist in large numbers — should be supported and helped to develop a New Germany. The surest safeguard of peace will exist if there is no vindictive treaty; if Germany, led by its democratic forces, is allowed to enter the circle of nations as a full and equal partner as soon as possible; and if all the democratic, socialist, and liberal forces of each country unite against the anti-democratic, capitalist and reactionary forces of all countries.

The National Executive tried to get both sets of resolutions withdrawn, and proposed that the question be left to a subsequent conference, but the movers of these resolutions refused.

Then the votes on these resolutions were taken the resolution holding the German people as a whole responsible, and calling for a stern policy toward Germany was carried 1,542,000 to 966,000. The importance of the debate does not lie either in the resolutions (which were even more vague than I have indicated) but in the vote, and in the alignment of personalities who took part in the debate. Those who favored the tender view of Germany were in the main those who prior to the war were to be found in the Pacifist wing of the Labor Party who dominate the local labor party branches (as distinct from the trade union branches). These are the followers of George Lansbury in whom the old Pacifist strain still runs strong. A very large part of the Labor Party has always been attracted to pacifism and it has always led the Labor Party to waver on the question of whether peace should be maintained by force, if necessary. The consequence was that the Labor Party was always suspicious of anything which smacked of militarism:— whether it was an appropriation for a new battleship, or an attempt to impose conscription (as late as the spring of 1939, the Labor Party was still very much divided on the question of conscription). The pragmatic Labor people who took the hard-headed view were always accused of Jingoism, of being the "lackeys of British Imperialism", etc.

I think the Leaders of the Labor Party feel that the conference division indicates a fundamental shift in Labor's attitude to pacifism; that this second war with Germany has taught the Labor Party to be wary of those who talk in the old clichés; and that there will be a disposition after the war to view pacifism with suspicion. On the other hand, the pacifist supporters of the "tender" view of Germany commanded substantial minority strength, and the leaders will need to guard carefully against another lapse in that direction.

NOT TO BE RETRANSMITTED.

U.S. SECRET
BRITISH MOST SECRET

OPTEL No. 292

Information received up to ten a.m. 4th September, 1943.

1. On 2nd/3rd eight parachutists of an S.S. Brigade were dropped near St. Valery En Caux and carried out a reconnaissance obtaining useful information. They met no enemy and were all successfully embarked in a motor torpedo boat.

2. NAVAL. On 2nd/3rd. minelaying by E-boats was suspected in Lyme Bay. One E-boat was possibly destroyed and another damaged off Guernsey by two destroyers and Albacores damaged a third off Start Point. Two H.M. ships carried out a bombardment South of Reggio on second. On 20th August a Dutch submarine sank a Japanese 5,000 ton ship off Penang.

3. AIR OPERATIONS.

Western Front. 2nd/3rd. Forêt de Mormal. 72 tons were dropped.

3rd. Fortresses dropped a total of 621 tons on aircraft and automobile plants at Romilly Sur Seine Meulan Les Vaux and Paris and on airfields in France. Raiders attacked airfields at Lille, Beauvais and South West of Rouen, a total of 130 tons was dropped without interference from enemy fighters. Mitchells and fighters bombed an ammunition dump in a forest near St. Omer. Escorts and sweeps were flown by fighters involving 51 squadron sorties. Fighters sank a ship and a dredger and damaged seven barges off the Dutch Coast. Casualties enemy. 31, 14, 13. Allied 12.
3rd/4th. 467 aircraft sent out - Berlin 320 (21 missing). Ammunition dump in a forest near Valenciennes 44. Düsseldorf 4. Sea-mining 56 (1 missing). Leaflets 7 (1 missing). Intruders 30. Anti-shipping 6.

Preliminary report. Weather clear when Berlin was reached enabling excellent concentration of marker bombers. Many fires and three large explosions reported. Southern Italy. On first and second a total of 388 light and medium bombers attacked the Reggio/Spartivento area. Fragmentation bombs and 255 tons of other H.E. were dropped.

4. MILITARY.

Italy. To 12 noon third. Landing started at 4.30 P.M. on 3rd against only slight resistance and so far no mines or demolitions have been met. 2500 Italian prisoners have already been taken and the local population is reported friendly. Canadian troops landed on a frontage of one brigade at Reggio and captured the town and airfield which is reported fit for fighters. On their left U.K. forces landed on a two-brigade frontage over beaches at San Gallo and Catona. Here also there was little resistance and we immediately advanced Northwards. Forward troops passed through Villa San Giovanni to a point about five miles beyond. In all cases landings were 'crushed' and went as planned.

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRET
U.S. SECRETOPTEL No. 295

Following is supplementary resume of operational events covering the period 28th August to 4th September, 1943.

I. NAVAL

MEDITERRANEAN. Early on 3rd H.M. Cruisers, Monitors and Destroyers gave cover and support to Allied landings on Italian mainland. Targets on Calabria Coast were bombarded by one of H.M. Cruisers and destroyers on 28th August; by H.M. Battleships, cruisers and destroyers on 31st August; and by H.M. Battleships on 2nd September. H.M. ships have maintained constant patrol off Italian coast and landed several reconnaissance parties.

SUBMARINE WARFARE. Believed that U-boat operations off BRAZIL in CARIBBEAN and off West AFRICA have failed recently owing to shortage of supply U-boats, several of which were sunk during July. Examination of prisoners from U-boats reveals that officers captured recently average 5 or 6 years younger than a year ago. Presently majority of crew have had maximum of one year's service in U-boats and in Navy.

SUMMARY OF ANTI-SUBMARINE ATTACKS FOR THE MONTH OF AUGUST, AS REPORTED, TO MOON 1ST SEPTEMBER.

Number of attacks by shore based aircraft	38
by carrier-borne aircraft	10
by warships	42
Sunk and probably sunk - by aircraft	11
by warships	8
Possibly sunk - by aircraft	3
by warships	2
Probably damaged - by aircraft	4
Possibly damaged - by aircraft	1

SHIPPING CASUALTIES. From 28th August to 3rd September inclusive only shipping casualties were reported. 2 U.S. ships were torpedoed and sunk off MOSE, ANGERS. Provisional figures for losses from enemy action during August at 115,000 tons is exceptionally low.

NEW SHIPPING. Reference OPTEL No. 286. Now estimated serviceable shipping available - MEDITERRANEAN, 130,000 tons in Western and 290,000 in Eastern. Damaged shipping 530,000 tons.

TRADE. Imports in convoy into United Kingdom week ending 28th August - 1,312,000 tons including 526,000 oil.

MILITARY

GERMAN DIVISIONS IN ITALY. Further evidence troop movements to northern Italy leads to conclusion Germans building up considerable force in this area. Difficult to estimate exact number of divisions involved but identified movements account for 4 divisions and scale of movement suggests real total at least twice as many. To these divisions should be added divisions in southern and central Italy whose number believed unchanged at 8. Dispositions of latter also believed substantially unaltered.

BURMA. Shipping sightings in RANGOON 16th August suggests up to 2,400 troops probably reinforcements may have landed that date. Further confirmation received of Japanese carrying out reliefs in forward areas ARAKAN. No signs enemy advance intended in near future.

UPPER BURMA. Kachin Levies have reoccupied area 5 miles north and north-west of SUMPRABUM.

NEW GUINEA. Japanese in SALAMAUA, hemmed in by Allied troops from 3 directions, have been counter-attacking fiercely. 30th August counter-attack 15 miles west of SALAMAUA repulsed with heavy losses.

Reggraded Unclassified

3. AIR OPERATIONS

WESTERN FRONT. Night. 1,434 sorties. 102 aircraft missing. 2 attacks on BERLIN. In first, weather cloudy and attack not believed as successful as one last week. No details yet of second attack. On heavy attack on MUNICH, GLADBACH and ESSEN, and attacks on ammunition dumps in forests in Northern FRANCE. Nuisance raids nightly on various towns in RUHR. Mindelaying on fairly large scale.

Day. Heavy attacks on ammunition dumps in forests and on several airfields in Northern FRANCE. Fortresses and medium bombers in 2 attacks dropped 426 tons on military works under construction at VATTEN near ST. OMER. Three aircraft and automobile convoys heavily attacked in one day. Heavy bombing programme of railway centres carried out. During July air-sea rescue service saved 243 aircrow, 101 of them during the period of raids on HAMBURG.

ITALY. Throughout the week Allied bombers maintained heavy scale attack on railway centres - TARANTO was attacked twice and cruiser in harbour hit. Other attacks on gun positions and other targets in the Toe. Enemy opposition was most pronounced in the NAPLES area where reaction usually amounted to about 50 fighters. The German long-range bomber force in the MEDITERRANEAN area did not operate in daylight. About 50 aircraft attacked ALGIERS at night, 3 of them were destroyed.

RUSSIA. The German Air Force was heavily engaged along the whole front from BRYANSE southward although the main concentration was used in an attempt to stem the Russian advance from the MIUS line. German fighter weakness, resulting from the claims of the Western theatres and the defence of Germany, is the predominant feature of the German Air Force in the East. This renders it difficult for them to provide adequate fighter support for their long-range or close support units or to protect German airfields and bases from constant Russian air attacks.

4. EXTRACTS FROM PHOTOGRAPHIC AND INTELLIGENCE REPORTS OF ALLIED AIR ATTACKS.

BERLIN. Information still scanty about results of first big attack, but apparently conditions were similar to those at HAMBURG as regards administrative chaos due to uncontrolled evacuation and serious dislocation of supply organisation. At least 4 important war factories seriously damaged including DAIMLER-BENZ.

HAMBURG. Serious efforts are being taken to restore some animation to the city. Almost whole business centre was destroyed. Port was closed on account of damage and also scarcity of labour. Fires were completely out of control owing to burst mains and insufficient water pressure. 3 submarines in BLOHM and VOSS Yard reported severely damaged.

ESSEN. Photographs taken 11th show heavy damage to the railway centre. Also to steel works, sate mill and coal mill.

VATTEN. Photographs show site and buildings under construction heavily hit. Main mass of construction badly damaged and some smaller buildings destroyed.

SEA MINING. U-boat survivors report that U-226 was sunk by mine outside LORIENT early this year when returning from a 21-week patrol.

5. HOME SECURITY

Nothing to report.

BRITISH MOST SECRET

U.S. SECRET

OFFICE OF THE SECRETARY OF THE NAVY

OPT. No. 233

1803 SEP

PM 1233

Information received up to 10 A.M., 5th September, 1943.

OFFICE OF THE SECRETARY OF THE NAVY

1803 SEP

PM 1233

OFFICE OF THE SECRETARY OF THE NAVY

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1803 SEP

PM 1233

trawlers east of CALAIS were shelled by our coastal batteries on 3rd/4th and one was set on fire. Enemy coastal craft were engaged by gun boats last night south of DOVER. REGGIO Harbour is clear of underwater obstructions. Berths for tank landing ships and landing craft are expected to be available in two days. In SAN GIOVANNI the landward approaches to the harbour are heavily blocked.

7. MILITARY

ITALY to 1600 4th. Operations are proceeding satisfactorily as arranged. Eligible opposition to our landings and enemy shelling from one medium gun only. Post Office and telephone facilities in REGGIO in working order. South of REGGIO Canadian troops have captured MELITTO and are advancing towards BOVA MARINA and BAGALADI. East of REGGIO they have advanced 5 miles and are pushing on. Further North United Kingdom forces are directed on SAN STEFANO 9 miles northeast of REGGIO. SCILLA is in our hands. Both in centre and on left progress has been delayed by demolitions. A commando was landed successfully at BAGNARA 6 miles south of PALMI. Air reconnaissance over toe of ITALY reported little movement and no concentrations. Prisoners - 3,000 Italians.

3. AIR OPERATIONS

WESTERN FRONT. 3rd/4th. BERLIN. 906 tons dropped including 270 4,000 lb. H.B. and 349 tons of incendiaries. Marker bombs clearly seen and concentrated attack developed. Many fires in built up areas which took firm hold and covered wide area. A/A moderate but numerous searchlights, fewer enemy fighters reported, one destroyed. 20 Lancasters missing and 2 in the sea, 7 of crews picked up.

4th. Escorted medium and light bombers dropped 89 tons on BOULOGNE Harbour and total of 232 tons on railway centres at LILLE, COURTRAI, ST. POL, HAREBOUCK, AMIENS, ROUEN and ABBEVILLE. Enemy casualties by fighters 19, 4, 11. Ours - 5 Spitfires.

4th/5th. Aircraft despatched - searching 38, COLOGNE 4, DUISBURG 4, anti-shipping 6 (3 E-boats damaged), Intruders 2.

ITALY. 2nd. Total of 119 Fortresses effectively bombed railway centres at BOLOGNA, TRENTO and BOLZANO and escorted medium bombers attacked CANCELLO railway centre near NAPLES. Total of 335 tons dropped, one Fortress missing.

3rd. Escorted Mitchells dropped 119 tons on landing grounds at CAMIGLIATELLO and 32 Liberators bombed SULMONA Railway centre. On 2nd and 3rd a total of 274 Medium and Light Bombers attacked gun positions and communications at CALABRIA. In all operations 2nd and 3rd 27 Allied aircraft including 7 heavy bombers are missing.

SARDINIA. 51 fighter bombers attacked radio installations near CAGLIARI.

8. COMBINED OPERATIONS

On 1st/2nd 8 all ranks of an S.E. brigade landed from 2 M.T.B. between FREGATE and ST. VALERY and were picked up again on 3rd/4th. Useful information was obtained without loss.

On 3rd/4th 20 all ranks of an S.S. brigade landed from 2 M.T.B.'s. on the island of USHANT attacked an enemy post killing two enemy and gaining information. All were successfully re-embarked without casualties.

PARAPHRASE OF TELEGRAM RECEIVED
FROM: American Embassy, Chungking, China
DATE: September 5, 1943, 9 a.m.
NO.: 1699

Reference is made to telegram No. 1165, dated August 21, 1943, 4 p.m., from the Department.

Before Adler had an opportunity to make the inquiries which were desired, he left for India. According to information which we have been able to secure from several well-informed banking and other sources, about fifty percent of the purchases were made by private individuals - one individual purchase amounted to \$1,000,000, we heard - and very little was purchased by government banks because they had been instructed not to buy certificates for speculative purposes. Our informants have given us two reasons for the recent large sale: (1) There was a rumor at the time that the Chinese-United States dollar rate was to be changed from 30 to 1. (2) It became known that the Government intended to stop sales.

ATCHESON

Received
9-6-43
9:30 A.M.

SECRET SERVICE DETROIT MALKOWSKI
SECRET SERVICE WA WILSON

MMH PLS

TGE FI

THE FOLLOWING MESSAGE IS TO BE DELIVERED TO SECRETARY MORGENTHAU IMMEDIATELY

DRAFT OF STATEMENT BY THE PRESIDENT ON SOCIAL SECURITY AND THE REVENUE PROGRAM

TWO MONTHS AGO, IN MY ADDRESS OF JULY 28TH, I OUTLINED THE PLANS WE ARE LAYING FOR THE RETURN TO CIVILIAN LIFE OF MILLIONS OF OUR MEN AND WOMEN NOW IN THE ARMED SERVICES. I SAID THAT BECAUSE THEY ARE MAKING EXTRAORDINARY SACRIFICES THEY ARE ENTITLED TO SPECIAL CONSIDERATION, THEY ARE ENTITLED TO RECEIVE MUSTERING-OUT PAY, BENEFITS FOR EDUCATION, REHABILITATION, MEDICAL CARE AND HOSPITALIZATION. THEY ARE ENTITLED TO ALL THE BENEFITS UNDER THE PRESENT SOCIAL SECURITY ACT THAT THEY WOULD HAVE RECEIVED HAD THEY CONTINUED THEIR EMPLOYMENT IN PRIVATE INDUSTRY. THEY ARE ENTITLED ALSO TO SPECIAL UNEMPLOYMENT INSURANCE FOR THE PERIOD BETWEEN THEIR DISCHARGE AND THEIR ENTRANCE INTO CIVILIAN EMPLOYMENT. THE DISABLED ARE FURTHER ENTITLED TO PENSIONS.

TO PROVIDE FOR THE SPECIAL PROBLEMS OF THE MEMBERS OF THE ARMED FORCES IS BUT A PART OF OUR SOCIAL SECURITY PROGRAM. WE MUST PROVIDE ADDED SECURITY FOR THOSE OTHER MILLIONS OF OUR MEN AND WOMEN WHO ARE NOW EMPLOYED IN WARTIME PRODUCTION. MANY OF THESE WORKERS ARE WOMEN WHO WILL WISH TO RETURN TO THEIR HOMES WHEN THE VICTORY IS WON. BUT 50 MILLION WORKERS, MEN AND WOMEN, WILL CONTINUE TO NEED PERMANENT EMPLOYMENT. THEY CONSTITUTE OUR PEACETIME WORKING FORCE.

IN 1935, AT LONG LAST, WE CAME TO REALIZE AS A NATION THAT THE WORKERS IN A MODERN ECONOMY MUST BE PROTECTED FROM FAILURE OF INCOME. WE ADOPTED A SYSTEM OF UNEMPLOYMENT COMPENSATION AND OLD-AGE INSURANCE, BUT WE GREATLY LIMITED THE BENEFITS AND RESTRICTED THE COVERAGE. NOT ALL OF OUR WORKING PEOPLE ARE ELIGIBLE TO RECEIVE BENEFITS FROM SOCIAL SECURITY, AND NONE ARE RECEIVING ADEQUATE BENEFITS.

IN MY BUDGET MESSAGES FOR THE PAST SEVERAL YEARS I HAVE RECOMMENDED TO THE CONGRESS AN EXPANSION OF SOCIAL SECURITY. FOR SEVERAL YEARS WE HAVE BEEN DISCUSSING THESE RECOMMENDATIONS. ON MARCH 10, 1943, I SUBMITTED TO THE CONGRESS A COMPREHENSIVE REPORT OF THE NATIONAL RESOURCES PLANNING BOARD ON SECURITY, WORK, AND RELIEF POLICIES. EARLY THIS YEAR SENATOR WAGNER INTRODUCED A BILL PROVIDING FOR THE EXPANSION OF COVERAGE, INCREASED BENEFITS FOR OLD-AGE AND SURVIVORS, INSURANCE AND UNEMPLOYMENT INSURANCE, AND NEW BENEFITS FOR TEMPORARY DISABILITY, MEDICAL CARE, AND HOSPITALIZATION. AN IDENTICAL BILL WAS INTRODUCED BY CONGRESSMAN DINGELL IN THE HOUSE OF REPRESENTATIVES. THE BILLS BEFORE CONGRESS CONSTITUTE AN ADEQUATE BASIS FOR ACTION. THE TIME HAS COME FOR THE CONGRESS TO ENACT ADDITIONAL SAFEGUARDS FOR THE SECURITY AND WELFARE OF THE AMERICAN CITIZEN.

Regarded Unclassified

THE ADDITIONAL BENEFITS WILL SUBSTANTIALLY INCREASE THE COST OF SOCIAL SECURITY. THIS COST CAN BE MET BEST BY INRXX INCREASING THE PRESENT PAYROLL CONTRIBUTIONS OF BOTH EMPLOYEE AND EMPLOYER. THE WORKERS AND THEIR EMPLOYERS WILL GLADLY PAY NOW FOR ECONOMIC SECURITY. THE IMMEDIATE IMPACT ON THE WORKERS OF THE ADDITIONAL CONTRIBUTIONS IS, HOWEVER, THE SAME AS THE IMPACT OF ADDITINXXX ADDITIONAL INDIVIDUAL INCOME TAXES. AN ADEQUATE SCHEDULE OF INCREASED INCOME TAXES BASED ON THE SOUND PRINCIPLE OF ABILITY TO PAY CANNOT BE DEvised WITHOUT TAKING INTO ACCOUNT THE NECESSARY PAYROLL TAXES TO PROVIDE A SOUND SOCIAL SECURITY PROGRAM. THE TWO PROBLEMS ARE ONE AND MUST BE CONSIDERED TOGETHER.

I HAVE, THEREFORE, INSTRUCTED THE SECRETARY OF THE TREASURY TO TAKE THE PRESSING NEED FOR INCREASED SOCIAL SECURITY BENEFITS AND CONTRIBUTIONS INTO ACCOUNT IN DESIGNING THE TAX RECOMMENDATIONS TO BE PRESENTED TO THE CONGRESS. WE PROPOSE TO LEAVE ROOM FOR ADDITIONAL SOCIAL SECURITY CONTRIBUTIONS BY RESTRICTING THE INDIVIDUAL INCOME TAX INCREASES, FOR THE MOST PART, TO INCOMES ABOVE THE LEVEL WHERE THE SOCIAL SECURITY CONTRIBUTIONS TAKE A FIXED PROPORTION OF TOTAL INCOME.

THE PROPOSED TRANSITION TO A HIGHER LEVEL OF SOCIAL SECURITY BENEFITS CAN BE ACCOMPLISHED MOST EASILY AT THIS TIME. INCOME PAYMENTS TO INDIVIDUALS ARE HIGH. THE SUPPLY OF CONSUMERS, GOODS IS SHORT. INCREASED SOCIAL SECURITY CONTRIBUTIONS FROM WAGE EARNERS NOW, IN ADDITION TO SERVING THE MAIN PURPOSE OF PROVIDING MORE ADQXX ADEQUATELY FOR THEIR FUTURE SECURITY, WILL HELP TO RESTRAIN THE INFLATIONARY FORCES MAKING FOR HIGHER LIVING COSTS. THE HIGHER PAYROLL TAXES WILL BENEFIT OUR WORKING PEOPLE NOW BY HOLDING DOWN THE COST OF LIVING AND LATER BY PROTECTING THEM FROM THE HAZARDS OF UNEMPLOYMENT, INCAPACITATING ILLNESS, AND IMPOVERISHMENT IN OLD AGE.

TO THIS MESSAGE SIGNED GASTON

OK WILL IMMEDIATELY DELIER MESSAGE TO MR MORGENTHAU MALKOWSKI END
MOM PLS AR YOU STILL THERE I HAVE ANOTHER MESSAGE GA

YES IM STILL HERE

MOM PLS

PLEASE NOTE THAT THE COMMAN HAS BEEN USED AS AN APOSTROPHEXXX
APOSTROPHE IN TWO CASES. ALSO EACH TWO SPACES BETWEEN GROUPS
IS PARAGRAPH. MOM PLS
IN THE FOURTH LINE IN FIRST PARAGRAPH AFTER WORD CONSIDERATION SHOULD
BE PERIOD INSTEAD OF COMMA.

MOM PLS

PLEASE DELIVER THE FOLLOWING MESSAGE TO SECRETARY MORGENTHAU ALSO

HOUGHTLING THINKS IT IMPORTANT THAT IN READING MESSAGE OF AMERICAN
LABOR LEADERS GREEN,S NAME SHOULD BE FIRST, THEN MURACXXX MURRAY, THEN
CASHEN. DOCUMENT WAS SIGNED IN THIS ORDER BY AGREEMENT OF ALL THREE.
I HAVE CORRECTED RELEASE. GASTON

MOM PLS
WE WILL PROOF SO WAIT PLEASE

NOTE IN PARAGRAPH FIVE THE WORD "NOW" IS UNDERScoreD.

MOM PLS

WILSON END

OK MESSAGE WILLBE DELIVERED AT ONCE MALKOWSKI ENDV

With the help of the Free World Press ^{First Draft} in London, I have had it delivered to me ³³
through ~~the~~ ^{the} French Underground.

ADDRESS BY HENRY MORGENTHAU, JR., DELIVERED AT DETROIT, MICHIGAN

Ladies and gentlemen:

I have here a message from ~~(Name and position of sender)~~ ^{a man named Jocknes}

~~This has just come by way of~~ the French Underground. I'd like to read it to you:

(Message)

~~I don't know just how the message reached me. But I~~ can imagine. ^{What was involved in getting it here has been fright.}
~~(Name)~~ wrote it on a piece of thin paper by the light of a candle —

^{us} somewhere in a cellar in Occupied France. Then some youngster with the cleverness and courage ~~needed~~ ^{perhaps} a young French automobile worker, ~~for all we know~~ — smuggled it out of France. It passed from hand to hand, at the risk of more than one life, until at last it reached a radio station that could get it to us here in the United States.

If you want to know how efficient the Underground is, I might add that it took less than 24 hours to reach me from France.

From France, yes — but this is not just a message to you from the working men and women of France. It is a message from labor in the whole of Europe, gasping and ~~dying~~ ^{stifling, smothering} now under the black fog of Fascism. The men and women of Belgium, Holland and Norway — yes, and Italy too! — feel just as laboring men and women in France feel. ^{— just as they feel} About you, ^{and} this War. And about this Third War Loan Drive with which we ~~meet~~

^{will} "Back the Attack" and crush into unconditional surrender, once and for all, the vicious, perverted German dream of ~~world~~ conquest which has cost the World — in our lifetime alone — more than 20 million human lives.

Although most of you know the story, it may not do any harm to go back for a minute and speak of what Fascism did to labor in Europe.

- 2 -

German labor, we can be proud to remember, was never fooled all the way by Nazi promises. But there were two men in the Nazi party itself, Roehm and Strasser, who did believe Hitler's promises to labor. So Hitler had ^{Roehm} ~~Strasser~~ murdered, and he, himself, ~~leaped into Roehm's bedroom and ordered the man who was his best friend to kill himself.~~ Roehm shouted that it was Hitler, not he, who had betrayed the party. ~~He refused to commit suicide like a traitor. So Hitler, his friend, had him murdered by four S. S. gangsters.~~

After that, wages were forced down from one to three cents an hour while, the cost of living rose. Hours per week were ~~jumped from 42 to 48~~ ^{heavily increased.} The German worker was granted the ~~great~~ privilege of contributing more than 18% of his gross earnings to the Nazi party. Men who wanted to change their jobs were discouraged with clubs. And men who wanted to strike were discouraged with machine-guns.

Labor in Germany today has become slave labor.

Wherever Fascism has struck, labor has been first to suffer, because of the very fact that labor in its potential strength is an enemy of dictatorship.

The Italian workman, ^(It was bad enough under the Italian) in the best of times, never had much. He lived on spaghetti and tomatoes. ~~He gets as much to eat in a month as he used to get in a week.~~

The attitude of Fascism toward labor is best summed up by a Spanish Fascist, Don Gonzalo Aguilera. John P. Whitaker, the foreign correspondent quotes Aguilera as saying—at the time of the war in Spain—"It is our

Insert p 3 A

the story of
 Russian labor ~~and~~
 will live forever. ~~Many~~ The
 Russians ~~moved their land~~
~~away~~ — men, women and
 even children — not only
 worked 24 hours a day.
 They picked up their
 plants & moved them far
 behind the lines. And
 when the battle followed
 them, they left their ma-
 chines and took up their
 rifles.

and giving time for us

program to exterminate one-third of the male population of Spain. ~~That~~ *We* will ~~purge the country and we will be rid~~ of the proletariat. It is sound economically, too. We'll never have any more unemployment in Spain!"

So it is no wonder that labor was quick to understand that this war of the United Nations against Fascism is, in the truest ~~sense~~, ^{sense,} a Peoples' War. To ~~English~~ ^{British} labor, for giving us time in which to arm ourselves, we owe a debt we shall find it hard ~~indeed~~ ^{to} repay. The men and women of Britain ~~labor~~, ^{are} bombed out of their homes, ~~catching a few hours of sleep~~ ^{They snatched what sleep they could} in bomb shelters, ~~plunged into the task of arming Britain~~ ^{with such vigor} that the Government had to urge them to take it a bit easier for fear that production, as well as their health, might suffer. ~~What ^{British} labor~~ ^{are applied we read every day in the headlines}

Now, on our own home front, it is American labor that must bear — and is bearing — the brunt of our share in the war. Not only must Labor produce the weapons of war. It must also pay for them.

The reason is a simple arithmetic. An individual laboring man may not feel that he is rich; but labor in the aggregate is our richest citizen. ~~Most of our \$140,000,000,000 of national income this year will go to labor.~~ ^{people saving less than \$1000, & in the great} Labor must pay for the war because nobody else can do it. ^{do it. We can do it}

Labor can. ~~As to the question of whether labor will~~ — for me there has never been any question. ^{labor}

Let's look at the record:

First of all, ~~better~~ ^{more} than a million and a half men in the armed forces are union members. And we must add in fairness the names of tens of thousands of other soldiers, sailors and marines who have the right to be called laboring men, although they ~~do not have the right to be called~~ ^{are not} union men.

First of all, better than a million and a half men in the armed ~~forces~~ ^{are} union members. And we must add ^{in fairness} the names of tens of thousands of other soldiers, sailors and marines who have the right to be called laboring men, although they do not have the right to be called union men.

Second, it is Labor that is turning out the weapons of war.

Third, on the home front ^{some} ~~which has certain aspects that are as~~ ^{dangerous as the fighting front} labor is behaving with dignity and wisdom. I would like to speak about ^{this} ~~the~~ at a little greater length.

I am referring to the danger of inflation. From the very start of ~~the~~ ^{the} war, I have been warned that Labor would throw us into inflation. I have ~~been told and told again~~ ^{been told} that you would take your wartime wages and ~~spend~~ ^{throw them} ~~them~~ foolishly ^{in one} ~~in a~~ vast wartime spree. Remember how working men behaved in the last war, ^{some} ~~people~~ ^{reminded me} have told ~~me~~ ^{me} that they spent their wages ~~for~~ ^{such} silk shirts. ^{It may interest the critics of labor to} ~~hear the results of a survey, which the Treasury Department has just made.~~ ^{facts. On the basis of actual reports which we have,} ~~We have interviewed a sample of representative families, and we find that the great majority of the working men and women of America are using their war wages to get out of debt, to make necessary repairs on their homes, to pay doctors and dentists bills, in short, for perfectly justifiable purposes. Justified and commendable.~~ ^{What money is left over, Labor is putting into savings. A great} ~~and a staggering proportion of those savings are represented by War Bonds.~~ ^{proper form}

Permit me, as the Secretary of your Treasury, to thank you for this extra ^{help} ~~assistance~~ you have given ^{your government in helping to wind up inflation.} ~~from the bottom of my heart.~~

~~I~~ ^{Well,} where War Bonds are concerned, no group in the country has a better record than labor. Twenty-seven million workers are now buying Bonds through payroll deduction plans. ^{Ninety percent} ~~Ninety percent~~ of all union members are buying bonds. The automotive industry leads the list with

that has come
to my attention

a participation of ninety percent and a percentage deduction of better than 10 percent. ~~It will please you to hear that the best record~~ ^{that we have about} the ~~best~~ is that of Local 743 of the United Automobile Workers right here in Detroit, at Briggs Aircraft. Their participation in payroll savings is 98 percent, and the amount of ^{gross} ~~net~~ payroll going into bonds every week is better than 12 percent.

Now, about ~~this~~ ^{the} Third War Loan Drive which opens on September 9th — this coming Thursday.

This is the ~~most costly~~ ^{costliest} war ~~in~~ ^{in all} history, of the world. In each ~~one~~ ten-hour period of this war, your Government is spending more than the cost of the entire American Revolution. From this point on it will cost even more. I do not need to point out to you that it costs more to attack ^{far} ~~than~~ it does ~~merely~~ ^{now} to defend. We are ~~about~~ ready to invade Europe with the weapons which your ^{skill} hands have made. When we strike, we will strike a blow so powerful that no enemy in our path will be able to resist it. The ^{overwhelming} ~~kind of~~ attack we mean to deliver will justify itself in the number of lives ^{of} our boys ~~which~~ it will save.

~~As the Secretary of the Treasury, charged with the duty of financing~~ ^{over} ~~this great invasion, I ask you for your support to the almost limit of~~ ^{utmost} your ability. ~~And I am confident that you will give it to me.~~

~~I have here a statement which has already promised me that support.~~

(Statement of labor leaders).

I don't know whether any union will be able to top the record of the Motion Picture operators' local in St. Louis. Since December 7, 1941, that local has invested an average of 28 per cent of every ~~man's~~ salary in bonds. But one of

About a third of this 100 billion ~~is~~ dollar is to pay
 toward the sale of war bonds to "redeem" life insurance contracts
 and the institutions. And for individuals of you and your
 neighbors and friends. Let me break it down. The amount of money in
 cash in your own is tremendous. It will reach for a billion. Your
 are going to fill the punch, I'm asking for an extra \$100 and for the refund.

Well -- there are 130 million people in the United States, so that means that your share of wiping out Hamburg was ~~roughly~~ 34 cents. ~~I think everybody here will be glad~~ ~~Many~~ Say it ~~takes~~ costs 5 times as much to wipe out Berlin. That's a dollar and seventy cents. I think everybody here will be glad to pay a dollar and seventy cents to see the end of Berlin.

But -- break the figure down into ~~xxxxxx~~ each of us buying War Bonds and it's a price that we can not only grasp, but afford ~~and pay with~~.

Regraded Unclassified

with me a joint statement. I quote.

Insert

For what you mean and women of Labor have already achieved,
and for what you will accomplish in the future, I thank you from the
bottom of my heart.

Ladies and gentlemen:

I have here a message from a man named Georges Boris. With the help of the Free World Association here and in London, it was delivered to me through the French Underground.

We can imagine what was involved in getting it here to me tonight. Boris wrote it on a piece of thin paper by the light of a candle -- somewhere in a cellar in Occupied France. Then some youngster with cleverness and courage -- perhaps a young French automobile worker -- smuggled it out of France. It passed from hand to hand, at the risk of more than one life, until at last it reached a radio station that could get it to us here in the United States. I'd like to read it to you:

(Message)

If you want to know how efficient the Underground is, I might add that it took less than 24 hours to reach me from France.

From France, yes -- but this is not just a message to you from the working men and women of France. It is a message from labor in the whole of Europe, gasping and dying now under the stifling, smothering black fog of Fascism. The men and women of Belgium, Holland and Norway -- yes, and Italy too! -- feel just as laboring men and women in France feel -- just as they feel about you, and about this War. And about this Third War Loan drive with which we will "Back the Attack" and crush

into unconditional surrender, once and for all, the vicious, perverted German dream of conquest which has cost the World -- in our lifetime alone -- more than 20 million human lives.

Although most of you know the story, it may not do any harm to go back for a minute and speak of what Fascism did to labor in Europe.

German labor, we can be proud to remember, was never fooled all the way by Nazi promises. But there were two men in the Nazi party itself, Roehm and Strasser, who did believe Hitler's promises to labor. So Hitler had them murdered.

After that, wages were forced down from one to three cents an hour while the cost of living rose. Hours per week were heavily increased. The German worker was granted the privilege of contributing more than 15% of his gross earnings to the Nazi party. Men who wanted to change their jobs were discouraged with clubs. And men who wanted to strike were discouraged with machine-guns.

Labor in Germany today has become slave labor.

Wherever Fascism has struck, labor has been first to suffer, because of the very fact that labor in its potential strength is an enemy of dictatorship.

The Italian workman, in the best of times, never had much. He lived on spaghetti and tomatoes. It was bad enough under Italian Fascism, and now the Germans have even taken away their tomatoes.

The attitude of Fascism toward labor is best summed up by a Spanish Fascist, Don Gonzalo Aguilera. John P. Whitaker, the foreign correspondent, quotes Aguilera as saying -- at the time of the war in Spain -- "It is our program to exterminate one-third of the male population of Spain. We will be rid of the proletariat. It is sound economically, too. We'll never have any more unemployment in Spain!"

So it is no wonder that labor was quick to understand that this war of the United Nations against Fascism is, in the truest sense, a Peoples' War. To British labor, for giving us time in which to arm ourselves, we owe a debt we shall find it hard to repay. The working men and women of Britain were bombed out of their homes. They snatched what sleep they could in bomb shelters. Yet they plunged into the task of arming Britain and of gaining time for us with such vigor that the Government had to urge them to take it a bit easier for fear that production, as well as their health, might suffer.

The story of Russian labor will live forever. The Russians -- men, women, and even children -- not only worked 24 hours a day, they picked up their plants and moved them far behind the lines. And when the battle followed them, they left their machines and took up their rifles.

Now, on our own Home Front, it is American labor that must bear -- and is bearing -- the brunt of our share in the war. Not only must Labor produce the weapons of war. It must also pay for them.

The reason is simple arithmetic. An individual laboring man may not feel that he is rich; but labor in the aggregate is our richest citizen. Seven-eighths of our \$145,000,000,000 national income this year will go to people earning less than \$5,000, and in this group is included practically all of labor. Labor must pay for the war because nobody else has the money to do it.

Labor can do it. Will Labor do it? For me there has never been any question.

Let's look at the record:

First of all, more than a million and a half men in the armed forces are union members. And we must add in fairness the names of tens of thousands of other soldiers, sailors and marines who have the right to be called laboring men, although they are not union men.

Second, it is Labor that is turning out the weapons of war.

Third, on the Home Front, Labor is behaving with dignity and wisdom. I would like to speak about this at a little greater length.

I am referring to the danger of inflation. From the very start of the war, I have been warned that Labour would throw us into inflation. I have been told that you would take your wartime wages and throw them away foolishly in one vast, wartime spending spree. "Remember how working men behaved in

the last war," some people have reminded me. "They spent their wages for silk shirts."

It may interest such critics of labor to hear the facts. On the basis of actual reports which we have, the great majority of working men and women are using their war wages to get out of debt, to make necessary repairs on their homes, to pay doctors' and dentists' bills -- in short, for perfectly justifiable and commendable purposes. You are carefully saving two and three times the amount of money the economists believed you would save. What money is left over, ^{you are} ~~labor is~~ putting into savings. A great proportion of those savings are War Bonds. Permit me, as the Secretary of your Treasury, to thank you for this extra help you have given your Government in helping to ward off inflation.

Where War Bonds are concerned, no group in the country has a better record than Labor. Twenty-seven million workers are now buying Bonds through payroll deduction plans. Ninety per cent of all union members are buying Bonds. The automotive industry leads the list with a participation of ninety per cent and a percentage deduction of better than ten per cent. I don't know whether any union will be able to top the record of the Motion Picture Operators' local in St. Louis. Since December 7, 1941, that local has invested an average of 25 per cent of every man's salary in Bonds. But one of the best records that has come to my attention, is that of Local 743 of the United Automobile Workers right here in Detroit,

at Briggs Aircraft. Their participation in payroll savings is 98 per cent, and the amount of gross payroll going into Bonds every week is better than 12 per cent.

Now, about the Third War Loan drive which opens on September 9 -- this Thursday.

This is the costliest war in all history. In each ten-hour period of this war, your Government is spending more than the cost of the entire American Revolution.

From this point on it will cost even more. I do not need to point out to you that it costs far more to attack than it does to defend. We are now ready to invade Europe with the weapons which your hands have made. When we strike, we will strike a blow so powerful that no enemy in our path will be able to resist it. The overwhelming attack we mean to deliver will justify itself in the number of lives of our boys it will save.

Let's be specific. Let's get down to business. It's bloody business, but the Nazis asked for it. We want to blast the city of Berlin off the face of the map, because a lot of German factories are located there. How much will it cost to bomb Berlin to a pile of rubbish? I asked the Army to give me an estimate, so I could pass the figure along to you tonight. They can't say, right to the last dollar, but we can make a pretty accurate guess on the basis of the cost of bombing Hamburg. To erase Hamburg from the map of Germany cost \$46,412,700.

Well -- there are 130 million people in the United States, so that means that your share of wiping out Hamburg was 34 cents. Say it costs 5 times as much to wipe out Berlin. That's a dollar and seventy cents. I think everybody here will be glad to pay a dollar and seventy cents to see the end of Berlin.

We can figure in actual dollars and cents just about what it will cost to knock out the cities of Germany, the war plants, the railroad yards, the highways, one after another until there are none left. The total is such a tremendous sum that the human mind cannot grasp it -- 100 billion dollars for the year 1943.

But -- break the figure down into each of us buying War Bonds and it's a price that we can not only grasp, but afford and pay. About a third of this 100 billion dollar bill will be paid through the sale of War Bonds to corporations, life insurance companies, and other institutions. And to individuals -- you and your neighbors and friends -- in this Third War Loan we are asking the people for 5 billion of the 15 billion dollars. Let me be frank: The amount of money I'm asking from you is tremendous. It will call for sacrifice. You are going to feel the pinch. I'm asking for an extra \$100 bond this month.

A few days ago three spokesmen for Labor, Mr. Green, Mr. Mr. Cashen, Mr. Carey, visited me in my office in Washington. They came there to tell me that I could count on them, and

-3-

count on you. They left, with me, a joint statement. I quote:

TO THE SECRETARY OF THE TREASURY--

The biggest job facing organized labor is to do everything in its power to help win the war. For victory in this war means victory for democracy and the future of free labor.

At this moment, when we are beginning to win, American Labor knows that it cannot let up; and it will not. We have made a good beginning on this biggest job of all and we will carry it through, come hell or high water. Our Government proposes -- in the greatest financial undertaking in history -- the Third War Loan Drive -- to borrow 15 billion dollars from the people of the United States and their organizations other than banks. One-third of this great sum must come from individuals. Our sons and brothers and husbands and fellow union members are on the fighting fronts. We will give them every chance to come home alive. For this purpose we will supply them with the best weapons and equipment American workers can build and American dollars can pay for.

The American people have undertaken to 'Back the

-9-

Attack' with War Bonds. The Treasury is asking every American to buy at least one \$100 Bond during September. We have gladly offered to the Secretary of the Treasury the wholehearted support of our labor organizations for this Third War Loan.

American Federation of Labor President

President
Congress of Industrial Organizations

Chairman
Railway Labor Executives' Association

For what you men and women of Labor have already achieved, and for what you will accomplish in future, I thank you from the bottom of my heart.

作 者

LADIES AND GENTLEMEN:

*Key's Detroit speech -
as given to S. Harper for
mimeographing. 11/13/45*

A few days ago representatives of the three major union brotherhoods visited me at the Treasury in Washington. Knowing that I planned to address a union labor group today, they came to tell me that I could count on organized labor. They left in my hands a joint statement signed by all three. Let me read it:

"To the Secretary of the Treasury, Henry Morgenthau, Jr.:

"Winning the war is the biggest job facing organized labor. We are convinced that the survival of the free labor movement depends upon it.

"At this moment, when we are beginning to win the war, American labor knows that it cannot let up; and it will not. We have made a good beginning on this biggest job of all, and we will carry it through, come Hell or High Water!

"Our Government proposes, in the greatest financial undertaking in history, the Third War Loan Drive, to borrow 15 billion dollars from the people of the United States, and their organizations other than banks. One-third of this great sum must come from individual citizens. Our sons and brothers and husbands and fellow union members

- 2 -

are on the fighting front ready to give their lives for their country. The least we workers back home can do is give them the best possible chance of coming home alive. For this purpose, we must supply them with the best weapons and equipment American workers can build and American dollars can pay for.

"The American people have undertaken to 'Back the Attack with War Bonds.' The Treasury is asking every American to buy at least one extra \$100 War Bond during September. We have gladly offered to the Secretary of the Treasury the wholehearted support of our labor organizations for this Third War Loan program."

Signed - Phillip Murray, ^{President} Congress of Industrial
Organizations,
William Green, ^{President} American Federation
of Labor,
Thomas Cashen,

Today American labor is bearing the brunt of our share in the war on the Home Front. Labor is producing the weapons of war -- and now we must call upon labor also to pay for them.

Seven-eighths of our 145 billion national income this year will go to people earning less than \$5,000. This group includes practically all of labor, and therefore we must ask labor to furnish most of the money in the Third War Loan.

- 3 -

Labor can do it. Will labor⁴ do it? In my mind, there has never been any question.

Let's look at the record:

First of all, more than a million and a half men in the armed forces are union members. And we must add in fairness the names of tens of thousands of other soldiers, sailors and marines who have the right to be called laboring men although they are not union men.

Second, the hands of labor are turning out the weapons of war.

Third, on the Home Front, labor is conducting itself with dignity and wisdom.

I am referring to the ever present danger of inflation. We knew when the war started that we had to get this increased production. We knew that meant labor, working longer hours, would earn more money. And the danger was that the pressure of higher wages, with fewer goods available, would force prices higher and higher. But to date one of the most interesting economic facts is that spending is not following the pattern of the First World War. By and large, money is not being spent for such things as silk shirts and extravagances of that nature.

- 4 -

On the basis of actual reports which we have, the great majority of working men and women are using their wages to get out of debt, to make necessary repairs on their homes, to pay doctors' and dentists' bills -- in short, for perfectly justifiable and commendable purposes.

So far as War Bonds are concerned, no group in the country has a better record than labor. 27 million workers are now buying bonds through Pay-Roll Deduction Plans. 90% of all union members are buying bonds.

The automotive industry heads the list. One of the best records to come to my attention is that of Local 743 of the United Automobile Workers right here in Detroit, at Briggs Aircraft. Their participation in Pay-Roll Savings is 98%, and the amount of gross pay roll going into bonds every week is better than 12%.

I want to point out another outstanding record that has been brought to my attention -- that of the Motion Pictures Operators Local in St. Louis. Since December 7, 1941, that Local has invested an average of 28% of every man's salary in bonds.

- 5 -

Now, I want to talk about the Third War Loan Drive which opens on Thursday.

As you know, this is the costliest war in all history. In each ten-hour period of this war, your Government is spending more than the cost of the entire American Revolution.

From this point on, it will be even more expensive. I do not need to point out to you that it costs far more to attack than it does to defend. We are actually invading Europe with the weapons which your hands have made. We are striking a blow so powerful that no enemy in our path will be able to resist it. The cost of the overwhelming attack we are starting will more than justify itself in the number of lives of our boys which it will save.

Let's be specific. Let's get down to business. It's bloody business, but the Nazis asked for it. We want to blast the city of Berlin off the face of the map, because a lot of German factories are located there. How much will it cost to bomb Berlin? I asked the Army to give me an estimate, so I could pass the figure along to you today. Naturally, they can't estimate to the last dollar. But we can make a pretty accurate guess on the basis of the cost of bombing the industrial center of Hamburg. If you regard the raid that crushed Hamburg as a bullet, it cost \$46 million. If you add all of the preparations, and regard

- 6 -

them as the gun that fired the bullet, the cost was \$300 million more, or a total of \$346 million.

So, using the total figure, that means that your share of wiping out Hamburg was about \$3.00. Say it costs six times as much to bomb Berlin. That will be pretty close to \$18.75 for every man, woman and child in the country. That is the price of a \$25 bond.

In other words, we can figure in actual dollars and cents just about what it will cost to knock out the German war plants, railroad yards and highways, one after another, until there are none left. And the same thing goes for Japan and Italy.

This is what your War Bonds will pay for, largely. We have simply got to raise the money, and I am sure that we will.

I'm sure of it because we are at last a truly unified America. During the past year we have fallen into step. Labor and management and other groups in our nation have patriotically closed ranks. Now we are all marching together to victory.

LADIES AND GENTLEMEN:

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I'm sure of it because we are at last a truly unified America. During the past year we have fallen into step. Labor and management and other groups in our nation have patriotically closed ranks. Now we are all marching together to victory.

Address to American Working Men.

"On the occasion of September 6, Labor Day, we address our grateful and fraternal greetings to the American working men, whose ever increasing efforts we hail in this war which will liberate all peoples from oppression.

"In France, betrayed and enchained, the workers are carrying on the same combat as you. In their clandestine action they are braving arrest, death and torture. Having risen fiercely against the Nazi enemy, by sabotage and by strikes, they are opposing, at the risk of their lives, the enemy's war effort; they are destroying his tools and his economic system. Against the deportation of French workers to Germany, they have brought about the union of all French people who wish to regain their freedom. They stand firmly beside all these hunted young men who, taking refuge in the forests and the mountains, are standing out against those who want to enslave them.

"It is thus the same combat which in different ways, brings together for the liberation of the world from the evil forces of barbarism and dictatorship the working classes of America and of France.

"Brothers of America, we are counting on you to continue with all your might, intensifying by all the means within your power, that effort which will bring liberation.

- 2 -

"By your conscientious work in the war plants, by subscribing to the war bonds which will help the American Government to forge arms and equipment, you will give the world a noble example.

"Until the common victory is won we shall perform our duty. The people of France are resolved on sacrifices at your side for this act of redemption.

"Tomorrow, victory having been secured, it will find itself again with you in the struggles necessary to build a free world in which justice will reign.

"For the General Labor Federation (Confederation Generale du Travail): Georges Buisson and Albert Guigui.

"For the French Federation of Christian Working Men (Confederation Francaise des Travailleurs Chretiens): Marcel Poinboeuf.

"For the Socialist Party: Felix Gouin.

"For the Communist Party: Fernand Grenier.

"As well as all the representatives of movements of resistance at present outside of France."

HM Jr's speech before Wayne County Council
of CIO at Detroit, Labor Day, Sept. 6, 1943

9/6/43. 65

Ladies and Gentlemen:

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war, American labor knows that it cannot let up; and
it will not.

"We have made a good beginning on this biggest job of all and we will carry it through, come Hell or high water! Our Government proposes, in the greatest financial undertaking in history, the Third War Loan Drive, to borrow 15 billion dollars from the people of the United States and Their organizations other than banks. One-third of this great sum must come from individual citizens. Our sons and brothers and husbands and fellow union-members are on the fighting fronts ready to give their lives for their country. The least we workers back home can do is to give them the best possible chance of coming home alive. For this purpose we must supply them with the best weapons and equipment American workers can build and American dollars can pay for.

"The American people have undertaken to 'Back the Attack with War Bonds.' The Treasury is asking every American to buy at least one extra \$100 War Bond during September. We have gladly offered to the Secretary of the Treasury the wholehearted support of our labor organizations for this Third War Loan program."

(Signed) WILLIAM GREEN, President
American Federation of Labor

PHILLIP MURRAY, President
Congress of Industrial Organizations

THOMAS CASHEN, Chairman
Railway Labor Executives'
Association

Today American Labor is bearing the brunt of our share in the war on the Home Front. Labor is producing the weapons of war -- and now we must call upon Labor also to pay for them.

Seven-eighths of our \$145 billion national income this year will go to people earning less than \$5,000. This group includes practically all of labor. For this reason, we must ask Labor to furnish most of the money in the Third War Loan.

Labor can do it. Will Labor do it? In my mind there has never been any question.

Let's look at the record:

First of all, more than a million and a half men in the armed forces are union members. And we must add in fairness the names of tens of thousands of other soldiers, sailors, and marines who have the right to be called laboring men, although they are not union men.

Second, the hands of labor are turning out the weapons of war.

-5-

Third, Labor is conducting itself on the economic front, with dignity and wisdom.

Let me explain:

$\frac{1}{3}$

One Third
We knew when the war started that we had to get increased production. We knew that this meant labor, working longer hours, would earn more money. And the danger was that the pressure of higher wages, with fewer goods available, would force prices higher and higher. But to date one of the most interesting economic facts is that spending is not following the pattern of the First World War. By and large, money is not being spent for such World War I extravagances as were typified by silk shirts.

On the basis of actual reports which we have, the great majority of working men and women are using their wages to get out of debt, to make necessary minor repairs on their homes, and to pay doctor's and dentist's bills -- in short, for perfectly justifiable and commendable purposes.

So far as War Bonds are concerned, no group in the country has a better record than Labor. Twenty-seven million workers are now buying bonds through payroll deduction plans. Ninety per cent of all union members are buying bonds. The automotive industry heads the list. One of the best records to come to my attention is that of Local 742 of the United Automobile Workers right here in Detroit, at Briggs Aircraft. Their participation in payroll savings is 98 per cent, and the amount of gross payroll going into bonds every week is better than 12 per cent.

I want to point out another outstanding record that has been brought to my attention -- that of the Motion Picture Operators' local in St. Louis. Since December 7, 1941, that local has invested an average of 28 per cent of every man's salary in bonds.

Now, I want to talk about the Third War Loan drive which opens on Thursday.

As you know, this is the costliest War in all history. In each ten-hour period of this war, your Government is spending more than the cost of the entire American Revolution. From this point on it will be even more expensive. I do not need to point out to you that it costs far more to attack than it does to defend.

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We are actually invading Europe with the weapons which your hands have made. We are striking a blow so powerful that no enemy in our path will be able to resist it. The cost of the overwhelming attack we are starting will more than justify itself in the number of lives it will save.

Let's be specific. Let's get down to business. It's bloody business, but the Nazis asked for it. We want to blast the City of Berlin off the face of the map, because a lot of German Factories are located there. How much will it cost to bomb Berlin? I asked the Army to give me an estimate, so I could pass the figure along to you today. Naturally, they can't estimate to the last dollar. But we can make a pretty accurate guess on the basis of the cost of bombing the industrial center of Hamburg.

If you regard the raid that crushed Hamburg as a bullet, it cost \$46 million. If you add all of the necessary equipment and preparations, and regard them as the gun that fired the bullet, the cost was \$300 million more, or a total of 346 millions. So, using the total figure, that means that your share of wiping out Hamburg was about three dollars. Say it costs six times as much to bomb Berlin. That will be pretty close to \$18.75 for every man, woman, and child in the country -- the price of a \$25 bond. $\frac{2}{3}$

In other words we can figure in actual dollars and cents just about what it will cost to knock out the German war plants, railroad yards, and harbors one after another, until there are none left. And the same thing goes for Japan and Italy, and those countries which are now occupied -- but in which the Underground Movement is eagerly waiting to cooperate with us.

I got in touch with Louis Dolivet of the International Free World Association and asked him to get a message for me from France. I think it will tell you how working men over there feel about our invasion, and about the Third War Loan.

It's a message from the working people of occupied France to the working people of America -- a cablegram signed by the authentic representatives of the entire French underground movement, who -- I think you will be amazed to know -- are now united and so well organized that they are in almost daily contact with representatives of the United Nations. Here is the cablegram:

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"Addressed to American working men on the occasion of September 6, Labor Day. We address our grateful and fraternal greetings to the American working men whose ever-increasing efforts we hail in this war which will liberate all peoples from oppression.

"In France, betrayed and enchained, the workers are carrying the same combat as you. In their clandestine action they are braving arrest, death, and torture.

"Having arisen fiercely against ^{the} _^ Nazi enemy by sabotage, and by strikes, they are opposing, at the risk of their lives, the enemy's war effort; they are destroying his tools and his economic system. Against the deportation of French workers to Germany they have brought about the union of all French people who wish to regain their freedom.

"They stand firmly beside all these hundreds of young men, who, taking refuge in the forests and the mountains, are standing out against those who want to enslave them.

"It is thus the same combat which in different ways brings together, for the liberation of the world from the evil forces of barbarism and dictatorship, the working people of America and of France.

"Brothers of America, we are counting on you to continue with all your might, intensifying, by all the means within your power, that effort which will bring liberation.

"By your conscientious work in the war plants, by subscribing to the War Bonds which will help the American Government to forge arms and equipment, you will give the world a noble example.

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"Until the common victory is won we shall
perform our duty. The people of France are resolved
on sacrifices at your side for this act of redemption.

"Tomorrow, victory having been secured, they will
find themselves again with you in the struggle necessary
to build a free world in which justice will reign."

The cable is signed by all the leaders of the
French Underground, inside and outside of France.

This is what your War Bonds will pay for -- the
freedom that victory will bring.

I am confident that, with your wholehearted help
and backing, we are going to raise over 15 billions
of dollars outside the banks during the Third War Loan.

I am sure of it because we are at last a truly
unified America. During the past year we have fallen
into step. Labor and management, and the other groups
in our nation, have patriotically closed ranks. Now
we are all marching together -- to Victory!

WAR FINANCE BULLETIN

Office of the Secretary of the Treasury

Issue No. 5

September 6, 1943

"Back the Attack -- With War Bonds"

By *Thurman J.*

To America's millions-strong army of War Bond volunteers this is zero hour. With plans in shape, machinery oiled, loose-ends few, it's our job to go over-the-top in the greatest War Loan Drive in the history of the world.

To do this, you must meet Mr. John Q. Citizen face-to-face. Go to him at home -- approach him at the office -- talk to him at the factory bench -- corral him, if necessary, in the field. Whatever the method, get to him. And this goes for the Missus too. Success in this great drive is as simple, and complicated, as just that.

Nothing else really matters. The magic of radio, the drama of the motion picture, the power of the press -- all these, vital though they be, will count for little if we don't follow through and deal directly with John Q. Citizen.

There's no substitute for the personal approach. That's our experience, and it's the experience of every other successful money-raising organization. During the April War Loan Drive, in spite of the avalanche of publicity to buy an extra bond, only 17 percent of those who were not solicited actually got around to doing so. But 47 percent of those who were personally solicited bought extra bonds!

Information Service for State War Finance Committees

In rural areas, we had an even more striking demonstration of the effectiveness of the person-to-person approach. While only 2 percent of farmers bought bonds because of rallies and other general promotion, 54 percent reported that they did so because they were personally asked.

In the coming September drive personal solicitation will be more important than ever. Our \$15 billion goal is the greatest yet. What's more, we're out to raise all of it from nonbanking sources. We're counting on an average investment of an extra \$100 E Bond during September for every American civilian now receiving regular income. We're counting too on individuals, corporations, institutions, and associations digging deep into accumulated funds in a way they never did before.

The market is not cut-out for us; it's ours to cut-out. We can't raise anything like the kind of money we need from the higher brackets alone, or from canvassing "special-names" lists. Our market is every one of the nation's almost 54 million civilian income recipients; and every one of the nation's thousands of nonbanking institutions, associations, and corporations. No possible nonbanking investor is to be overlooked or slighted.

The conditions for success exist. The consolidation of the War Savings Staff and the Victory Fund Committees into a single War Finance Division was a vital step in the right direction. So also has been the infusion of new blood in our unified, harder-hitting organization. Recently, I made a number of field inspections in key areas, and what I saw and heard as to our preparations for the coming Drive only strengthened my conviction that our War Bond troops, from State commanders down, are tops.

Equally important, the funds available for investment in Government securities are accumulating at a phenomenal rate. Every increase in the national income

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normally involves a more than proportionate increase in savings available for investment. But in addition to this, wartime restrictions on private consumption and private investment have made available for public investment current and accumulated savings, both individual and corporate, of a hitherto unprecedented magnitude. Total savings and accumulations this year alone will exceed total earnings during most peacetime years.

We must convert these private savings into public investment; we must make our dollars partners rather than potential competitors in the nation's fight for life.

We here in America have a great responsibility in the months, perhaps years, to come. It's our duty to keep our domestic economy on an even keel, free from the wartime disorders of inflation and the post-war disorders of deflation. It's our duty to hand down to our children a healthy society, not a society torn by inner strife and the embitterment of disillusion. It's our duty, above all, to keep faith with the men and women of the armed forces; to supply them with the mountains of matériel they so desperately need; to sacrifice our comforts to their needs -- and yes, even our needs to their comforts.

Democracy is not built upon the recognition of rights alone. It involves too the assumption of responsibilities. Less onerous in that they are assumed by us and not imposed from above, they are responsibilities nonetheless. One of the greatest of these responsibilities is the voluntary purchase of War Bonds. During the coming Third War Loan Drive we must buy them without stint. In so doing Americans can back the attack and swell the mighty chorus which says to our enemies our only terms for ending this struggle are unconditional surrender.

-oOo-

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Sept. 6, 1943

TO Secretary Morgenthau
FROM Mr. Thompson

With respect to the cafeteria in the Bureau of Engraving and Printing referred to by Cramer in the attached clipping, I submit the following:

1. Basis for Charges. Mr. Hall tells me confidentially that in his opinion this incident is a continuance of the old racial problem in the Bureau and that the present episode is a smear campaign resulting from the failure of a colored CIO employee of the Bureau to be elected president of the Cafeteria Association. It seems evident also that it is part of a membership drive campaign since it is being directed by a CIO national organizer whose program evidently is on the basis that if the employees are made to feel that conditions are so horrible as to require active campaigns for bettering such allegedly bad conditions, increased membership in the union would follow.

2. Proof of Charges. It is obvious that now in September no one can prove or disprove that in July, last, a mouse was in a soup container or that any of the other allegedly obnoxious happenings actually occurred. Occasionally worms are found on greens in the best and cleanest of restaurants and there is record of such a happening in the Bureau cafeteria last week.

I have had a complete investigation in this matter made by Mr. Shick of my office and his report I attach hereto. Mr. Shick concludes:

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"Though, as will be pointed out by the Public Health Officer's report, there are housekeeping details around the cafeteria which need attention, it cannot be said that the cafeteria is now operating in such a fashion as to constitute a menace to health or employee safety. There is no foundation for a claim to the effect that the items cited in the Union complaint reflect typical conditions in the cafeteria. The charges made are decidedly at variance with the facts of general care and cleanliness.

"Many of the minor items observed exist primarily because of an extremely difficult labor situation. It is no longer possible to maintain a stable, competent, staff to do the many menial tasks incident to operating a restaurant. It is believed, however, that the Bureau of Engraving and Printing cafeteria compares favorably with any eating establishment to be found in the District."

Arrangements also were made with the Public Health Service to have a thorough sanitary inspection made of the premises and methods of operation. A written report of their findings has been submitted and is attached hereto. Senior Sanitary Engineer Frank R. Shaw, who made the inspection, concludes that:--

"From a broad over-all viewpoint, the cafeteria is generally well operated. The defects observed relate to units of equipment or particular aspects of operations in a particular category rather than as a general condition throughout the establishment. Although some of these might be attributable to manpower shortage, potential health hazards regardless of their remoteness, cannot be excused on that or any other basis.

"It is the writer's opinion that none of the defects are of such a nature, or exist to such an extent, as to cause any regulatory authority to degrade or otherwise penalize this establishment following an initial inspection such as this one. However, observation of any of them during subsequent inspections would warrant disciplinary action."

The defects noted by Mr. Shaw relate to the soap dispensers in the lavatories, plumbing in the toilet rooms, screens at windows and doors, storing and transferring of cream to the cream dispenser, and one or two other minor items.

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I have advised Mr. Schwarz of the results of the investigation so that he may inform the local newspaper reporters.

A handwritten signature, possibly reading "Hm", is written in dark ink below the typed text.

9 45-4:30



Engravers' Cafe Horribly Dirty, Union Charges

By JOHN P. CRAMER

United Federal Workers of America says conditions at Bureau of Engraving and Printing's cafeteria are "horribly unhealthy."

It issued a press release about the cafeteria today, and asked Public Health Service to investigate. It said its members had found:

- 1—A mouse in a soup container.
- 2—Worms cooked in greens.
- 3—Rat leavings in carrots.
- 4—A caterpillar in ginger bread.
- 5—Chewing gum on a pie plate.
- 6—Fish scales in soup.
- 7—Sour food.

In addition, it claimed the cafeteria is guilty of "screenless windows, greasy silverware, trays and tables smeared with leftover food, grease-smeared water glasses."

Now charges of that sort are very serious. If the union is right, Treasury Department ought to take steps immediately. If the union is wrong, employees will agree it is entitled to a vigorous public spanking.

Daniel H. Schwartz, a national organizer for UFWA, assembled the charges. He has been organizing recently at the Bureau. He says the union is fully prepared to back up its statements.

For instance, he says the mouse in the soup was found in July by an employee in the offset section of the Surface Printing Division; and that the rat leavings were found in July by an employee in Section 9 of the Plate Printing Division day shift. Mr. Schwartz says he doesn't know the precise dates in July. Neither does he have affidavits from the employees involved. However, he says names are available—albeit not for publication.

Also, Mr. Schwartz says, the union has records of 11 different employees who were made ill by cafeteria food—two on July 19 from ham sandwiches; four on July 18 from egg salad, etc.

On the other hand, Alvin W. Hall, director of the Bureau, says he doubts the charges. He says he has eaten in the cafeteria himself for the past two weeks, and found conditions entirely satisfactory. To the best of his knowledge, he says, there have been no complaints from non-UFWA employees.

The cafeteria is run by Bureau employees themselves, thru their own association. Mr. Hall points out that all employees participate in electing its officers.

Mr. Schwartz' press release says the cafeteria management refused to meet with an UFWA committee to discuss the charges. The management says it was willing to meet with a committee—but not with one of UFWA's choosing.



THE ASSISTANT COMMANDANT
OF THE
UNITED STATES COAST GUARD
WASHINGTON

file 85 ✓

6 September, 1943

Dear Mrs. Klotz:

This is the report of the medical survey of
Lieutenant Commander Leslie B. Tollaksen about
which I spoke to you over the telephone this
morning and in which I suggest the Secretary may
be interested.

Sincerely,

A handwritten signature in dark ink, appearing to read "E. J. Shannon", with a stylized flourish at the end.

Mrs. Henrietta S. Klotz,
Treasury Department,
Washington, D. C.

Copy

Ind-2
71
Norfolk, Va.
28 August, 1943

To: The Commandant

Subj: TOLLAKESEN, Leslie B., Lt.Comdr., USOGR; Board
of Medical Survey, report from

Forwarded, approved. This office concurs in the opinion
and recommendation of the Medical Board in this case.

(Signed) G. T. FINLAY

Report of Medical Survey
U. S. Coast Guard

Place U. S. Marine Hospital, Norfolk, Va. Date August 25, 1943
(Name of hospital, ship, or station where survey is held)
From: Board of Medical Survey
To: Commanding Officer, Norfolk District,
U. S. Coast Guard,
Norfolk, Va.

Name TOLLAISEN, LESLIE B. Lieutenant Commander
(In full, surname first) (Service No.) (Rank or rate)

Born Seattle, Washington Date April 13, 1903
(Name of place and State or county)

Enlisted or appointed: Date _____ Place _____

Total service: Coast Guard _____ Marine Corps _____ Army _____

PRESENT HISTORY OF CASE

Admitted from Norfolk District Office Date August 17, 1943

Diagnosis: Gastric neurosis and nerve deafness

Disability is not the result of his own misconduct and was
(is or is not) (was or was not)

incurred in line or duty.

Existed prior to enlistment No If "Yes", was condition aggravated by
(Yes or No) service?
(Yes or No)

Present condition Unchanged Probable future duration Permanent

Recommendation Retirement from Coast Guard.

Facts are as follows:

For several years this patient has had recurrent attacks of indigestion, characterized principally by epigastric pain, nausea, and vomiting. During the past 2 years the attacks have become more marked in intensity and more frequent. He was in the Marine Hospital in Seattle, Wash. in both May and June, 1942, and a year's shore duty was recommended there. In October, 1942, he first entered this hospital. Careful medical examination showed no organic pathology. From a psychiatric point of view, his attacks of indigestion seem to be related to emotional tension. Always an energetic, overly conscientious, ambitious individual, he has at the same time been easily discouraged by what appeared to be personal failure. Such discouragement always seemed to result in gastro-intestinal symptoms. After leaving this hospital

TOLLAISEN, LESLIE B.

-2-

August 25, 1943.

in October, 1942, his symptoms continued in much the same way. In December, 1942 he was passed over for a promotion and this proved to be a great blow to his own feelings of self-esteem. The symptoms became much more marked during the next three months. Three months ago after various skin tests, he was placed on a strict diet, lacking in milk proteins, and this seemed to give him some relief, although the attacks continued. He reentered this hospital on August 17, 1943, having finished his year of shore duty, in order to determine his fitness for further duty. Again medical investigation has showed no organic pathology. The same personality difficulties, observed on his previous admission, are still present and still militate against his adjusting in the service. During this hospitalization it was noticed that his hearing was defective. A check by the eye, ear, nose, and throat consultant showed bone conduction to be greatly diminished. The total loss of hearing averaged 35%. It was the opinion of the Eye, Ear, Nose, and Throat consultant that the patient was not fit for duty unless he could be fitted with a vacuum tube hearing aid. Therefore, on two counts—psychiatric and eye, ear, nose and throat — it is felt that he should be retired.

(Signed) Esta R. Allen, P. A. Surgeon.

(Signed) Leslie H. Farber, P.A. Surgeon
(R).

LHF/jcn

Ind-1

DCGO, 5th Naval District (m)
27 August, 1943

Findings approved.

(Signed) H. V. STROUPE
By direction

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE Sept. 6, 1943

TO Secretary Morgenthau
FROM Mr. *[Signature]*
Subject: The Business Situation,
Week ending September 4, 1943.

Summary

National income: Payments declined less than seasonally in July and the annual rate of payments rose to a new high of \$143.6 billions from \$141.9 billions in June. During the first 7 months of 1943, payments for salaries and wages were 31 percent higher than a year earlier. Cash income from farm marketings, including Government payments, also showed an increase of 31 percent during the same period.

Dividend payments: In contrast to large gains in payments for salaries and wages and in cash farm income, interest and dividend payments in July were only 1 percent above year-earlier levels. Moreover, publicly reported cash dividend payments in August were 1 percent lower than in August 1942.

Commodity prices: Prices in wholesale markets moved irregularly last week and the BLS basic commodity index rose very slightly. The BLS all-commodity index in the week ended August 28 advanced 0.1 percent to 102.9. From mid-July to mid-August the index of prices received by farmers rose 2.7 percent to a new high. Farm prices now stand at the highest level since September 1920.

Dairy products: An order controlling sales of fluid milk is being prepared by the WFA and will probably be issued in a few days according to press reports. Fluid milk consumption has been increasing at a rate of 1 percent per month. The diversion of milk supplies to fluid milk consumption threatens to reduce the production of cheese, butter and other dairy products below the amount necessary to meet essential civilian requirements. Civilian butter supplies are now critically short.

Meat supplies: Improvement in civilian meat supplies is indicated by the reduction in the point value of many meats for September. Moreover, the WFA announced last week the suspension of all quota limitations on the slaughter of livestock during September and October. Livestock slaughter during the next few months is expected to be the largest on record, due in part to drought conditions in western grazing areas and shortages of feed in other sections.

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- 2 -

National income payments continue to rise

Due largely to a usual seasonal drop in interest and dividend payments, national income payments in July declined 3 percent from the previous month. The decline in the total, however, was less than seasonal so that the annual rate of income payments during the month forged ahead to a new record high of \$143.6 billions. This compares with an annual rate of \$141.9 billions in June and only \$116.1 billions in July 1942. (See Chart 1.)

Payments for salaries and wages in trade and industry, instead of showing the usual seasonal decline in July actually increased slightly to a new record peak 19 percent above year-earlier levels. Governmental salary and wage payments, including military pay, declined moderately but were 65 percent above July 1942, thus showing by far the widest year to year gain of any major group. (Refer to Chart 1.) Aggregate salaries and wages of all categories in the first 7 months of 1943 were about \$13.5 billions, or 31 percent, higher than in the corresponding period last year. Nearly nine-tenths of this large increase was due to expansion of factory and Federal Government payrolls, including those of the armed forces.

Cash dividend payments slightly below year-earlier levels

In contrast to the large increases which have occurred in salary and wage payments during the past year, interest and dividend payments in July were only 1 percent higher than in the corresponding month in 1942. Moreover, figures just released by the Department of Commerce reveal that publicly reported cash dividend payments in August dropped 1 percent under year-earlier levels. Aggregate cash dividend payments since the beginning of 1943 also have shown a 1 percent decline from year-earlier levels. Increases in dividend payments thus far in 1943 by railroads, transportation equipment, electrical machinery and petroleum companies have been offset by substantial declines in dividend disbursements of food, tobacco, automobile and iron and steel companies.

Farm income gain continues

In addition to large gains from other sources, national income continues to be augmented by an unusually high level of farm income. Due principally to increased receipts from food grains and vegetables, income from farm marketings rose slightly more than seasonally in July and showed a gain of 27 percent over year-earlier levels. During the first 7 months of this year income from farm marketings, including Government

- 3 -

payments, totaled \$9,787 millions as compared to \$7,464 millions in the corresponding period last year, a gain of 31 percent. Receipts from crops and livestock rose 41 percent and 30 percent, respectively, while Government payments dropped 6 percent.

Farm prices highest since September 1920

Farm product prices resumed their upward trend in August and reached a new high, following a temporary setback in the preceding month. A 2.7 percent rise in the index of prices received by farmers lifted the index to 193 percent of the August 1909 - July 1914 average, which is over 18 percent higher than last year and 119 percent above the pre-war level of August 1939. Farm prices now stand at the highest point since September 1920.

Prices of all groups of farm products showed increases except fruits and truck crops, which declined, and meat animals, which were unchanged. (See Chart 2.) Reflecting the increased feed demands, grain prices moved higher for the ninth consecutive month. The rise in grain prices this year is in contrast to the sidewise movement during 1942. Even though the fruit price index declined, it was the highest for August in 35 years of record.

While the index of ² prices received by farmers rose last month, the index of prices paid by farmers (including interest and taxes) was unchanged. Consequently, farm prices averaged 117 percent of parity in August as compared to 114 percent a month earlier and 107 percent a year earlier. Prices of all groups of farm products except grains are now above parity.

Commodity prices irregular

Commodity prices in wholesale markets moved irregularly last week and the BLS index of 28 basic commodities was up very slightly. The index has shown a steady gradual rise since the middle of July, although the total amount of the rise in that period has been only 1.1 percent. (See Chart 3.) Advances in the prices of grains and meat animals have largely accounted for the rise. Last week hog prices rose noticeably to the highest point since mid-April. According to press reports the final draft of the OPA's order establishing a ceiling price of \$14.75 per hundredweight on live hogs is in the hands of the WFA awaiting approval and may be issued this week. Hogs were selling around \$14.85 to \$15.25 at the end of last week.

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The BLS all-commodity index in the week ended August 28 rose slightly to 102.9 percent of the 1926 average, which is 37.2 percent above the pre-war level of August 1939. Higher prices for grains and livestock were largely responsible for the slight advance in the index.

WFA drafts curb on fluid milk sales

An order freezing sales of fluid milk all over the country is being prepared by the WFA and will probably be issued within a few days, it was reported in the press last week. Under the plan, sales of fluid milk will be limited to 100 percent of a recent period, perhaps June.

Although total milk production during the first seven months of this year has about equaled the record levels of last year (See Chart 4, upper section), fluid milk consumption has been increasing at a rate of about 1 percent per month. Sales of fluid milk and cream this year have been 10 to 12 percent above those of 1942. The increase in fluid milk consumption has encroached upon milk supplies which ordinarily go into manufactured dairy products. Production of American cheese, evaporated milk and dried skim milk has already declined and the Bureau of Agricultural Economics estimated recently that production may be 20 percent smaller in 1943 than in 1942. Moreover, the WFA stated last week that "should fluid milk consumption expand still further, production of cheese, butter evaporated milk and other dairy foods would decline below the amounts necessary to meet essential civilian requirements."

Total milk production during the last half of 1943 is expected by the BAE to fall slightly below last year's levels. A deterrent factor in milk production is the greater profitability of feeding corn to hogs than in selling it for feed in dairy regions such as the Northeast. Also the inflexible ceiling price on milk creates a less favorable situation for milk production during the fall and winter months because feed costs increase as less pasturing is possible. The OPA is reported to be considering raising milk prices.

Civilian butter supplies critically short

Civilian butter supplies are now in the "most critically short position of the year" the War Food Administration stated last week. Moreover, trade reports indicated that the butter shortage will continue for another month except in the

- 5 -

principal dairy production centers. The East and West coast areas, which require long hauls, are the most severely affected by the shortage. Civilian butter stocks in some sections were completely depleted at the end of August, according to press reports, and some time will be required for distribution sources to fill overdue deliveries.

The principal reasons for the current butter shortage are: (1) allocation of large quantities of butter for Government use; (2) large civilian demand; (3) recent decline in butter production. During May, June, and July, peak production months, creameries were required to set aside 50 percent of their monthly production of butter for Government purchase. This was reduced to 30 percent in August. Cold storage holdings of butter rose to 210 million pounds on August 1 (the latest official figure available) which is 61 million more than last year and is the highest on record for that date. (See Chart 4, lower section.) Moreover, the executive secretary of the American Butter Institute, Dr. H. A. Ruehe, reported last week that stocks now total 235 million pounds of which about 95 percent are for Government use.

The heavy civilian demand, which has contributed to the butter shortage, has been due in part to the recent meat shortage. Unable to get meat, consumers have tended to spend more of their red points for butter, which is rationed on a collective basis with meat, cheese, fats and oils. Finally, butter production suffered a sharp, larger than seasonal, decline in August, and was noticeably below last year. Part of this decline was due to a diversion of butterfat into fluid milk channels.

The WFA and the OPA took steps last week to alleviate the shortage. The portion of butter production earmarked for Government use was reduced from 30 to 20 percent in September and will be completely eliminated in October. Furthermore, the WFA indicated that all production for November, December, January and possibly February might be permitted to go into civilian channels. A large portion of Government requirements was met during the spring and summer months of heavy production. In order to bring the supply and demand situation into better balance the point value of butter was increased from 10 to 12 points a pound. This is the second increase in the past two months.

Meat supplies increase

Reflecting an improvement in civilian meat supplies, the OPA announced last week a reduction in the point values

- 6 -

of many meats for September. Most lamb and bacon cuts are from 1 to 2 points lower and sirloin steaks and rib roasts have a 1 point reduction. The lowering of the meat ration costs was foreshadowed by an order earlier in the week suspending all quota limitations on the slaughter of livestock during September and October. This action was taken by the WFA in order to stimulate early slaughtering of livestock to relieve the drain on the feed supply, to prevent the overtaxing of packing house facilities later in the year, and to provide civilians with a larger supply of meat than has been available in some months.

Livestock slaughter during the next few months is expected to be the largest on record. Cattle, sheep and lamb slaughter increases seasonally at this time. Of more importance, however, drought in western grazing areas and shortages of feed in other sections are expected to force exceptionally large movements of animals to market. In this connection it is of interest to note that the Bureau of Agricultural Economics predicted last week that total meat production in 1943 would reach 24 billion pounds, or almost 12 percent above the record levels of last year. This increase will come largely from pork production, which is now estimated at 20 to 25 percent above 1942.

While the outlook for meat supplies in the next several months has improved, an acute shortage of beef next spring is being predicted by cattlemen. The number of range cattle being purchased for fattening during the past two months has fallen far below year-earlier levels. Feeder steers sold at four important markets (Chicago, Kansas City, St. Paul, and Omaha) last month were approximately 30 percent below August 1942. If this trend should continue during the next few months when feeder cattle purchases normally reach their peak, a deficiency of cattle for slaughter may occur next spring. Cattle slaughter should be greater this fall, however, since cattle that would be purchased for fattening are going directly to slaughter.

Cattlemen attribute the smaller feeder cattle purchases to the uncertainty of Government price policies. Another important reason undoubtedly is a lack of sufficient feed supplies on many farms to warrant the purchases of cattle for fattening.

Integration of industry advisory committees planned

Plans have been made for the co-ordination of the industry advisory committees of the OPA and the WFA, according to press reports. Officials of both agencies were scheduled to confer

- 7 -

last Saturday regarding final arrangements for combining their respective committees. By this form of organization, only a single committee in each branch of the food industry would have to be consulted regarding prices, processing, handling and distribution. Industry representatives appear to be much in favor of this arrangement.

In connection with food production and prices, Representative Fulmer has requested Food Administrator Jones and Price Administrator Brown to appear before the House Agricultural Committee on September 20 to outline a definite food production and price program for 1944.

Retail sales gains narrowing

After making a relatively strong showing in July, preliminary reports indicate that retail sales gains over year-earlier levels narrowed in August. Following up earlier reports showing that department store sales had declined much less than seasonally in July, it was revealed last week that sales of all retail stores in July also declined slightly less than seasonally and were 12 percent higher than a year earlier.

However, department store sales in August showed diminished gains over year-earlier levels and in the week ended August 28 were only 1 percent higher than the corresponding week last year. (See Chart 5.) In this connection it should be noted that department store sales gains during the past three months have shown a progressive narrowing as the following figures indicate:

Four weeks ended	Percentage gain over 1942 period
May 29	+22
June 26	+19
July 31	+12
August 28	+6

Fewer than usual promotions and clearance sales are reported to have taken place last month and this factor together with reduced stocks in some lines of merchandise probably contributed to the diminished sales gain. The introduction of the withholding tax at the beginning of July also may have had some retarding effect on sales.

Steel ingot production at record high

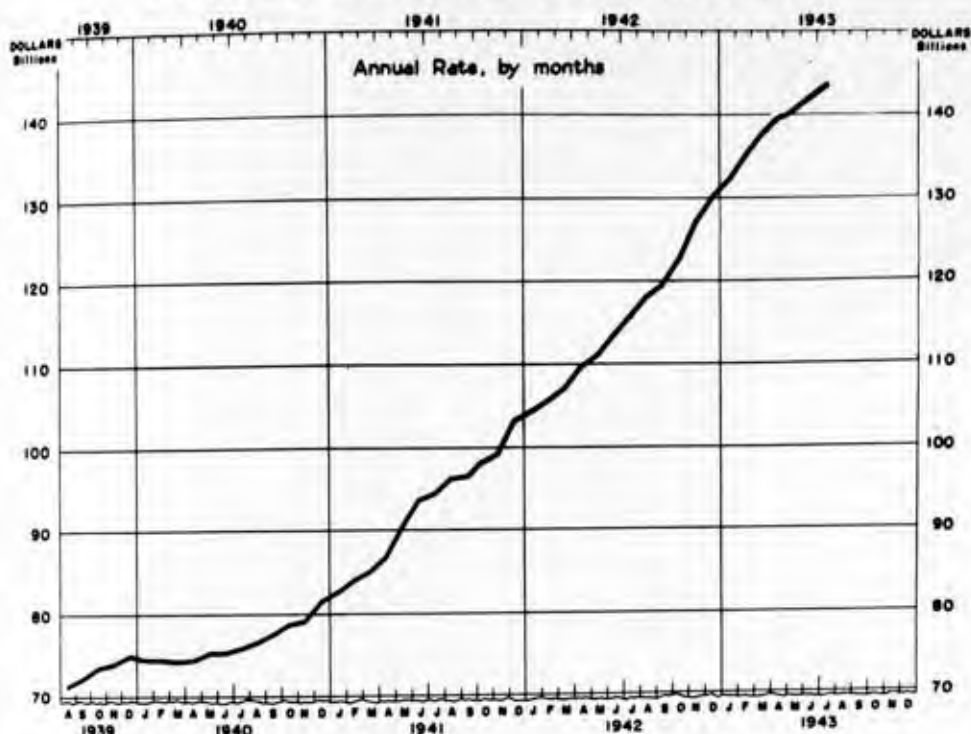
Steel ingot production in the past 2 weeks has been scheduled at 99.4 percent of capacity. On the basis of

- 8 -

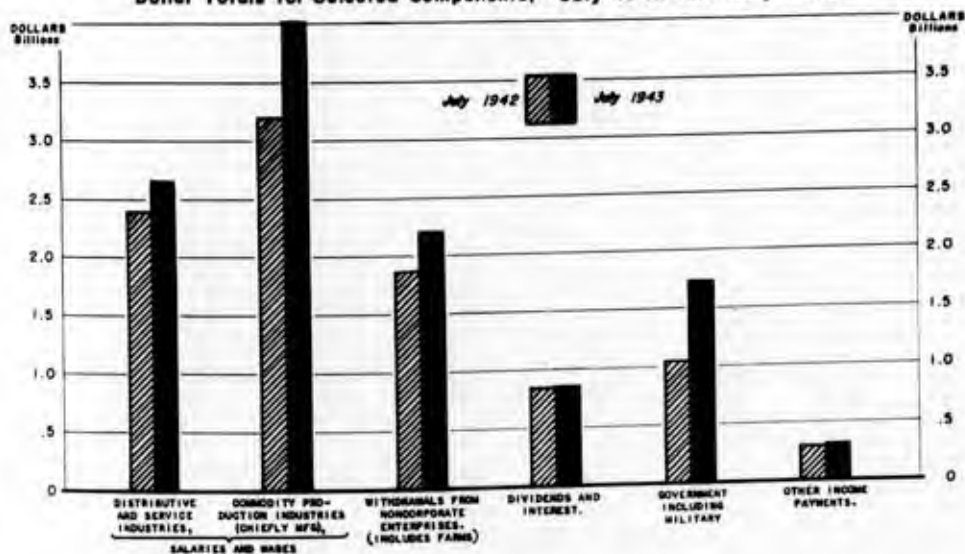
recently revised capacity figures, tonnage of steel produced during the 2 weeks broke all previous records. Moreover, preliminary reports indicate that operations in the Pittsburgh district this week will show a further rise of 1 point to a new record high of 102.5 percent of capacity.

Steel ingot capacity figures were revised upward recently to allow for the expansion which has occurred since the beginning of the year. As of July 1 capacity was rated at 90,881,000 net tons as compared to 90,289,000 net tons at the beginning of the year thus indicating an increase of 592,000 net tons during the six months period. Despite an expansion of 10 million tons in the past 3 years the industry on July 1, 1943 was still more than 5 million tons short of the 96 million ton goal originally scheduled for completion by that time.

NATIONAL INCOME PAYMENTS AND COMPONENTS



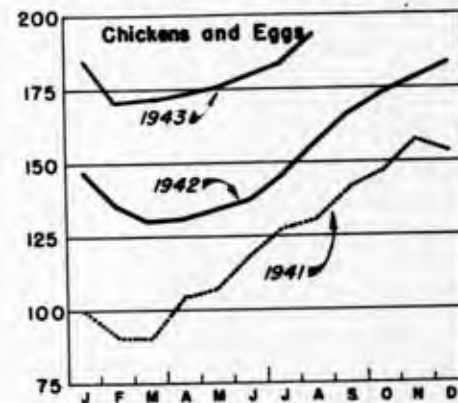
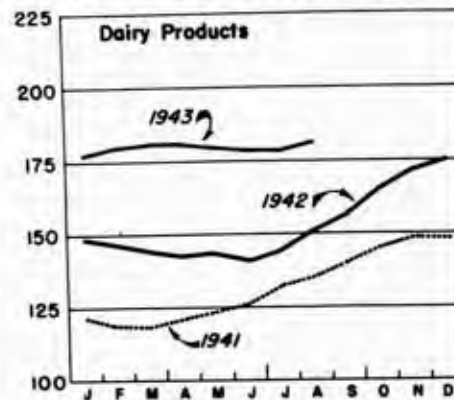
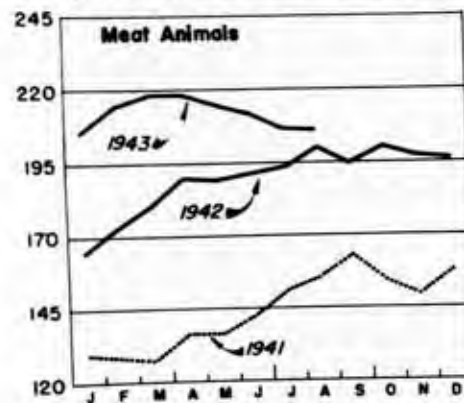
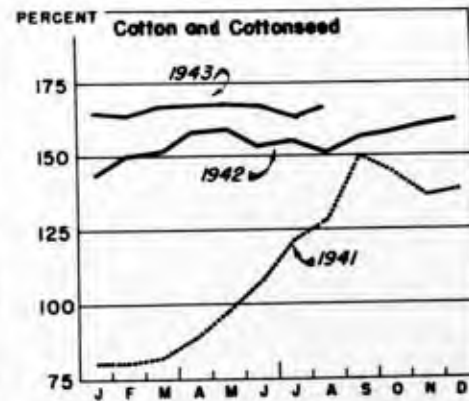
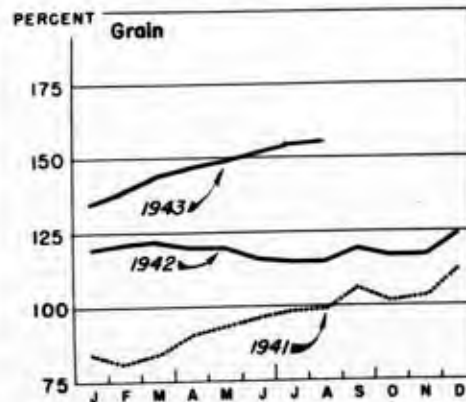
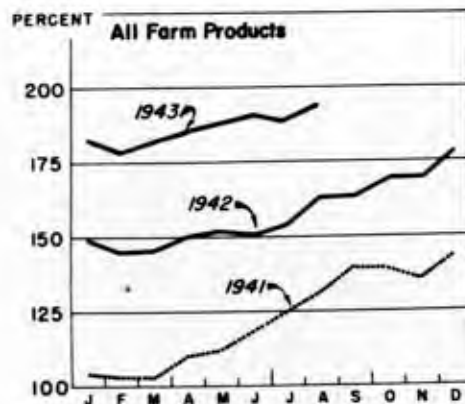
Dollar Totals for Selected Components, July 1942 and July 1943



Source: Department of Commerce

AVERAGE PRICES RECEIVED BY FARMERS

Indexes, August 1909 - July 1914=100

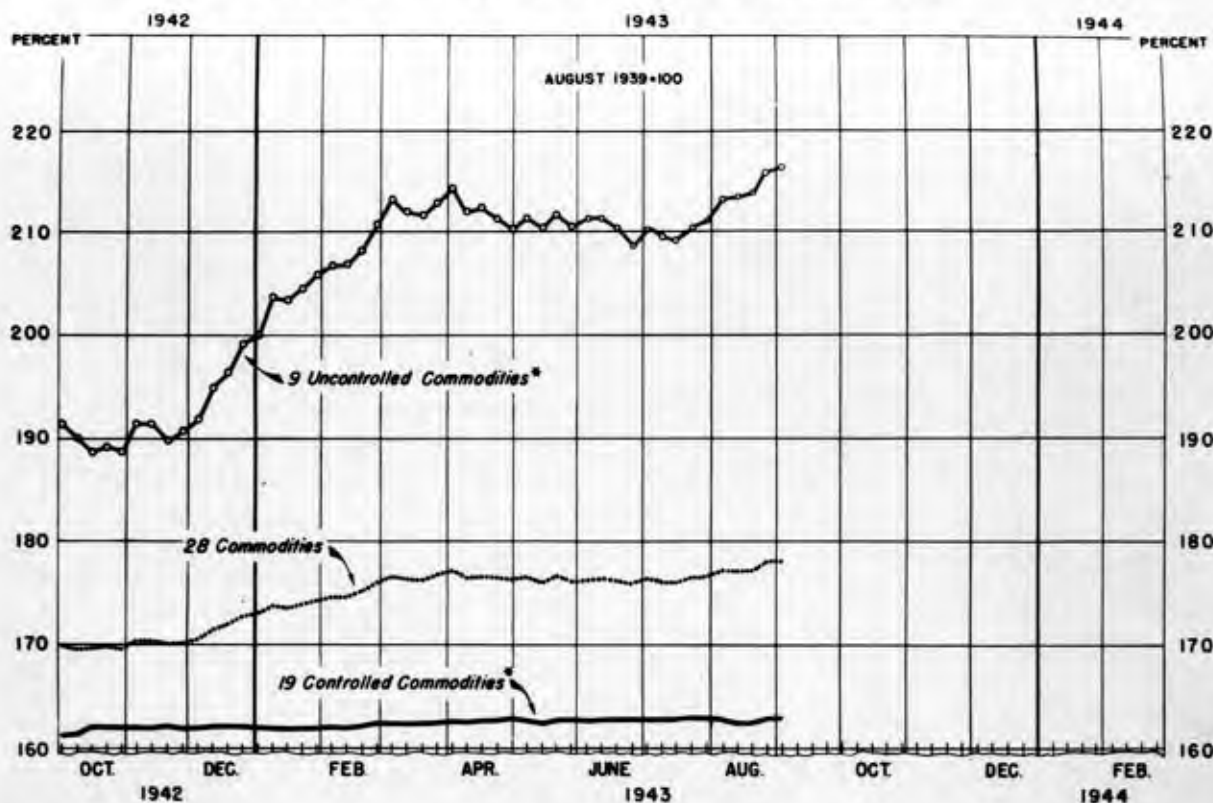


Office of the Secretary of the Treasury
Division of Research and Statistics

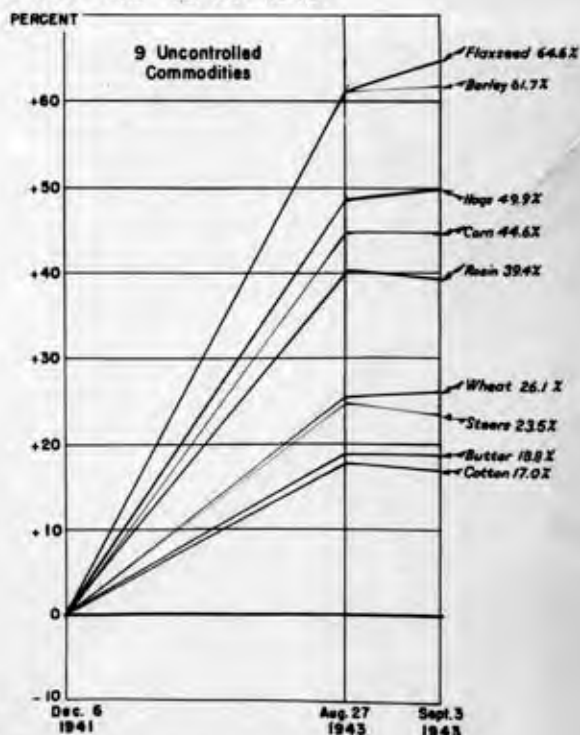
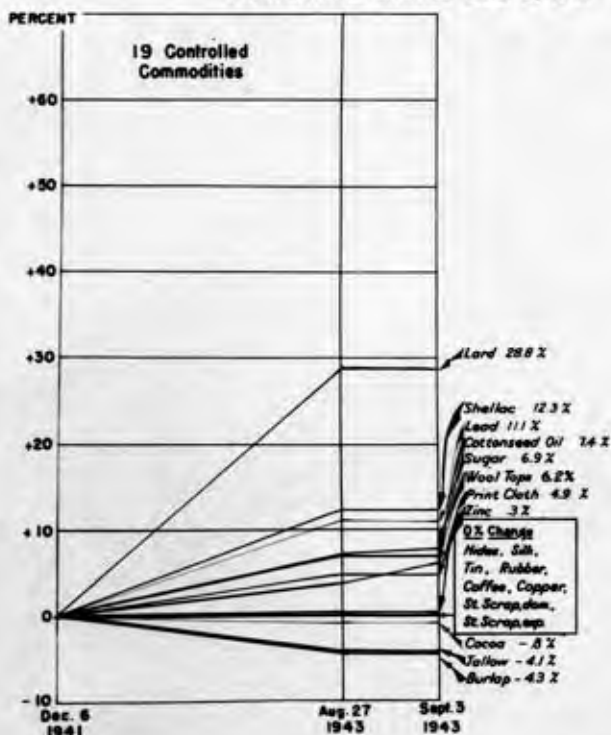
P-257-1

Chart 2

MOVEMENT OF BASIC COMMODITY PRICES

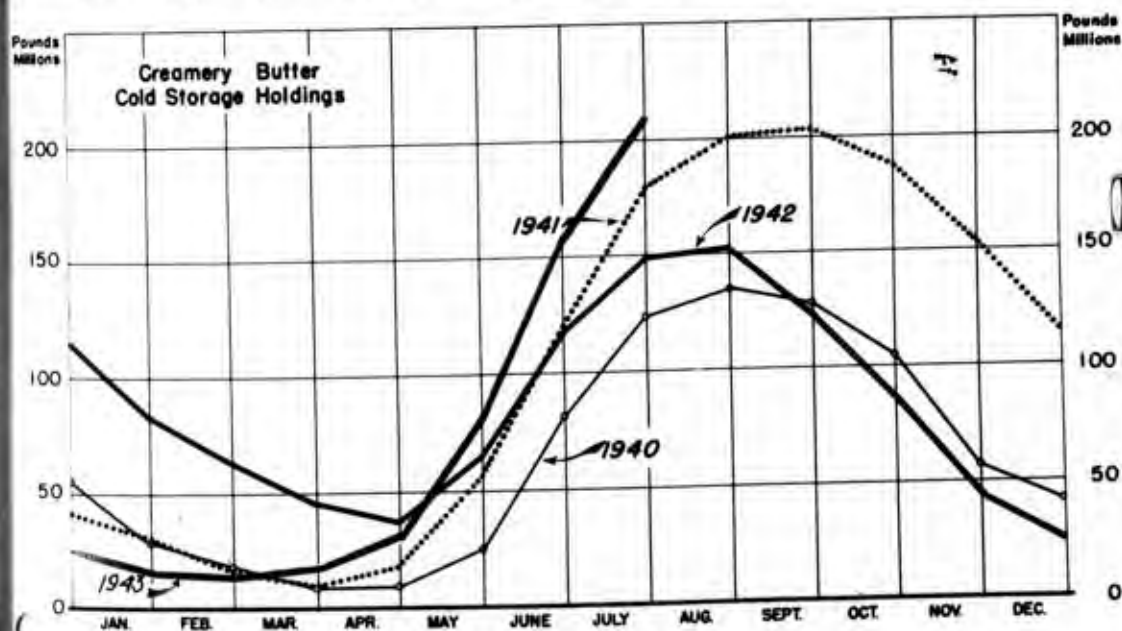
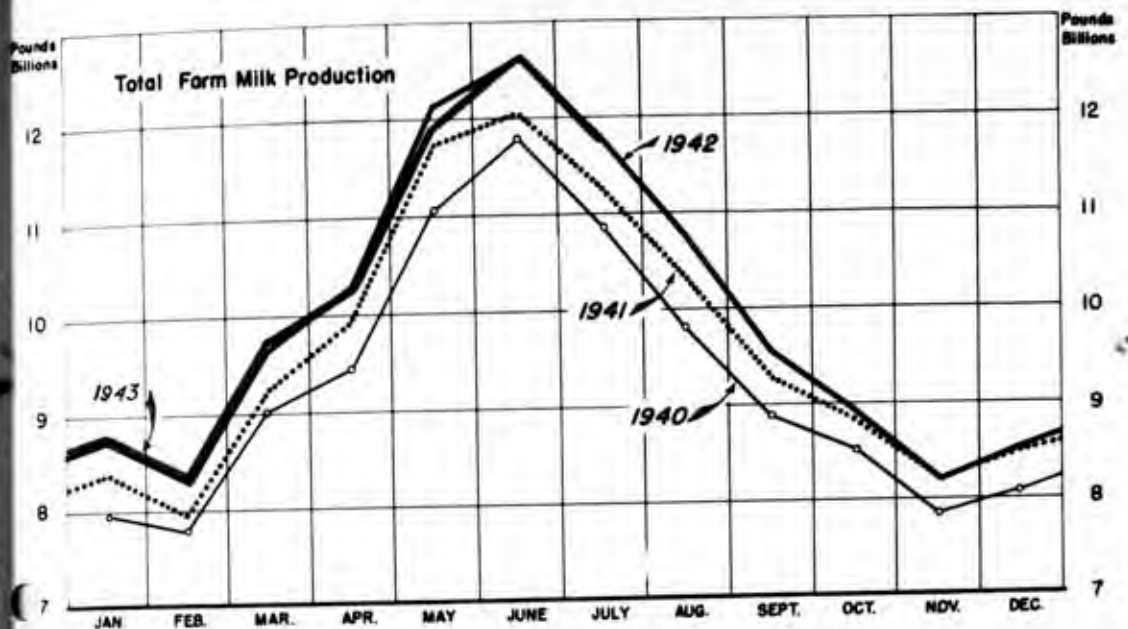


PERCENTAGE CHANGE DEC. 6, 1941 TO AUG. 27 AND SEPT. 3 1943



* 20 Controlled & Uncontrolled previous to June 26, 1942

MILK PRODUCTION AND BUTTER STOCKS



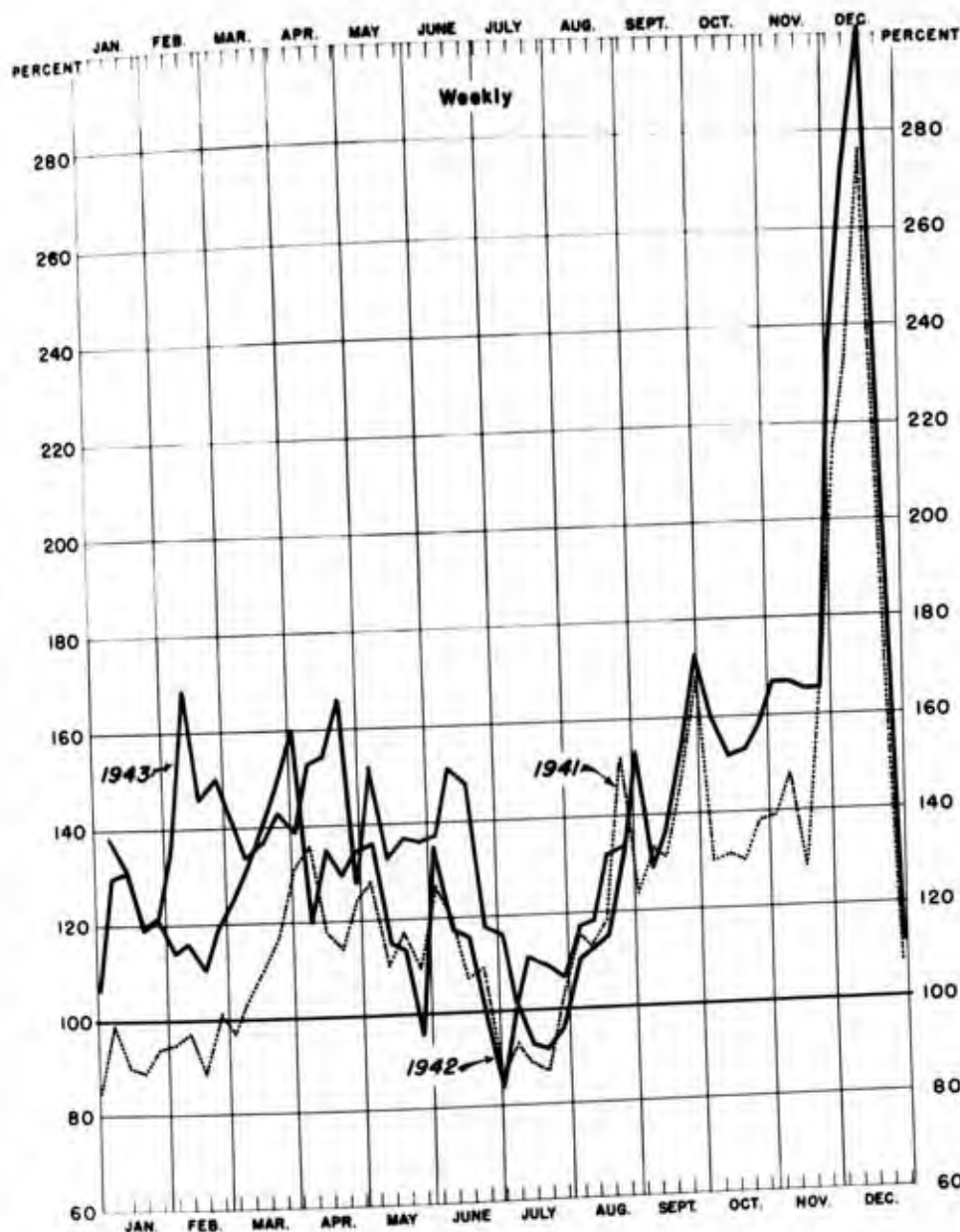
Source: U.S. Dept. of Agriculture

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

C-445

DEPARTMENT STORE SALES

1935 - '39 = 100. Unadjusted





OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

September 6, 1943

MEMORANDUM TO THE SECRETARY:

Supplementing report to you of August 30, 1943, the purchases against the African Program from August 30, 1943, to September 5, 1943, totaled \$286,748.75 or a total of purchases for the program thus far of \$56,566,600.70.

Attached is report giving status of shipping against these purchases.

Clifton E. Mack
Clifton E. Mack
Director of Procurement



SHIPPING REPORT AS OF SEPT. 4, 1943

SECRET

<u>Commodity</u>	<u>Tonnage Shipped to Date From U.S.A.</u>	<u>Tonnage Under Load At Port</u>	<u>Tonnage On Hand At Port Waiting Vessels</u>	<u>Tonnage En Route To Port</u>
Agric. Mach. & Implements	1764.55	6.5	414.91	241.99
Automotive Eqpt. & Parts	797.76		120.86	56.3
Batteries	120.77		18.75	7.46
Bearings	2.19		.81	
Brass & Bronze	288.4	2.5	87.6	
Brushes & Brooms	.8	.15		
Bldg. Hardware & Material	310.07		190.06	178.21
Chemicals	17,493.31	497.27	6160.92	5447.26
Clothing, Notions & Textiles	15,571.86	28.49	3356.66	4754.63
Construction Machinery				.12
Copper in Various Forms	270.84	28.5	122.85	21.03
Elec. Eqpt. & Supplies	72.43		26.78	37.69
Explosives	14.15			
Ferro-Alloys	73.88	11.32		
Food & Food Products	6032.			
Furniture & Office Eqpt.	.1	.5	.01	.24
Glass	194.32	60.	42.78	690.44
Graphite Products	92.66		40.04	
Hand & Cutting Tools	961.21	50.29	352.38	425.13
Industrial Machinery	49.85	61.08	57.03	114.55
Iron	145.	410.	425.6	1225.4
Jute Bags	857.47		535.	
Lead & Lead Alloys	73.18		102.5	
Medical Supplies	56.12	1.	4.7*	.3
Non-Ferrous Metals, Other	386.	24.	44.86	.33
Paper & Paper Products	3799.67	2084.18	1565.62	2530.43
Rope & Twine	247.7	34.75	14.	12.
Rubber	743.65	21.	285.63	426.62

SECRET

<u>Commodity</u>	<u>Tonnage Shipped to Date From U. S. A.</u>	<u>Tonnage Under Load At Port</u>	<u>Tonnage On Hand At Port Waiting Vessels</u>	<u>Tonnage En Route To Port</u>
Shoes & Boots	315.68	5.34	370.91	1477.89
Steel, Alloy & Carbon	7067.41	319.63	6731.46	6942.83
Steel, Pipe & Tubing	251.47		52.91	40.35
Tin Plate	845.			1357.55
Zinc			29.84	25.66
Totals	58,900	3,646.5	21,155.47	26,014.41

* 18.3 tons previously reported in this column should have been under chemicals.

105✓
File 9/6/43-
DEPARTMENT OF STATE

THE SECRETARY

September 4, 1943

The attached is a translation
from the French of London's 5871.



Gordon H. Mattison
Watch Officer

(TRANSLATION)

AM14 USG AMBSY LONDON 428 4/530P

US URGENT SECSTATE WASHN

5871 Fourth for Secretary of Treasury from Casaday Department's
5369 third and Embassy's 5862 fourth

The following message has been received from Georges Boris:

"Address to American Working Men.

"On the occasion of September 8, Labor Day, we address our grateful and fraternal greetings to the American working men, whose ever increasing efforts we hail in this war which will liberate all peoples from oppression.

"In France, betrayed and enchained, the workers are carrying on the same combat as you. In their clandestine action they are braving arrest, death and torture. Having risen fiercely against the Nazi enemy, by sabotage and by strikes, they are opposing, at the risk of their lives, the enemy's war effort; they are destroying his tools and his economic system. Against the deportation of French workers to Germany, they have brought about the union of all French people who wish to regain their freedom. They stand firmly beside all these hunted young men who, taking refuge in the forests and the mountains, are standing out against those who want to enslave them.

"It is thus the same combat which in different ways, brings together for the liberation of the world from the evil forces of barbarism and dictatorship the working classes of America and of France.

"Brothers

- 2 -

"Brothers of America, we are counting on you to continue with all your might, intensifying by all the means within your power, that effort which will bring liberation.

"By your conscientious work in the war plants, by subscribing to the defense bonds which will help the American Government to forge arms and equipment, you will give the world ^a the noble example, of a whole laboring class risen to free peoples from servitude.

"Until the common victory is won we shall perform our duty. The people of France are resolved on sacrifices at your side for this act of redemption.

"Tomorrow, victory having been secured, it will find itself again with you in the struggles necessary to build a free world in which justice will reign.

"For the General Labor Federation (Confédération Générale du Travail): Georges Buisson and Albert Guigui.

"For the French Federation of Christian ^{working men} Laborers (Confédération Française des Travailleurs Chrétiens): Marcel Poinbeuf.

"For the Socialist Party: Felix Gouin.

"For the Communist Party: Fernand Grenier.

"As well as all the representatives of movements of resistance at present outside of France."

TRIJWP:IDVA

Address to American Working Men.

"On the occasion of September 6, Labor Day, we address our grateful and fraternal greetings to the American working men, whose ever increasing efforts we hail in this war which will liberate all peoples from oppression.

"In France, betrayed and enchained, the workers are carrying on the same combat as you. In their clandestine action they are braving arrest, death and torture. Having risen fiercely against the Nazi enemy, by sabotage and by strikes, they are opposing, at the risk of their lives, the enemy's war effort; they are destroying his tools and his economic system. Against the deportation of French workers to Germany, they have brought about the union of all French people who wish to regain their freedom. They stand firmly beside all these hunted young men who, taking refuge in the forests and the mountains, are standing out against those who want to enslave them.

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- 2 -

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"For the Socialist Party: Felix Gouin.

"For the Communist Party: Fernand Grenier.

"As well as all the representatives of movements of resistance at present outside of France."

TELEGRAM SENT

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

September 6, 1943

3 p.m.

AMERICAN CONSUL

CALCUTTA (INDIA)

664

Your 1113, September 1,

FOR ADLER FROM THE SECRETARY OF THE TREASURY:

1. Treasury pleased with your accepting Consul MacDonald's advice with regard to desirability of visiting other cities to study conditions there.
2. Treasury has no objection to your leaving Calcutta immediately. Have you seen Treasury's cable of August 25, No. 1182, addressed to you in Chungking?
3. Because of limited time available and necessity for travel, Treasury suggests you forward to Treasury by diplomatic pouch materials gathered which might be used for basis of analysis here while you confine yourself to giving general observations, views and conclusions.

HULL

(FL)

FD:FL:EBW

NOT TO BE RE-TRANSMITTED

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 294

Information received up to 10 a.m., 6th September, 1943.

1. NAVAL

On 4th/5th 4 gun boats intercepted 7 enemy minesweepers and some landing craft proceeding down channel from BOULOGNE. 1 landing craft was torpedoed and 2 others seriously damaged by gunfire. Our ships sustained 12 casualties and were all damaged. During a minelaying operation in the channel 1 of our minelayers was sunk.

2. MILITARY

ITALY. to 1600 5th. Our advance continues but has met extensive demolitions. Canadians have captured BOVA MARINA and inland are approaching DELIATUOVA. On the West coast United Kingdom troops are moving north from BAGNARA.

3. AIR OPERATIONS

WESTERN FRONT. 5th. Escorted medium bombers dropped 83 tons on the railway centre of GHENT and 11 tons on WOENDRECHT airfield in HOLLAND. Typhoon bombers and their fighter escort off the Dutch coast sank 2 ships, 2 barges and a tug and damaged a coaster, 7 barges and 2 tugs. Enemy casualties 6, 1, 2. Ours 2 missing.

5th/6th. Aircraft despatched - MANNHEIM 605 (34 missing, 1 crashed), DUSSELDORF 4, sea mining 25, Intruders 24 (2 enemy aircraft destroyed northwest of MANNHEIM, 1 Beaufighter missing), anti-shipping 10 (1 E-boat sunk, 1 damaged). Preliminary report - MANNHEIM, highly concentrated attack, large fires started on and around accurately placed markers with slight spread westwards. 1 enemy aircraft destroyed.

ITALY. 3rd/4th. Wellingtons dropped a total of 135 tons on CAPODICHINO and CAPUA airfields. 32 tons were dropped at GROTTAGLIE airfield, northeast of TARANTO.

4th. Escorted Fortresses dropped 40 tons at FERRACINA and Baltimores 16 tons on gun positions at SAN STEFANO, 9 miles northeast of REGGIO. Mustangs and Kittyhawks destroyed dispersed mechanical vehicles in the southern sector. Enemy casualties 5, 0, 2. Ours 6 missing.

SICILY. 4th. Spitfires intercepted an enemy formation over East Coast and inflicted casualties 7, 1, 1. All Italian. 2 German aircraft on other operations were shot down.

TREASURY DEPARTMENT
1943

Regraded Unclassified

112
September 7, 1943
3:13 p.m.

HMJr:this report on Tollaksen....

Admiral
Chalker Yes, sir.

HMJr:and I'd like to be frank, as usual, with you.
No, I'm not questioning the diagnosis -- hello?

C: Yes, sir.

HMJr: But, they don't recommend any cure. Now, I know of
several cases of a similar nature where - just a
moment, please - just one minute, please. (Pause)
Hello.

C: Yes, sir.

HMJr:where they have cured people like Tollaksen
through psychiatry - you see?

C: That's right. Yes, sir.

HMJr: And, I wondered whether Coast Guard wouldn't be
willing to try it, because after all, Tollaksen has
been such a valuable fellow.

C: Well, I think we should. I think if there's any
chance of getting him fit for general duty, we
should do so.

HMJr: Well, now, I'd like to give you a name of a
psychiatrist that I know has done some very remark-
able work.

C: Yes, sir.

HMJr: I don't know whether you - can you employ people
outside?

C: I think they can - I think the Public Health Service
can have consultants, yes sir.

HMJr: Well, let me give you the name of Dr. Maximilian
Silbermann of 893 Park Avenue.

C: 893 Park Avenue.

- 2 -

HMJr: I know the case similar to this that he cured.

C: Yes, sir.

HMJr: And I think it's distinctly worth trying and not just have the man mustered out.

C: It seemed just a little bit hopeless, I thought. The....

HMJr: I know.

C:way the doctors put it here....

HMJr: I know - I know cases worse than this....

C: Yes, sir.

HMJr:that have been cured.

C: What I meant was that it seemed a little hopeless from his standpoint not to have some suggestion made as to how he could be - recover or be - certainly be helped.

HMJr: Yeah. But in this report there's no recommendation for a cure.

C: No sir. That is true.

HMJr: And I'd like - I'm enough interested in the man - I'd like to see whether the Coast Guard wouldn't make the effort to see whether he can't be cured.

C: Yes, sir. Well, I'll - I will take that up and I'm quite sure that they can make some arrangements so that they can employ Dr. Silbermann as a consultant.

HMJr: As a consultant?

C: Yes, sir.

HMJr: Well, if they will do that - because I know Tollaksen, when he was with me, was an able, conscientious officer and that's why Admiral Waesche picked him.

C: Yes, sir. I know he was.

- 3 -

HMJr: And I'd like to see whether this man in from three to six months couldn't be cured. Will you try it?

C: I'll do that. Yes, sir. I'll get - speak to Dr. Michel and see if they can't make some arrangements so that we could order him to New York and have him placed under the care of Dr. Silbermann.

HMJr: See what happens, because I imagine that you will have other cases like this if the war lasts long enough.

C: Well, I think so, yes. I think we have in the past and....

HMJr: I think you should look into the therapy of curing the people. Well, anyway, you let me know what happens, will you?

C: I'll do that.

HMJr: Thank you.

C: Not at all. Good bye.

September 7, 1943
3:37 p.m.

HMJr: Hello.

Operator: Miss Tully is with the President. Miss Brady is there.

HMJr: Okay.

Operator: Go ahead.

HMJr: Hello.

Dorothy
Brady: Hello.

HMJr: How are you?

B: Fine. I think Grace is in with the President.

HMJr: That's all right with me. I've no objection.

B: All right.

HMJr: Have you got a pencil?

B: Yes, sir.

HMJr: Mr. Paul and I are supposed to see the President
at 11:00 tomorrow on a tax program.

B: Yes.

HMJr: Now, I'd like to make this suggestion....

B: Uh huh.

HMJr:Judge Rosenman showed me, in confidence, a
proposed series of messages which he is working
on for the President....

B: Yes.

HMJr:and I think it would save the President a lot
of time and would be helpful to me if the Judge
could be present....

B: Uh huh.

HMJr:see?

- 2 -

B: Uh huh.

HMJr: As far as either Byrnes or Vinson are concerned - uh - that's entirely up to the President.

B: Uh huh. All right, I'll....

HMJr: I don't think that they'd particularly help but if the President wants them there, that's up to him.

B: All right, I'll get that word to him.

HMJr: Would you?

B: Yes, sir.

HMJr: Thank you very much.

B: Welcome.

September 7, 1943¹¹⁷
3:40 p.m. ✓

Operator: Go ahead.

HMJr: Hello.

Sam
Rosenman: Hello, Henry.

HMJr: How are you?

R: All right. How was your speech?

HMJr: I thought it was wonderful.

R: Did you get a good reception?

HMJr: Yeah.

R: Good.

HMJr: They liked it.

R: Good.

HMJr: Sam, I just sent a message in to the President that....

R: Yeah.

HMJr:inasmuch as you were working on his legislative program....

R: Yeah.

HMJr:I thought it would save him a lot of time and be very helpful to me if you would be present tomorrow when Paul and I see him at 11:00 o'clock on this proposed - uh - social security tax bill.

R: Uh huh. Good.

HMJr: And I sent that in because, after all, somebody over there has got to follow through....

R: Yes.

HMJr:and it seems to me you are the logical person.

R: Well, that's fine.

HMJr: And I thought I'd tell it to you. And, furthermore, I said - just to keep your - if he wanted to have Byrnes or Vinson there, it was all right as far as I was concerned but I didn't think it would help any.

R: (Laughs) You didn't say that, did you?

HMJr: Yes, I did.

R: (Laughs)

HMJr: I was strictly neutral.

R: You've got plenty of "hutzpa".

HMJr: What?

R: You've got what they call "hutzpa".

HMJr: I know what that is.

R: (Laughs)

HMJr: But - no - I mean, I don't think that they would help any - I mean that the trouble is - you'd approach this thing from a judicial angle. They'd approach it from a biased angle.

R: Yeah. Well....

HMJr: And - uh - it's something that the President has got to decide himself.

R: Yes.

HMJr: I'm going to give a list to the President of the people around town who don't like it.

R: Yes.

HMJr: So there will be no question.

R: Yeah.

HMJr: But....

R: All right - 11:00 o'clock.

HMJr: Now, wait - let me just check. 11:00 o'clock.

R: Fine.

HMJr: So, it was - I thought you might want to know in case you got a message.

R: Thanks very much.

HMJr: We here in the Treasury, after thinking the thing over, liked your suggestion very much.

R: About sending it in first?

HMJr: Yeah, but you're going to - if the President agrees with you....

R: Yes.

HMJr:then you're going to have to....

R: Hustle.

HMJr:hustle.

R: Yes.

HMJr: And if you want any help, we have lots of help over here.

R: All right. Fine.

HMJr: All right.

R: Okay.

HMJr: Thank you.

R: Good bye.

September 7, 1943
4:00 p.m.

TAXES

Present: Mr. Paul
Mr. Gaston
Mr. Sullivan
Mr. Brodsky

H.M.JR: On the surface it is a nice letter (indicating letter addressed to Mr. Stam, copy attached).

MR. PAUL: We were making a record there for Doughton and George.

H.M.JR: It doesn't say anything about you.

MR. PAUL: Yes, it does. It attributes what he calls the failure of our conferences to me.

H.M.JR: Where is Brodsky?

MR. PAUL: He is coming right back.

H.M.JR: What shop does he come out of?

MR. PAUL: Surrey's. He will be gone in a few days. He is going to be drafted.

H.M.JR: Now, may I suggest this? May I be very frank?

MR. PAUL: Sure.

H.M.JR: Technically there is no question that the letter wasn't right, but if you don't mind my being - I don't know who wrote it so I can say it - I think the tone of it is querulous, and as opposed to his, it doesn't cost anything - "I am deeply grateful for your letter of September 2." His reads much nicer than ours does.

- 2 -

Then, of course, he does put the knife into us, but it is a much - "I assure you of our desire to cooperate" - "...when I, in my desire to cooperate--" - "Well, that fellow Stam is a nice fellow; the Treasury has a couple of chips on each shoulder" - that is my reaction.

I wonder if it couldn't be rewritten using - who is the woman that is supposed to advise - Emily Post, or somebody like that - it doesn't cost anything. Some day if this is all made public they will say, "Gee, what a nice fellow Stam is, and how nasty those fellows are down at the Treasury."

MR. SULLIVAN: I got a little of that when I read it. I think we can say exactly the same thing, Randolph.

(Mr. Brodsky entered the conference.)

H.M.JR: I don't blame you (Paul) for being sore; I would be, too. You don't mind? I want to be helpful if I can.

MR. PAUL: We can change the tone.

H.M.JR: If you could change the tone - the body of the letter is all right, but put in a couple of thank-you's, appreciate what he is doing, and this and that - a little applesauce.

MR. SULLIVAN: Did they discuss with you the letter Senator George sent to me?

MR. PAUL: We are about to get to that.

H.M.JR: In other words, what you call, for want of a better name, a little blarney.

MR. SULLIVAN: That is right, there isn't a better name. (Laughter)

H.M.JR: You sit there, Herbert - do you agree with me?

- 3 -

MR. GASTON: I think that is right; I think it will improve it.

H.M.JR: Do you agree?

MR. GASTON: Yes, I agree.

H.M.JR: Is the Senator's letter here?

MR. GASTON: This is really different. It is taking Stam's letter and sending Stam's letter and your reply to George.

(Copy of Mr. Stam's letter dated September 4, 1943, attached.)

(Draft of letter to Senator George handed to the Secretary, copy attached.)

MR. GASTON: I think we should raise the question of whether you want to write to George at all or not - I mean in connection with the Stam letter.

H.M.JR: He makes a point that on the 14th of July something was asked for and they haven't got it. I don't know whether that is true.

MR. GASTON: It is answered there in the draft of the reply.

MR. PAUL: That is John's reply. (Draft of letter to Senator George, for Mr. Sullivan's signature, handed to the Secretary.)

H.M.JR: You don't answer him specifically whether this was answered or not.

MR. PAUL: No, that is really on the other point.

MR. GASTON: John's reply to George's letter complaining about the Commissioner.

- 4 -

H.M.JR: Is this the answer to George where he says he didn't get the stuff on July 14 (indicating letter for Mr. Sullivan's signature)? Oh, yes, it is.

MR. SULLIVAN: I presume the reason the Senator wrote to me was because I went to see him at the hotel.

H.M.JR: I think that is all right. I think that this letter should go.

MR. GASTON: Yes.

H.M.JR: From Sullivan to George. Now, what about this letter signed by me?

MR. PAUL: That bears on the other point made in Stam's letter. (Letter addressed to Senator George for the Secretary's signature, handed to the Secretary.)

H.M.JR: Oh, I got confused. Shall I read this fresh?

MR. PAUL: Yes, remembering that it doesn't apply to this data; it is only on the other point.

H.M.JR: Well, let's rewrite the letter - is it from me to Stam complaining about you?

MR. PAUL: Yes, Stam being the complainer.

H.M.JR: Let's rewrite that (indicating letter to Mr. Stam), and after I have read that, let's see what kind of a letter I want to send to George.

MR. PAUL: All right. We prepared a very careful statement summarizing the discussions. (Summary of Discussions handed to the Secretary, copy attached.)

H.M.JR: What I was going to say, if you will make a note - I would write quite a different letter to George, and I would say something along these lines: "My dear Senator: I hate to take up your time writing you about letters between Stam and the Treasury because I know that you have more important things to do, and so have I. I can assure you that everybody in the Treasury wants to

- 5 -

help the Congress of the United States to write in an effective tax bill, and I sincerely hope that any petty misunderstandings will not keep us from accomplishing the main objective."

MR. PAUL: But I think, as a matter of record, you ought to show George or send him--

H.M.JR: I would say, "For the record, I am enclosing correspondence."

MR. SULLIVAN: Yes, except I wouldn't say, "For the record."

H.M.JR: Well, anyway--

MR. SULLIVAN: "You may be interested in the correspondence we have had, copies of which are enclosed."

H.M.JR: I would start the letter, "You will be interested, and I hate to take up your time with this kind of stuff." Start off that way.

MR. PAUL: It is not only the correspondence but also this--

H.M.JR: Try it along those lines. I want to get over, "This is annoying to you and it is annoying to me. Don't let us lose sight of the objective, which is we want a good tax bill."

MR. SULLIVAN: Minimize the whole thing?

H.M.JR: Yes, this is just a petty thing. Do you get the idea, Brodsky?

MR. BRODSKY: Yes, sir.

H.M.JR: You see, this is petty stuff and it is annoying to him - it is annoying to me. It takes up a lot of time, and so forth.

- 6 -

But what's his name - Vinson - thought I made a mistake in my press conference.

MR. PAUL: Yes.

H.M.JR: Listen, if I hadn't done that off the record press conference, oh boy, oh boy - it would have been bad. Did you read it?

MR. SULLIVAN: Yes, I read it.

H.M.JR: Did you think I made a mistake?

MR. SULLIVAN: Well, they had been itching. They had been calling me for a week or ten days asking me if there was any trouble. I said, "No, none that I know of."

I think that Stam was anxious for the story to break in a way where it couldn't be pinned on him. But that is water over the dam.

H.M.JR: These people all sitting around with jurisdictional fights, with the war going on - they give me a pain.

MR. SULLIVAN: Me, too - and the public.

H.M.JR: Well, now, are we all right? Is everybody happy?

MR. GASTON: Yes.

H.M.JR: Wonderful.

25

Dear Mr. Stam:

Your letter of September 4, 1943, has surprised and disturbed me extremely. I have been following with close interest the progress of the discussion between your staff and the Treasury staff and I am convinced that not only has the Treasury cooperated with you to the fullest extent of its facilities, but that real progress has been made as a result of our interchange of ideas.

Our files reveal that within the last month and a half you have served no less than four formal requests upon the Treasury Department, including the Bureau of Internal Revenue, for a vast mass of material. In one request addressed to Mr. Paul, you directed that there be delivered to your office "Any suggested alternative plans already prepared by the Treasury Department in 1943 for raising additional revenue or combating inflation, together

- 2 -

with accompanying schedules." Another request directed the Commissioner of Internal Revenue to furnish "Any alternative suggestions of your staff for raising additional revenue or combating inflation, with accompanying data and statistics." All four requests have been complied with.

In addition, the Treasury has prepared numerous analyses at your request, and has held numerous and continuing conferences with you and members of your staff. At the present time the Treasury is engaged in making no less than eight special studies pursuant to interchanges of ideas between the two staffs. We have submitted to you all of the available information which you have requested and have furnished you a considerable additional amount of material which we thought might be of help to you. The work on the part of my staff has been done without hesitation and with a keen appreciation of our mutual responsibilities in meeting the highly complex problems which face us.

Either in conference or in memoranda addressed to you we have discussed and made suggestions and

- 3 -

proposals with respect to a broad range of subjects. Some of these subjects are: Increase in individual income tax rates with accompanying relief features, individual excess profits tax, tax on increase in individual incomes, compulsory savings, refundable individual income tax, spendings tax, integration of the victory tax, sales tax, the earned income credit, the substitution of a credit against tax for the present personal exemption and credit for dependents, integration of the individual normal tax and surtax, changes in corporation normal tax, surtax, and excess profits tax rates, tax on small corporations, postwar reserves, capital stock tax, flat rate tax on income of certain presently-exempt corporations, limitations on the amounts of certain income tax deductions, miscellaneous excise tax changes and additions, changes in rates and exemptions for gift and estate taxes, administrative changes, simplification, plugging tax loopholes, elimination of individual income tax returns, and the mechanics of withholding.

- 4 -

Your letter implies that no affirmative suggestions for changes in, or additions to, the revenue laws have been made to you by the Treasury. The record is clearly to the contrary. Both in writing and in conference numerous suggestions have been advanced by the Treasury to you and members of your staff. We are still awaiting an expression of your reaction to many of these proposals. You have informed us that you have not as yet reached a decision on a number of these suggestions and that your reaction to others depends upon what might be done legislatively in the field of renegotiation of war contracts, so that you cannot express a view at this time.

In addition, you have not been able to give us a decision on certain matters because you regard the decision as resting with the Committees. Correspondingly, Mr. Paul has not been in a position to give you decisions on such matters, or matters which are peculiarly the subject of presentation by the executive branch to the Committees for their consideration and decision.

- 5 -

My staff always has been and remains at your disposal for the free exchange of information and ideas. It is my sincere wish that our dealings with each other be on a plane of mutual trust and respect.

Sincerely yours,

Secretary of the Treasury

Mr. Colin F. Stam
Chief of Staff
Joint Committee on Internal
Revenue Taxation
Washington, D. C.

BMBrotsky:ls 9/7/43

25

My dear Senator:

When I returned to Washington this morning, I found your letter of September 1. Inasmuch as we in the Treasury Department desire to cooperate with you and the Joint Committee to the fullest extent, I should like to acquaint you with the entire background of the matter mentioned in your letter.

The request made on July 14, 1943, to the Commissioner of Internal Revenue was for "Any alternative suggestions of your staff for raising additional revenue or combating inflation, with accompanying data and statistics." The Commissioner of Internal Revenue is, as you know, extremely busy with administrative problems arising out of the Current Tax Payment Act. Moreover, it has not been customary for him to make suggestions to the Congress of the nature requested by Mr. Starn. For these reasons, the Commissioner did not at that time have any suggestions to transmit. However, after such request was received, one of the divisions in the Bureau made some suggestions to the Commissioner with respect to additional excise taxes. There were in no way recommendations for legislation but merely suggestions for further consideration by the Treasury Department. The Commissioner considered these matters personally late in August. They were then sent to Mr. Starn on August 30 by Mr. D. W. Bell as Acting Secretary of the Treasury. Mr. Starn objected to their transmission by the Acting Secretary and sent us a letter, a copy of which is enclosed, to that effect. The Secretary, while explaining in a letter to Mr. Starn, a copy of which is also enclosed, the reasons for the manner of transmission chosen, directed the Commissioner to send the material directly to Mr. Starn.

Thus, as the above record indicates, the Commissioner of Internal Revenue and the Treasury Department are attempting

- 2 -

to cooperate with the Joint Committee in every possible fashion. I am taking the liberty of writing to you at this length since I believe that in view of the difficult and important fiscal tasks that lie ahead of us, we should attempt to avoid any misunderstandings that might arise.

Sincerely yours,

Assistant Secretary of the Treasury

Honorable Walter F. George
United States Senator
Vienna, Georgia

Enclosures

SSBurreythdr
9-7-43

25

My dear Senator:

I am enclosing a copy of a letter from Mr. Stan which disturbs and puzzles me. As is fully developed in my reply to Mr. Stan, a copy of which is enclosed, and in the enclosed memorandum, my staff is cooperating with Mr. Stan to the fullest extent possible. In view of this cooperation, Mr. Stan's attitude is disquieting.

I should very much appreciate talking to you on this matter when you return, so that we can clear up any difficulties that may exist. My earnest endeavor is to work in harmony with you and your associates, and it would be extremely unfortunate if any possible misunderstanding were to arise which would interfere with such a harmonious relationship.

Sincerely yours,

Secretary of the Treasury

Honorable Walter F. George
United States Senator
Vienna, Georgia

Enclosures

SSS:hdr:s

C
O
P
YCONGRESS OF THE UNITED STATES
Joint Committee on Internal
Revenue Taxation
Washington, D.C.

September 4, 1943.

Dear Mr. Secretary:

I am deeply grateful for your letter of September 2, 1943, stating you will direct the Commissioner of Internal Revenue to send us material pursuant to our request of July 14, 1943, under section 5012 of the Internal Revenue Code. The Commissioner of Internal Revenue, in accordance with your instructions, has sent us certain suggestions as to raising additional revenue from new taxes. We will appreciate it if you will direct him to send us the suggestions made in the Bureau as to additional revenue to be derived from increases in existing taxes which is also covered by our request.

It is not our purpose to ascertain what proposals the Treasury will recommend to the Congress if you do not desire to have your staff discuss such proposals with us prior to the formal presentation of your program. However, I have been instructed by the Chairmen of both Committees to work with the Treasury officials and determine what proposals the Treasury staff and our staff could reach an agreement upon. For this reason, we have had several conferences with your Counsel, Mr. Paul, and his staff. Except for the benefit which we have received from criticisms of certain of our staff suggestions, these conference have not had any constructive results. This has been due chiefly to the hesitancy on the part of Mr. Paul and his staff to submit alternative proposals for discussion and to make decisions, so that we could arrive at definite conclusions.

I assure you of our desire to cooperate with the Treasury Department, as far as possible, in the solution of these difficult fiscal problems.

(Signed)

Respectfully yours,
Colin F. Stam,
Chief of Staff.Honorable H. Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D.C.

Summary of Discussions and Exchange of
Information between the Chief of Staff
of the Joint Committee on Internal
Revenue Taxation and the Treasury Department

1. July 6 - Ways and Means Committee instructed its technical staff and the Treasury to study the problem of raising additional revenue, and to report their findings when the Committee begins consideration of new revenue legislation.
2. July 7 - Chairman Doughton, Mr. Stam, and Mr. Paul met to discuss the next tax bill.
3. July 14 - Conference between Judge Vinson, Mr. Stam, and Mr. Paul, and members of their staffs. Discussed individual excess-profits tax; tax on increases in individual incomes; increased individual tax rates with accompanying relief features; compulsory savings; transformation of personal exemption and credit for dependents from credit against income to credit against tax; sales tax; excises generally; corporate rate increases; plugging of tax loopholes; limitation on amounts of certain deductions.
4. July 14 - The following requests, pursuant to section 5012 of the Internal Revenue Code, were addressed by Mr. Stam to Mr. Paul:

(a) A request that there be furnished "Any suggested alternative plans already prepared by the Treasury Department in 1943 for raising additional revenue or combating inflation, together with accompanying schedules."

(b) A request that there be furnished 41 items of information and figures in connection with the individual income, corporation income, declared value excess profits, excess profits, and capital stock taxes, distributed by income classes,

- 2 -

showing actual data for 1940 and estimated data for 1941 and 1942. The requested information included such items as earned income credit, gross and net victory tax, credit for dependents, net operating loss deductions by corporations, etc.

(c) A request for the same information for 1943.

5. July 14 - A request, pursuant to section 5012 of the Internal Revenue Code, addressed by Mr. Stam to the Commissioner of Internal Revenue, for "Any alternative suggestions of your staff for raising additional revenue or combating inflation, with accompanying data and statistics."
6. July 15 - Pursuant to Mr. Stam's request, a report was forwarded to him concerning redemptions of War Savings Bonds.
7. July 16 - Analysis forwarded to Mr. Stam relative to substitution of a credit against the individual income tax for the present system of personal exemptions and credit for dependents.
8. July 20 - In response to statutory request 3 (a) above, sent Mr. Stam suggestions relative to changes in corporation surtaxes and individual income taxes, a series of possible excise tax changes and additions, suggestions of rate increases and exemption decreases for estate and gift taxes, material relative to a Federal sales tax, and data relative to a spendings tax.
9. July 23 - In response to statutory requests 3 (b) and 3 (c) above, sent Mr. Stam the available data.
10. July 23 - Conference between Mr. Stam, Mr. Paul, and other Treasury representatives, at which possible revenue changes and additions were

- 3 -

discussed, particularly the question of integrating the victory tax.

11. July 27 - Conference between Mr. Stam, Mr. Paul, and other Treasury representatives, relative to the tax program. Discussed the victory tax; tax on increase in individual income; tax credit in lieu of income credit for personal exemption and credit for dependents.
12. July 28 - Conference between Mr. Stam, Mr. Paul, and other Treasury representatives, relative to the tax program. Discussed excise taxes; corporation tax rates; tax on increases in individual income.
13. July 29 - Conference between Mr. Stam and other members of his staff, and Mr. Paul and other Treasury representatives, relative to the tax program. Discussed corporation tax rates; postwar reserves; tax credit in lieu of income credit for personal exemption and credit for dependents.
14. July 30 - Treasury representatives appointed to work with representatives of Mr. Stam's staff as a subcommittee to consider a tax on increased individual incomes.
15. July 31 - Analysis of a possible alternative to mandatory joint returns sent to Mr. Stam by Mr. Paul.
16. August 4 - First meeting of the subcommittee on tax on increased individual incomes. Preliminary material already worked out by Mr. Stam's staff and the Treasury staff was discussed.
17. August 6 - Conference between Mr. Stam and members of his staff and Mr. Paul and other Treasury representatives. Discussed elimination of individual normal tax; transportation tax;

- 4 -

capital stock tax and a possible gross income tax as a substitute; earned income credit; elimination of returns; corporation taxes; administrative changes; postwar reserves.

8. August 9 - Second meeting of the subcommittee on tax on increased individual incomes. Treasury representatives advanced two formulae for Mr. Stam's representatives to discuss with him.
9. August 13 - Third meeting of the subcommittee on tax on increased individual incomes. Proposals advanced by representatives of both staffs.
10. August 20 - Conference between Messrs. Stam, Surrey, and Blough. Discussed tax on increased individual incomes; increase in individual tax rates with accompanying relief features; simplification; elimination of returns.
11. August 20 - Letter from Mr. Paul to Mr. Stam transmitting a suggested provision for relief of fixed incomes from increases in individual tax rates.
12. August 21 - Letter from Mr. Paul to Mr. Stam transmitting an analysis of Mr. Stam's suggested tax on increased individual incomes, combined with compulsory savings.
13. August 23 - Conference between Mr. Stam and Mr. Surrey. Discussed victory and sales taxes and technical provisions.
14. August 25-- Conference between Judge Vinson, Mr. Stam, and
15. August 26-- Mr. Paul. Discussed corporation tax rates; the earned income credit; personal exemptions; compulsory savings; sales tax; capital stock tax; flat-rate tax on income of certain presently-exempt corporations.

- 5 -

26. August 26 - Conference between Mr. Stam, Mr. Surrey, and Mr. Blough. Discussed tax on small corporations; corporate tax rates generally; postwar reserves; specific excise taxes; estate and gift taxes; sales tax; tax on increases in individual income; compulsory savings; integration of victory tax; lowering personal exemptions; increase in individual income tax rates; refundable individual income tax suggestion; mechanics of withholding.
27. August 27 - Letter from Mr. Paul to Mr. Stam transmitting data relative to: (a) allowance of dividend credit against the individual normal tax; (b) Treasury suggestion in connection with tax on increased individual incomes.
28. August 28 - Letter from Mr. Paul to Mr. Stam transmitting a study of a proposal for postwar reserves forwarded by Mr. Stam.
29. August 30 - In response to the statutory request (4 above), Bureau suggestions relative to new excises sent to Mr. Stam.

In addition to the foregoing, the Treasury is presently working on eight special studies for Mr. Stam.

BMBrodsky:is
9-7-43

9/2/43

HEADING

FROM
ACTION
IN
FORM

RW52/ 544Y P T QUAT A 544Y 071633 QUAT W QUAK GRAA
TRLP 12453

SECTREAS WASHN

COMDT CG

TEXT

TED GAMBLE SEC OFFICE X ISBEY WANTS STORY FOR
TONIGHTS PAPERS ON SEC TREAS VISIT WILL YOU PLEASE WIRE
FOLLOWING TO HIM IMMEDIATELY X SMITH X BRIEF AS WAS
MY VISIT TO DETROIT I WAS THRILLED AND INSPIRED BY
WHAT I SAW X LABOR AND MANAGEMENT IN THE YEARS
TO COME WILL LOOK BACK WITH DESERVED PRIDE ON ITS
WAR RECORD IN THE DETROIT AREA X DETROIT SERVES TO
ILLUSTRATE WHAT I HAVE FOUND TO BE TRUE ELSEWHERE IN
THE COUNTRY THAT WHEN LABOR IS TRULY CHARGED WITH THE
WILL TO WIN MANAGEMENT IS ALSO ENABLE TO DO THE
BEST JOB X WHERE MANAGEMENT AND LABOR PULL TOGETHER WAR
BOND SALES ARE HIGH X IT IS STILL 3 TOO EARLY
TO PREDICT HOW LONG IT WILL TAKE DETROIT TO REACH

OPERATOR'S RECORD AND DATE

OFFICIAL INITIALS

S

HEADING

SHEET TWO

RW52

FROM
ACTION
INFORM

TEXT

ITS WAR BOND QUOTA X BUT WHAT I HAVE SEEN
AND HEARD CONVINCES ME THAT FRANK ISBEY AND HIS ENERGETIC
SELSACRIFICING TIRELESS VOLUNTEER SALESMEN AND SALESWOMEN WILL
DO THE JOB X I AM TAKING BACK TO WASHINGTON WITH ME MANY
VALUABLE SALES IDEAS FROM DETROIT X I WISH PARTICULARLY TO
COMPLIMENT MR ISBEYS GROUP UPON THE ACHIEVEMENTS OF THE GALLANTS
AND THE E BOND FATHERS X I SHOULD ALSO LIKE
TO SINGLE OUT FOR SPECIAL COMMENDATION THE DETROIT NEWSPAPERS
WHICH WITHOUT EXCEPTION ARE DOING A MARVELOUS JOB OF SUPPORTING
THE THIRD WAR LOAN X COPY TO MRS N KLOTZ BT 071633

3

OPERATOR'S RECORD AND DATE

TOD 1649

7 SEPT 1943/ WC

OFFICIAL INITIALS

S

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

Mr. Frank Isbey,
Chairman,
War Finance Committee,
600 Union Guardian Bldg.,
Detroit, Michigan.

BRIEF AS WAS MY VISIT TO DETROIT I WAS THRILLED AND INSPIRED BY WHAT I SAW. LABOR AND MANAGEMENT IN THE YEARS TO COME WILL LOOK BACK WITH DESERVED PRIDE ON ITS WAR RECORD IN THE DETROIT AREA. DETROIT SERVES TO ILLUSTRATE WHAT I HAVE FOUND TRUE ELSEWHERE IN THE COUNTRY, THAT WHEN LABOR IS DIRECTLY CHARGED WITH THE WILL TO WIN, MANAGEMENT IS ALSO ENABLED TO DO THE BEST JOB. WHERE MANAGEMENT AND LABOR ARE PUT TOGETHER, WAR BOND SALES ARE HIGH. IT IS STILL TOO EARLY TO PREDICT HOW LONG IT WILL TAKE DETROIT TO REACH ITS WAR BOND QUOTA. BUT WHAT I HAVE SEEN AND HEARD CONVINCES ME THAT FRANK ISBEY AND HIS ENERGETIC, SELF-SACRIFICING, TIRELESS VOLUNTEER SALESMEN AND SALESWOMEN WILL DO THE JOB. I AM TAKING BACK TO WASHINGTON WITH ME MANY VALUABLE SALES IDEAS FROM DETROIT. I WISH PARTICULARLY TO COMMEND MR. ISBEY'S GROUP UPON THE ACHIEVEMENT OF GALLANTS AND THE B BOND FATHERS. I SHOULD LIKE ALSO

TELETYPE

142
Miss Chauncey
FROM TED R. GAMBLE

BUREAU WAR FINANCE DIVISION

CHG. APPROPRIATION EXPENSES OF LOANS

SEPTEMBER 7, 1943.

U. S. GOVERNMENT PRINTING OFFICE

10-1723

STANDARD FORM NO. 14
APPROVED BY THE PRESIDENT
MARCH 10, 1925

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

FROM T. R. GAMBLE

BUREAU WAR FINANCE DIVISION

CHG. APPROPRIATION EXPENSES OF LOANS

SEPTEMBER 7, 1943.

U. S. GOVERNMENT PRINTING OFFICE

10-1733

MR. FRANK ISBEY (CONT'D.)

TO SINGLE OUT FOR SPECIAL COMMENDATION THE DETROIT NEWSPAPERS, WHICH WITHOUT EXCEPTION ARE DOING A MARVELOUS JOB OF SUPPORTING THE THIRD WAR LOAN.

HENRY MORGENTHAU, JR.
SECRETARY OF THE TREASURY.

EF/ecb

September 7, 1943

Dear Peter:

I thought you would be interested in a copy of my letter to Stanley King and his answer to me, which I thought was extremely nice.

With kindest regards,

Sincerely yours,

(Signed) Henry

Mr. Peter Odegard,
61 Lincoln Avenue,
Amherst, Massachusetts.

Sullivan ✓
THE WHITE HOUSE
WASHINGTON

September 7, 1943.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY:

I am putting Guy Helvering on the Federal District Court in Kansas and I think we should fill his place fairly soon.

Will you give consideration to this? What would you think of the Democratic Senator from Kansas who was defeated about two years ago?

Or what would you think of James G. Sheppard of Los Angeles or Manchester Boddy of Los Angeles?

F.D.R.

SEP 7 1943

My dear Mr. President:

I wish to make this additional report on the use of your proclamation for the 3rd War Loan Drive.

I am enclosing a small replica of the full size 24-sheet poster which will have one of the largest distributions ever made through the medium of billboard advertising. Over twenty thousand have already been committed by numerous outdoor advertising companies blanketing the country,

I have already called your attention to the full page newspaper advertisement built around your proclamation and featuring your picture and I wish to advise that it has been widely circulated and favorably received.

The poster is being handled as institutional advertising by these outdoor operators without cost to us and without sponsorship.

Sincerely yours,

(Signed) H. Mergenthau, Jr.

"P.S. As you know I don't like billboards any more than you do, but as long as they exist we might as well put them to good use for once."

The President

The White House

John M. Delehanty/sg
September 6, 1943

*Del. by S.S. Agent 5:09 9/7
together with framed
"replica".*

Proclamation

TO THE PEOPLE OF THE UNITED STATES

Proclamation

RECOGNIZING THE FACT that in carrying the war into enemy territory, we shall need greater amounts of money than any nation has ever asked from its citizens in all history, I, FRANKLIN D. ROOSEVELT, President of the United States of America, do officially proclaim that on Thursday, the ninth of September, 1943, the Third War Loan shall be launched.

As Commander-in-Chief, I hereby invoke every citizen to give all possible aid and support to this Third War Loan drive, not only so that our financial goal may be reached, but to encourage and inspire those of our husbands and fathers and sons who are under fire on a dozen fronts all over the world. It is my earnest hope that every American will realize that in buying War Bonds in this Third War Loan he has an opportunity to express voluntarily and under the guidance of his conscience, the extent to which he will "back the attack."

The American people supported well the first and second War Loan drives and in fact did even more than was asked of them. 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, for more cooperation than ever before.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of the United States of America to be affixed.

DONE at the City of Washington, this twenty-sixth day of July, in the year of our Lord nineteen hundred and forty-three, and of the Independence of the United States of America the one hundred and sixty-eighth.

By the President:

CORDELL HULL

Secretary of State.

Franklin D. Roosevelt



3RD WAR LOAN

15 BILLION DOLLARS
(NON-BANKING QUOTA)

Back the Attack WITH WAR BONDS

Starts Thurs. Sept. 9

War Finance Committee For New York State

SEP 7 1943

My dear Mr. Young:

This will acknowledge your letter of August 31, advising that the Commissioners have directed the installation of the Pay-roll Savings Plan in the Government of the District of Columbia. Will you please be good enough to express to the Commissioners my appreciation for their cooperation?

I have noted with a great deal of pleasure your statement that the Pay-roll Savings Plan is undoubtedly the most effective system devised to date and that you hope that through it your purchases will materially increase.

May I also take this opportunity to express the department's appreciation for the cooperation which it has consistently received from your Budget Officer, Mr. Fowler, and your Auditor, Mr. Pilkerton.

Very sincerely yours,

(Signed) H. Wergentzen, Jr.
Secretary of the Treasury

Honorable John Russell Young
President, Board of Commissioners
of the District of Columbia
Washington, D. C.

EYBartelt:eal
9/3/43



G. M. THORNTON
SECRETARY

GOVERNMENT OF THE DISTRICT OF COLUMBIA
EXECUTIVE OFFICES
WASHINGTON

BOARD OF COMMISSIONERS
JOHN RUSSELL YOUNG
PRESIDENT
C. W. RUTZ
ENGINEER, CORPS OF ENGINEERS
U. S. ARMY
GUY MASON

August 31, 1943

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

My dear Mr. Secretary:

In reply to your request of July 14, I have the pleasure of advising you that the Commissioners have directed the installation of the Pay-Roll Savings Plan in the Government of the District of Columbia. This, undoubtedly is the most effective system devised to date, and it is our hope that through it our purchases will materially increase.

Additional employees will be necessary for the Auditor, as his staff is limited. This factor caused the delay in answering your letter, but now we see our way clear to proceed with an all-out campaign for a successful Third War Loan Drive, and an increased investment through the Pay-roll Savings Plan.

Sincerely yours,

President
Board of Commissioners of the
District of Columbia

September 7, 1943

Dear Harry:

I am enclosing herewith copy of a letter which I received from Congressman John Taber and a copy of my answer to him.

For your information, Mr. E. F. Bartelt showed a draft of my letter to Colonel Johnson, Executive Officer to General Carter, and received his approval.

Sincerely yours,

(Signed) HENRY

Honorable Henry L. Stimson,
Secretary of War,
Washington, D.C.

1/4 ltr from Taber

SEP 7 1943

My dear Mr. Taber

This will acknowledge the receipt of your letter of September 4 relative to complaints received from parents of men in the service regarding delays in the delivery of Government bonds.

Prior to April 1, 1943, bonds purchased by uniformed personnel of the Army were issued by the War Department's Bond Office in Washington, D. C. Due to the fact that the Department was unable to recruit, retain, and replace experienced personnel in sufficient number to take care of a rapidly increasing number of bond subscriptions, the War Department was unable to keep the issuance of bonds on a completely current basis.

In order to meet this situation the War Department changed its system, effective April 1, 1943, to what might be called an automatic addressograph procedure, the bonds being inscribed from addressograph plates. Bonds paid for since that date through pay-roll deductions are delivered within two weeks from the date the deductions have accumulated to the purchase price of a bond.

With respect to the old program, i.e., prior to April 1, the War Department advised the Treasury a few days ago that it is now issuing bonds at the rate of 500,000 a month and that the backlog would be cleaned up by January 1, next, except for such accounts on which further information may be needed.

I appreciate your interest in this matter and assure you that the War Department is doing everything possible to speed up the delivery of bonds.

Very sincerely yours,

(Signed) H. Mergenthau, Jr.

Secretary of the Treasury

Honorable John Taber
U. S. House of Representatives
Washington, D. C.

KYS/gm
9/7/43

JOHN TAMER
John Dyer, House

MEMBER
COMMITTEE ON APPROPRIATIONS

Congress of the United States
House of Representatives
Washington, D. C.

AT AUBURN, NEW YORK,

September 4, 1943

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

Dear Mr. Morgenthau:-

I have your letter of the 30th. Just as soon as I get into Washington, I will contact your office with the idea of doing what you suggest, but my attention has been called to another thing that would seem to me that would require immediate and corrective attention.

I am annoyed with continuous complaints from the parents of men in the Service that the Government Bonds that they subscribe for are never delivered. In one case there was \$400 to \$500 involved. In many others there are from \$200 to \$300 involved.

I cannot understand how either the Army or the Treasury Department would permit such a situation to exist and I do feel that it is a situation that could be corrected with a minimum of effort on the part of both organizations.

Very sincerely yours,

John Tamer

SEP 7 1943

Dear Henry:

Thank you for your letter of September 1, 1943, enclosing a copy of the article which you wrote for publication in the Savings Banks Association Bulletin.

This is an excellent article and I am deeply appreciative of your efforts in explaining the Treasury's problems to the savings bankers so clearly and persuasively.

Sincerely yours,

(Signed) H. Mergenthau, Jr.

Mr. Henry Broere
President, The Bowery Savings
Bank
110 East 42d Street
New York, New York

WL:lrw
9/6/43

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE SEP 6 1943

TO Secretary Morgenthau
FROM Mr. Haas

There is attached a proposed letter to Mr. Henry Bruere acknowledging his letter of September 1, 1943, enclosing a copy of an article which he wrote for publication in the Savings Banks Association Bulletin. This is a very well written article and does an admirable job in reconciling the views of the Treasury and those of the savings bankers on the question of encouraging people to use accumulated funds to buy savings bonds. The position is taken that appeals to invest accumulated funds must be made in order for the Treasury to succeed in the Third War Loan, even though savings banks lose some deposits in the process.

Attachment

THE BOWERY SAVINGS BANK

110 EAST 42ND STREET

NEW YORK

JOSEPH BRUERE
PRESIDENT

September 1, 1943

50648

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

Dear Henry:

I enclose copy of an article which
I wrote for publication in the Savings Banks
Association Bulletin, after the receipt of
your reply to my letter of August 10th, from
Swampscott, which shows my adjustment to the
position taken by you in your letter.

Sincerely yours,


President

encl.
HB:h

A letter just received from the Secretary of the Treasury, speaking of the Third War Loan, he says: "I think you know how big a figure five billions of dollars is, which is the amount we set as a quota for individuals, when you compare it to wages and salaries which will be paid out to individuals during the period of the Drive. If the Drive lasts three weeks, this sum will be approximately six billion dollars ***.

It is evident, then, that current income will not supply all the cash needed to fill the quota that is being put up to individual bond buyers existing, and those not yet initiated. To find this cash, money should be taken out of the big bank rolls we are told (and say so ourselves) that are carried around in workmen's pockets. It should come out of closets, safe deposit boxes and other hide-a-ways. It will come out of the sale of securities, loans on life insurance policies, sales of crops and other property. And some of it will come out of what you and I understand to be meant when we read the words "accumulated funds" in Treasury advertising copy. "Accumulated funds" are by no means all in savings banks, but some of them are, and we may as well expect drafts on deposits to meet the urge to buy bonds which an unprecedentedly "hotted up" campaign is expected to develop. Such drafts will, no doubt, exceed accumulations in Victory fund and payroll deduction accounts.

Of course we in the banks know that the Treasury will not gain by shifting funds from savings banks to individuals to enable them to buy bonds which the savings banks have already bought with the same money. But John may not know it, except in a vague sort of way. Moreover, associated with these great war loans, there are imponderables to be considered. Every one who can do so must be given the opportunity to take a personal, direct part in this most ambitious campaign for raising funds by borrowing that any government has ever put on.

The war is so far removed from our shores, the sense of security and

... among us is so great, that many of us need some sense of participation to keep aroused a unified spirit for the tougher months, and years, ahead. War is something more than a military undertaking, though the military part undoubtedly is.

Whether generally understood or not, war is the dedication of all the resources, spiritual and economic, of our country to the achievement of victory. There can be no half or three-quarters victory. Nothing short of complete riddance from the obscene outrage of aggression can satisfy free men and women. Defeat, or even compromise, or failure to carry through a determination to maintain for all time our freedom from the insult of attack and the ruffian disturbance of the world's peace would be inconceivable, utterly intolerable.

We need, therefore, to arouse ourselves and to be aroused. The savings banks understand this. They have won the golden opinions of others, and spiritual satisfaction for themselves, by the job they have thus far done in helping to finance the war. They will not miss this opportunity to help enlist now for the Third War Loan, every person who has the capacity to help pay for the staggering daily cost of the war by lending his money at good interest to the government. We already know, and everyone who does not will be told, that the government wishes to sell the next loan to individuals and business firms and not to commercial banks which heretofore have been the principal source of government borrowings.

I have been told that the Treasury does not wish its canvassers to urge savings bank depositors to draw on their accounts to buy bonds and that instructions to prevent this being done have been issued. But, notwithstanding this cooperative attempt on the part of the Treasury to classify "accumulated funds" so as to exclude savings bank deposits, some depositors will draw funds from us and I take it that we shall not discourage them if it means

A new recruit is found for the army of bond buyers. Bond buying must become a habit and all habits need to start with some definite first step, and maybe in some cases, albeit the minority of them, "accumulated funds" in a savings bank will be the means of taking that first step.

The enlistment of millions of additional bond buyers - even for small amounts - is important for another urgent reason, namely, as an antidote to the inflationary poisons that are affecting our economy, and may, if we are not on guard, spread through our economic system. Inflation, we all know, is a danger of dire importance to us all, savings banks preeminently included, a threat of such evil that if it should seize us it would rank next only to a great military defeat in the hurt it would do.

For a century or over, mutual savings bank deposits and their institutions have supplied the pattern of self defense against inflation which all the nation needs to adopt. In three words that pattern can be described: "SAVE, DON'T SPEND". Shall we not be proud to see our clients set an example to the nation by taking their part in the September Third War Loan Drive? The habit of buying war bonds needs to spread everywhere and to become persistent. Those who understand the virtue of thrift and who have practiced it and know how to discipline themselves so as to keep it up may well be expected to set an example to us all.

In addition to individual buying by savings bank depositors, the banks, themselves, will prove heavy buyers although recent purchases may have cut down available funds somewhat. Already large subscriptions are being received by the Savings Banks Trust Company.

The campaign for the Third War Loan is about to start. In preparation for it the savings banks have responded generously to requests made in behalf of the War Finance Committee for help by way of advertising space in

newspapers and on billboards. They are preparing their banking offices for the campaign with posters, banners, and other material to stimulate sales. They will have on hand well in advance good supplies of bonds of all denominations, so that sales may be smoothly made. They will be ready with cash if cash is wanted by new recruits in the vast army of bond buyers which the Treasury will mobilize in September. It is a fine thing that in America's greatest crisis the mutual savings banks, like our great factories, mines, mills, railways and forests, are ready to help in a mighty way to build the road to Victory!

-Henry Bruère
President, Bowery Savings Bank

August 1943
Savings Banks Association
Bulletin

AUG 24 1943

Dear Henry:

I wish to acknowledge your very interesting letter concerning our policy with respect to savings during the Third War Loan.

After a great deal of discussion on this very important subject, it was decided that use of the words "accumulated funds" would announce to all the people, as well as to our workers, that they would have to do something more than just set aside a few dollars from their current earnings during the Third War Loan Drive. I think you know how big a figure five billions of dollars is, which is the amount we set as a quota for individuals, when you compare it to wages and salaries which will be paid out to individuals during the period of the Drive. If the Drive lasts three weeks this sum will be approximately six billion dollars, so you can readily see that we are kidding ourselves if we think we can raise five billions and not suggest that some portion of it is going to have to come from accumulated funds.

We felt that the handling of this matter in the way that we have, would cause you and your good people the least concern. There is a great deal of money in this country, as you know, that comes under the heading of "accumulated funds" outside of the realm of savings bank deposits. I am satisfied it is not possible for us to say or do less than we have committed ourselves to for the Third War Loan.

I know how very helpful all of your people have been and I certainly would not want to do anything to cause them serious anxiety. I believe that

- 2 -

a thorough analysis of our problem will point out to them how delicately we have approached this inevitable point.

With all good wishes to you, I am

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Henry Bruere,
President,
The Bowery Savings Bank,
New York, New York.
TRG:fgt

Mary
NEW OCEAN HOUSE

SWAMPSCOTT, MASSACHUSETTS

Henry Pruere,
New York City.

August 10, 1943

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

Dear Henry,

Dr. Odegard has had a recent exchange of letters with Robert Sparks, to which this note relates. The correspondence had to do with withdrawals from savings accounts for War Bond purchases and, in forthcoming advertisements, urging the public to follow this course.

I wonder if this is a good policy as far as the Mutual Savings Banks are concerned. If our depositors draw down their deposits to buy bonds either we shall have no funds with which to subscribe to the Treasury offering or if withdrawals go far enough we shall have to sell governments to obtain funds.

I wish that the Treasury would feel that it could rely on us to obtain savings from our depositors and to invest them in government securities as well as to sell the public War Bonds directly as a regular part of our business. A good job has been done in this respect so, of course, you know.

We are concerned, somewhat, over the possibility that solicitors in proper enthusiasm may urge depositors to withdraw, and that such urging may be construed by some depositors as an order. Our past experience has shown that thousands of our people have a vague fear that the Government may take control of their funds. This anxiety arose in the first instance when their funds were required to be reported.

I am not myself excitedly alarmed but I am anxious to have explicitly put in our mind what we believe to be the possibility of embarrassment to the Mutual Savings Banks if the course which I understand has been decided on is followed to effective results. Such embarrassment might be great or small but it is, we think, without financial gain to the Treasury especially if the situation takes hold extensively.

Please bear in mind that we are carrying on now a campaign for savings which not only seeks to secure funds for investment in government issues but also to prevent hoarding and the unnecessary use of currency for the circulation of funds, both of which practices have been going on to a

NEW OCEAN HOUSE

SWAMPSCOTT, MASSACHUSETTS

Hon. Henry Morgenthau, Jr.

August 10, 1943

greater or less extent.

I am returning to New York in a day or two. Mr. Sparks is at his office and can be reached there. I think he has talked today to Mr. Gamble.

Yours very sincerely

Kerry Brine

25

SEP 7 - 1943

Dear Judge Hand:

Secretary Morgenthau has asked me to reply to your letter of September 3, and to say that the matter which we wish to discuss with you can very well wait until you come to Washington on September 27 for the Conference of Senior Circuit Judges. If you will call on me while you are here, I will undertake to arrange a time for the meeting convenient to you and to the Secretary.

For your information, I am enclosing copies of the decisions of the District Court and the Court of Appeals for the District of Columbia in the case of Bank of America N.T. & S.A. v. Douglas. Much of the background of the present question is set out in the decisions and I shall not repeat it here.

In brief, however, the facts giving rise to our problem are as follows. By letter dated December 29, 1941, the Chairman of the Securities and Exchange Commission requested the Secretary of the Treasury to furnish for use in the Transamerica hearing copies of the Reports of Earnings and Dividends of the Bank of America for the years 1931 to 1936, inclusive. The reports requested were thereupon made available by Under Secretary Bell but with the proviso that they would "not be introduced in evidence or otherwise made public." On August 30 of this year the SEC resumed the Transamerica hearing and has requested the Secretary to furnish a new set of Reports of Earnings and Dividends, stating that it was "anticipated that these reports, if and when made available, will be introduced in evidence in such hearing." I might add that these reports are not part of the bank examiners' reports which were before the court in the Douglas case. Neither is there now involved any question of publication in the Federal Register or any other "pre-trial" publication. The question is simply one of use in evidence in the hearing itself.

The Secretary wishes to discuss with you the action he should take on the SEC's request.

Needless to say, your willingness to talk with us is sincerely appreciated.

Very truly yours,

(Signed) Randolph Paul
Randolph E. Paul
General Counsel

Judge Learned Hand
Windsor, Vermont

Enclosures - 3
NOT:t
9-6-43

District Court of the United States
District of Columbia
Bank of America N.T. & S.A. v. Douglas

C O P Y

OPINION OF THE COURT

The Court (O'Donoghue, J.): The Court has gone over the exhibits, the cases cited, and has listened to the able arguments of counsel on both sides. A decision must be made, and the Court makes a decision in this case in favor of the defendants.

This is a new act. It is blazing the way for the benefit of the public and for the protection of the public. The act was passed after the financial crash of 1929 and after the closing of all the banks in 1933. The act does not exempt banks, expressly or by implication, from being under the jurisdiction and control of the Securities and Exchange Commission.

In this case the Transamerica Corporation has filed an application with the Commission to sell a large amount of stock to the public. Among the assets of the Transamerica Corporation there is a large block of stock of the plaintiff bank. Now, the Securities and Exchange Commission has the duty placed upon it to ascertain the value of the stock of the plaintiff bank that was held and owned by this holding company. There can be no doubt about that,

Now, how is it to arrive at the value of that bank's stock that is held by the holding company. It could take the statement of the bank as to its condition, its assets and liabilities, and give the stock certain book value. It might — I presume it would not — consider what the bank's stock may be selling for on the market. It might ask the Comptroller of the Currency to give it whatever private information the Comptroller of the Currency might have. It might ask the Secretary of the Treasury, who has the Comptroller of the Currency under his Department, for this information. It might likewise — in order to find out what the real value of this bank's stock is, which is one of the important assets of the holding company, — make independent investigation as the real value, the fair value, of that bank's stock.

In the opinion of the Court, the Securities and Exchange Commission has the right to use all those means in order to arrive at the worth of the assets held by the holding company. Now, in order to arrive at the value of the assets held by the holding company, it must go into the value of the stock of the plaintiff bank that is held by the holding company, and it is the duty of the Commission to use all reasonable means to arrive at the fair value of that bank's stock.

The Commission applied to the Secretary of the Treasury and finally obtained from the Secretary of the Treasury the reports of the plaintiff bank made through the Office of the Comptroller of the Currency. In the opinion of the Court, they had the right to do that, it was their duty to do that, and the Secretary of the Treasury had the right to give them that information.

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The plaintiff bank here raises the question that they will be done irreparable injury. Well, the Court thinks that they are not being done irreparable injury and that a fair estimate of the real value of their stock is not going to hurt the bank and it will protect the public in buying the securities of the holding company. This act is modern legislation and it should be construed by the Court for the purpose of attaining the end that Congress had in mind in passing this act.

Again, the Supreme Court has laid down the suggestion that both the courts and various departments of the executive, administrative, and legislative branches should all work for the common good. Likewise, the different commissions and departments of the Government should cease to regard themselves, each one, as a water-tight compartment and as working out its own salvation that help from other departments should not be asked for or sought.

The various departments of the Government, generally speaking, should be like the various parts of the human being's brain. Each one of them should help the other. Each one of them should lend aid and give information to the other and, just as in nature, you cannot separate one compartment of the brain from the other, so it should be, generally speaking, with the Government of the United States.

Now, the Court does not mean to say that the Securities and Exchange Commission can run wild and do anything they choose and subpoena people right and left and put them to unbearable inconveniences and great losses, just on a fishing expedition or a wild goose chase, but in this case the Securities and Exchange Commission is not undertaking to exercise visitatorial powers on this bank. It has got whatever information it could from the Comptroller of the Currency. It has issued subpoenas in regard to certain items of the property of this bank that would have a material bearing on the value of its stock and, therefore, on the material value of the holding company's stock. Those subpoenas do not appear to be unreasonable. Investigation so far by the Securities and Exchange Commission appears to be within the law and within the duty of that Commission.

It may be that the plaintiff bank in this case could or could not, may or may not, intervene in that proceeding. That matter is not for the Court to decide or to make any comment on.

Now, it is true that the bank in this case would wait until subpoenas are issued and some unlawful action under it is taken and come into court, but this Court is not going to base its decision on this suit being immature. A court of equity is open, generally speaking, to any person who has been aggrieved in accordance with the law of the land; and for this bank, if it had a good cause of action, to be required to stand by until the Commission had done all the havoc that the bank could possibly sustain and completed all of its investigation and then made its finding and then brought the bank

- 3 -

into court, would be unreasonable. Therefore, I am not basing my decision upon the fact that this bank should stand by and be able to do nothing until the Commission has made its final decision.

The Court makes its findings of fact according to the essential and substantial claims of fact, and the Court makes its conclusions of law in accordance with the substantial and essential claims as to the law by the defendants, and the Court holds that the plaintiff in this suit is not entitled to an injunction against the Securities and Exchange Commission, or its members, and the Court will sign a judgment to finding and dismissing the case.

You may prepare the findings of fact, conclusions of law, and adjudication, submit it to the other side, and then submit it to the Court.

**BANK OF AMERICA NAT. TRUST & SAV.
INGS ASS'N v. DOUGLAS et al.**
No. 8262.

United States Court of Appeals for the
District of Columbia.

Argued Oct. 19, 1942.

Decided Nov. 16, 1942.

1. Courts ⇨351½

In suit for injunction against members of the Securities and Exchange Commission, wherein supplemental complaint was filed naming as defendants the same persons named in the original complaint, as well as those who had subsequently become members of the commission, the supplemental complaint was properly dismissed as to the original defendants who were no longer members of the commission.

2. Evidence ⇨83(1)

Where the Securities and Exchange Commission, considering question of suspending registration of parent corporation, made agreement with subsidiary bank, effect of which was to take out of scope of investigation all questions directly involving bank or the correctness of any of its reports, and to confine hearings to matters pertaining to the parent corporation and its other subsidiaries, but the bank sought relief on ground that the commission intended to violate its agreement, court had right to assume that the commission would conduct hearing in accordance with its agreement as well as in accordance with former opinion of court determining rights of the parties.

3. Injunction ⇨22

Where Securities and Exchange Commission, considering question of suspending registration of parent corporation, made agreement with subsidiary bank, effect of which was to take out of scope of investigation all questions involving correctness of bank's report and counsel for commission gave assurance that bank's reports were accepted without criticism, bank's petition for relief on theory that commission intended to violate agreement was properly dismissed on ground that question was "moot".

See Words and Phrases, Permanent Edition, for all other definitions of "Moot".

132 F.2d—1½

4. Banks and banking ⇨235

Where agreement gave Securities and Exchange Commission right to examine books of parent corporation and its subsidiaries and bound commission to furnish an audit to the parent corporation, but it did not appear that an examination of subsidiary bank's books was ever made, even if the agreement was made for benefit of the subsidiary bank, the bank could not complain of failure of commission to furnish audit to the parent corporation and in absence of showing of injury to bank as the result of such failure, or of any reason why it was interested in having audit furnished to its parent corporation, compliance would not be compelled at suit of bank.

Appeal from the District Court of the United States for the District of Columbia.

Suit for injunction by the Bank of America National Trust and Savings Association against William O. Douglas, and others, as members of the Securities and Exchange Commission wherein the plaintiff filed a supplemental complaint.

From a judgment of dismissal plaintiff appeals.

Affirmed.

Messrs. Morse Erskine, of San Francisco, Cal., pro hac vice by special leave of court, and Louis Ferrari, of San Francisco, Cal., with whom George David Schilling, of San Francisco, Cal., and Chas. W. Collins, of Washington, D. C., were on the brief, for appellant.

Mr. J. Leonard Townsend, of Philadelphia, Pa., Securities and Exchange Commission, with whom Mr. John F. Davis, of Philadelphia, Pa., Securities and Exchange Commission, and Mr. Chester T. Lane, of Washington, D. C., Department of Justice, were on the brief, for appellees.

Before GRONER, Chief Justice, and VINSON and EDGERTON, Associate Justices.

PER CURIAM.

This appeal is the continuation of a long-standing controversy primarily between Transamerica Corporation and Securities and Exchange Commission. In its earlier stage the matter was brought to our attention on an appeal by appellant Bank, a subsidiary of Transamerica, from a decree

of the District Court dismissing a complaint brought by it in 1939. The Commission, in 1938, in anticipation of a proceeding to determine whether Transamerica's registration of shares of its capital stock should be suspended, obtained from the Secretary of the Treasury permission to examine the reports of Bank Examiners made to the Comptroller of the Currency with reference to the Bank, and purposed using these reports to sustain its charge that Transamerica had filed false and misleading statements of facts in its application. The original suit sought an injunction against this use by the Commission.

The principal question we had to decide in that suit was whether the Commission might lawfully use the Bank Examiners' figures and reports to the Comptroller, and we held, *inter alia*: (1) that the delivery of the reports by the Secretary of the Treasury to the Commission was authorized and legal; (2) that their use in carrying out the investigatory function of the Commission was proper; and (3) that except to the extent necessary to carry out that purpose, the reports should be treated as confidential. We reversed the dismissal by the lower court, but, upon assurances by the Commission that the use of the reports would be in accordance with our opinion, we issued no injunction, and instead directed that the cause remain on the trial docket with the right in the Bank to apply for further relief if it should become necessary.¹

After our decision it was agreed between the Commission and Transamerica that the former should examine the books of the latter and its subsidiaries and furnish Transamerica a copy of an audit to be made. The Commission examined the books of Transamerica and other of its subsidiaries, but did not examine the books of the Bank. It then filed a supplemental order for hearing. That order included certain specifications of charges against Transamerica, which the Bank claims violated the limitations imposed in our opinion in that they contained evidentiary facts obtained from the Bank Examiners' records. However, before the hearings, Transamerica and the Commission made another agreement amending the Commission's order by striking therefrom the paragraphs in which the objectionable matter appeared. The hearings were again ad-

jourled. In January, 1942, this supplemental complaint was filed, naming as defendants the same persons named in the original complaint, as well as those who had subsequently become members of the Commission.

[1] The District Court dismissed as to the original defendants who were no longer members of the Commission. This was correct and we affirm. The Court then dismissed as to all defendants on the grounds that it had no jurisdiction, since the suit was one for breach of contract, in which the United States was a necessary party, and that in any case the issues raised were moot.

On this appeal the Bank's points are:

(1) That the Commission violated the instructions of this court by making public unproven charges based on information obtained from an inspection of the Bank Examiners' reports to the Comptroller, and that notwithstanding the agreement to strike this improper matter and to make no use of it in the subsequent proceedings, the Commission intends to violate its agreement by introducing evidence in relation to such subjects as though no such agreement had been made.

(2) That the Comptroller having approved the Bank's reports, his action in respect thereto was conclusive; and that the Commission should be restrained from substituting its opinion for that of the Comptroller.

(3) That the Commission in refusing to carry out its promise to Transamerica to deliver it a copy of the audit of its books is inflicting irreparable injury upon the Bank.

We do not doubt that the lower court had jurisdiction to consider the Bank's complaint and to afford relief in a proper case. The action complained of in the present proceeding has a direct relation to the matters considered on the first appeal and there left to be dealt with if and when the necessity arose. In our former opinion we endeavored to delimit certain phases of the future proceedings. The foundation of the present complaint is that the Commission has gone beyond those limits and violated the terms of our decision. If this were shown, our obligation would be clear. But the record convinces us that the complaint wholly fails to show any proper grounds for further relief.

¹ 70 App.D.C. 221, 105 F.2d 100, 123 A.L.R. 1295.

manipulation between Transamerica and the Commission the latter agreed to exclude from the order for hearing that material which the Bank alleges transpired after our admonition against publication. Then, Transamerica agreed to file certain amendments to its application for registration. Neither the amendments, nor the date of their filing, were to be used in any way for the purpose of establishing any of the remaining issues in the proceeding, nor was any notice to be taken of, nor any reference made to, the amendments in subsequent proceedings.

The effect of this agreement was to take out of the scope of the investigation all questions directly involving the Bank, or the correctness of any of its reports, and to confine the hearings to matters pertaining to Transamerica and its other subsidiaries. Consequently there is nothing now remaining in the Commission's order which can result in the Bank's being required to do anything.

[2,3] The Commission is an important instrumentality of the Government of the United States, and we have the right to presume that it will conduct the hearing in accordance with its agreement, as well as in accordance with our former opinion. The objectionable matter was expunged from the order for hearing before this supplemental complaint was filed. In its present form the order contains nothing to justify the charge that the Commission still challenges the correctness of the Bank's reports to the Comptroller, and we have the assurance of counsel for the Commission, both at the bar and in the brief, that the reports are now accepted by the Commission without criticism. The District Court, therefore, correctly held that the matter was moot.

[4] The Bank claims a violation of the earlier agreement between the Commission and Transamerica, by which the Commission was given the right to examine the books of the latter and its subsidiaries, and by which it bound itself to furnish an audit to Transamerica. While it is alleged that no audit has been furnished, it does not appear that an examination of the Bank's books was ever made. In these circumstances we are not convinced that even if, as alleged, the agreement was made for the benefit of the Bank, it can complain of the failure to furnish the audit to Transamerica. The complaint shows no injury to the Bank as the result of this failure, nor any reason why it is, or should be, interested in having an audit furnished its parent corporation. And this is especially true since the proceedings against Transamerica by the Commission are no longer directed to the exposure of the Bank's affairs. In this view, while such an agreement ought to be just as binding on counsel for the Commission as it would be on counsel in a lawsuit between private parties, and we do not approve of its violation, if any, we think it unnecessary to compel compliance.

On the whole case we are of opinion that there has been shown no ground for any relief which this court is authorized to extend. The proceeding with reference to Transamerica has already been protracted beyond reasonable limits, and we think that the Commission should without further hindrance proceed with its hearings in the light of the situation as it exists now and in accordance with the views expressed by us here and in our former opinion. For the reasons stated by us we affirm the judgment of dismissal.

Affirmed.

**BANK OF AMERICA NAT. TRUST &
SAVINGS ASS'N v. DOUGLAS et al.**
No. 7354.

United States Court of Appeals for the
District of Columbia.

Argued March 30, 1939.

Decided May 8, 1939.

1. Injunction ¶75

A bank which claimed that it would sustain irreparable injury from disclosure of information contained in its records was entitled to maintain suit to enjoin Securities and Exchange Commission from enforcing subpoenas requiring production of its records, and to prevent disclosure of information claimed to have been illegally obtained.

2. Courts ¶289

A suit by bank to prevent public disclosure by Securities and Exchange Commission of information regarding bank claimed to have been illegally obtained, and to restrain Commission from enforcing subpoenas requiring production of records of bank, was one "arising under laws of the United States" in which court had power to enter a declaratory judgment. Securities Exchange Act of 1934, § 21(a), 15 U.S.C.A. § 78u.

[Ed. Note.—For other definitions of "Arising Under the Constitution or Laws," see Words & Phrases.]

3. Licenses ¶39, 40

The Securities Exchange Act of 1934, being primarily for protection of investors, imposes civil liability and criminal penalties upon any person knowingly making false and misleading statements in an application for registration of a security for sale on a national exchange. Securities Exchange Act of 1934, §§ 18, 32(a), 15 U.S.C.A. §§ 78r, 78ff.

4. Licenses ¶38

The Securities and Exchange Commission in determining whether registrant's registration should be suspended had power to inquire into affairs of bank whose stock was practically all owned by registrant and its stockholders. Securities Exchange Act of 1934, §§ 12(b) (1), 19 (a) (2), 21 (a), 15 U.S.C.A. §§ 78d, 78s, 78u.

5. United States ¶40

The power of department heads to prescribe regulations for custody, use and

preservation of departmental records and papers includes right to determine whether records may be withdrawn and used by other departments. 5 U.S.C.A. § 22.

6. Banks and banking ¶235

The Secretary of the Treasury, as head of the Treasury Department, had authority to furnish Securities and Exchange Commission with copies of reports of bank examiners made to Comptroller of Currency with reference to national bank which Commission sought to investigate. 5 U.S.C.A. § 22; 12 U.S.C.A. §§ 1, 21 et seq.

7. Banks and banking ¶235

The Securities and Exchange Commission, upon obtaining from Secretary of Treasury reports of bank examiners made to Comptroller of Currency with reference to bank which Commission sought to investigate, and in determining whether to suspend registration of corporation owning stock in bank, was not entitled to make reports public, but was required to confine their use to investigation of charges in proceedings by it. Securities Exchange Act of 1934, §§ 12(b) (1), 19 (a) (2), 21 (a), 15 U.S.C.A. §§ 78d, 78s, 78u.

8. Banks and banking ¶235

The use by Securities and Exchange Commission, in proceeding by it under Securities Exchange Act, of reports of bank examiners made to Comptroller of Currency with reference to bank which Commission sought to investigate, would not illegally subject bank to any visitatorial powers. 12 U.S.C.A. § 484.

9. Licenses ¶38

That national bank was under supervision of Comptroller of the Currency did not render improper investigation of bank by Securities and Exchange Commission in determining whether to suspend registration of corporation owning stock in bank, where investigation of corporation would be futile unless investigation of bank was included therein. Securities Exchange Act of 1934, §§ 13 (b), 19 (a) (2), 21 (a), 15 U.S.C.A. §§ 78m, 78s, 78u.

10. Courts ¶351

Subpoenas served at instance of Securities and Exchange Commission directing cashier and vice president of national bank in San Francisco to appear in Washington at hearing before Commission and bring records relating to bank items and practices over period of ten years were unreasonable and unenforceable. Securities

BANK OF AMERICA NAT. TRUST & SAV. ASS'N v. DOUGLAS

105 F.2d 100

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ange Act of 1934, §§ 19(a) (2), 21
15 U.S.C.A. §§ 78s, 78u; Jud.Code §
15 U.S.C.A. § 112.

Appeal from the District Court of the
United States for the District of Colum-
bia.

Suit by the Bank of America National
Trust & Savings Association against Wil-
liam O. Douglas and others, as members
of the Securities and Exchange Commis-
sion, to prevent the public disclosure by the
Commission of information claimed to
have been illegally obtained and for an in-
junction restraining the Commission from
enforcing subpoenas requiring the produc-
tion of the records of the bank. From a
judgment dismissing the complaint, the
plaintiff appeals.

Affirmed in part, reversed in part and
remanded with instructions.

William Stanley, of Washington, D. C.,
T. W. Dahlquist, of San Francisco, Cal.,
and Charles W. Collins and Donald R. Rich-
berg, both of Washington, D. C., for appel-
lant.

Chester T. Lane, of Washington, D. C.,
for appellees.

Before GRONER, Chief Justice, and
EDGERTON and VINSON, Associate
Justices.

GRONER, C. J.

Plaintiff Bank brought this suit against
the members of the Securities and Ex-
change Commission to prevent the public
disclosure by the Commission of informa-
tion claimed to have been illegally obtained
and for injunction restraining the Commis-
sion from enforcing subpoenas requiring
the production of the records of the Bank.

Plaintiff is a national bank, a member
of the Federal Reserve System, with de-
posits insured by the Federal Deposit In-
surance Corporation, and has its principal
place of business in San Francisco, Cali-
fornia. It has outstanding capital stock of
\$10,000,000, has total capital assets in ex-
cess of \$114,000,000, and does business in
the communities in the State of California
through its main office and its branches.

Transamerica Corporation (not a party
to this suit) owned practically the entire
voting stock of the Bank prior to July 15,
1937, but on that date distributed to its
own stockholders all but 42%, which it still
retains.

None of the Bank's stock is registered
on any national securities exchange.

Transamerica in August, 1937, filed
with Securities Commission an application
for registration of 11,500,784 shares of its
own capital stock of the par value of \$2
per share. The registration became ef-
fective the following September 10. Since
Transamerica had owned all of the Bank's
capital stock during the years 1934-36,
its application included balance sheets,
profit and loss statements, and other finan-
cial information with respect to the Bank
for those years—furnished substantially in
the same form as the report of condition
of the Bank filed with the Comptroller of
the Currency.

In November, 1938, the Commission, in
anticipation of proceedings to determine
whether Transamerica's registration should
be suspended, obtained from the Secretary
of the Treasury permission to examine the
reports of bank examiners made to the
Comptroller of the Currency with refer-
ence to the Bank. Subsequently, in re-
sponse to the Commission's request, the
Secretary consented to the public official
use of the information.

The Commission then issued an order
directing that a public hearing be held in
Washington on January 16, 1939. The
Bank was not summoned or joined as a
party, but the Commission caused a subpoena
duces tecum to be served on the Bank's
cashier in San Francisco, commanding him
to appear within four days and bring with
him records relating to numerous banking
items and practices from 1929 to date; an-
other subpoena was directed to the Bank's
vice-president, commanding him to produce
records from 1929 to date relating to near-
ly two hundred loans made by the Bank.
The subpoenas admittedly were based upon
information derived from the reports fur-
nished by the Secretary. On the hearing
day, the Bank filed this complaint, alleging
that the proposed investigation of the
Bank's affairs constituted an unlawful ex-
ercise of visitatorial powers; that the Sec-
retary had unlawfully given access to the
bank examiners' reports; and that their
publication as proposed by the Commission
would irreparably injure the Bank. It
prayed for a declaratory judgment and for
an injunction.

The Commission answered, challenging
the jurisdiction of the court and averring
affirmatively that neither the action of the
Secretary in furnishing the information

nor the act of the Commission in using it was contrary to law.

The trial court heard the cause on the merits and concluded: (1) that although the Commission intends at a public hearing to make its own appraisal and valuation of a substantial portion of the assets of the Bank and to make an investigation of the reserves of the Bank, such action does not constitute the exercise of any visitatorial power over the Bank; (2) that even if such action is visitatorial, it is within the lawful power of the Commission; (3) that although the evidence does not disclose that the bank examiners' reports have ever been furnished to any officer, agency, or department of the government for use in a public hearing without the consent of the bank involved, except for use in criminal proceedings, the Secretary of the Treasury was authorized to furnish them to the Commission for its public official use; and (4) that the court had jurisdiction and that the suit was not prematurely brought. Judgment was entered dismissing the complaint.

From what has been said, it is apparent that the issues concern: (1) the power of the District Court to grant the relief prayed; (2) the scope of the Commission's investigatory powers; (3) the right of the Commission to demand and receive and thereafter to disclose information contained in the reports of the bank examiners; and (4) the validity of the subpoenas issued by the Commission based on such information.

[1,2] First. We think the court had jurisdiction. The Bank alleged that disclosure of the information would result in irreparable injury. Since other remedy was entirely lacking, the cause was a proper one for equitable relief. *Utah Fuel Co. v. National Bituminous Coal Commission* (decided January 30, 1939), 59 S.Ct. 409, 93 L.Ed. 483. If the Bank had prayed solely for an injunction against enforcement of the subpoenas, the question would be different. *Federal Trade Com'n. v. Millers' Nat. Federation*, 60 App.D.C. 66, 47 F.2d 428; cf. *Federal Power Com'n. v. Metropolitan Edison Co.*, 301 U.S. 375, 386, 58 S.Ct. 963, 82 L.Ed. 1408. But the complaint asks for other relief which a court of equity may grant, as well as for a declaratory judgment. "A court of equity ought to do justice completely and not by halves," and to this end, having properly

acquired jurisdiction of the cause for any purpose, it will ordinarily retain jurisdiction for all purposes, including the determination of legal rights that otherwise would fall within the exclusive authority of a court of law". *Rice & Adams Corp. v. Lathrop*, 278 U.S. 509, 515, 49 S.Ct. 220, 222, 73 L.Ed. 480.

And since the case is one arising under the laws of the United States, the court had power to enter a declaratory judgment. *Zemie Brothers v. Miskend*, D.C., 10 F. Supp. 779.

Second. Sec. 19(a) of the Securities Exchange Act of 1934¹ authorizes the Commission, if in its opinion such action is necessary for the protection of investors—" (2) after appropriate notice and opportunity for hearing, by order to deny, to suspend the effective date of, to suspend for a period not exceeding twelve months, or to withdraw, the registration of a security if the Commission finds that the issuer of such security has failed to comply with any provision of this title or the rules and regulations thereunder."

Sec. 12(b) (1) requires as a condition of the registration of securities the filing with the Commission of—"Such information, in such detail, as to the issuer and any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the issuer, . . . as the Commission may by rules and regulations require, as necessary or appropriate in the public interest or for the protection of investors. . . ."

Sec. 21(a) authorizes the Commission in its discretion to make such investigation as it shall deem necessary to determine whether a registrant has violated any provisions of the Act or the rules of the Commission.

The Commission's order alleged that Transamerica had failed to comply with the provisions of Sec. 12(b) and the Commission's regulations, in that it had filed false and misleading statements of material facts, that is to say, a large amount of losses and doubtful accounts had been written off the books of the Bank by pretended sales to other subsidiaries of Transamerica and by write-ups of the value of investment securities; the figures for "loans and discounts" included a large number of worthless and doubtful accounts; the valuation of certain bonds included arbitrary

¹ 48 STAT. 881, 15 U.S.C.A. § 78a et seq.

are up; the depreciation figures for real estate were inadequate; the "reserve for contingencies" was misleading since there was no indication that it represented not only a self-insurance fund but a reserve for all the losses and doubtful accounts, and was therefore inadequate; the profit and loss statements included the write-ups but made no provision for the losses; as a consequence the Bank had paid out in dividends a large sum in excess of its actual current earnings.

[3,4] The Act, being primarily for the protection of investors, imposes civil liability² and criminal penalties³ upon any person who knowingly makes false and misleading statements in an application for the registration of a security for sale on a national exchange. The purpose is to require complete and truthful exposure of all matters in relation to the registrant's financial condition. We do not doubt, therefore, that the Commission, in the exercise of its powers to enforce the Act, may inquire into the affairs of a company controlled by a registrant. And on the record in this case we are of opinion that Transamerica's interest in the Bank, past and present, brings the latter within the scope of that power.

Third. The next question turns upon the authority of the Secretary of the Treasury to furnish the Commission copies of the examiners' reports and whether, if there was authority, the information must be held in confidence.

Admittedly, there is no statute of protection.

² Sec. 18, 15 U.S.C.A. § 78r.

³ Sec. 22m, 15 U.S.C.A. § 78ff.

⁴ Federal Farm Loan Act: The Comptroller is "authorized and directed" to furnish his information concerning national banks and to make special examinations for the "confidential use" of any Federal Intermediate Credit Bank. 42 Stat. 1158, 12 U.S.C.A. § 1001.

Reconstruction Finance Corporation Act: The Comptroller is "authorized" to make available to the Corporation "in confidence" such information as he may have concerning applicants for loans. 47 Stat. 709, 714, 15 U.S.C.A. § 608.

Federal Home Loan Bank Act: The Comptroller is "authorized" to make available "in confidence" to the Home Loan Bank Board such information as he may have respecting institutions with

According to a practice of long standing, the reports of bank examiners made to the Comptroller have been considered as private, and access to them for use by other government officials has been granted only in tax investigations and criminal prosecutions. In a number of instances Congress has specifically authorized use of reports "in confidence",⁵ and the only statutory reference to publicity is in the Comptroller's qualified authority to publish the report on any bank which fails to comply with his recommendations.⁶

Other instances to show that by unbroken custom reports of bank examiners have been regarded as privileged are (1) the testimony of Chairman Douglas of the Commission in the hearings on the Barkley bill, to the effect that examiners' reports ought not to be made public;⁶ (2) the testimony of the Comptroller in the Pajo investigation that the reports of examiners had always been regarded as confidential;⁷ (3) legislation on the subject, where in each instance in which the rule was modified, Congress recognized the necessity of effecting it by express language even as to those agencies and instrumentalities authorized to deal with banks.⁸ And to all of this may be added the uncontradicted testimony that examiners' reports had never at any previous time been publicly used in any civil proceeding. It is obvious, therefore, that this case presents a direct conflict in congressional purposes; for on the one hand the Securities Exchange Act vests in the Commission power to make examinations of registrants and their com-

which any Home Loan Bank may have transactions. 47 Stat. 739, 12 U.S.C.A. § 1442(a).

Federal Deposit Insurance Corporation Act: The Corporation's examiners may examine national banks only with the written consent of the Comptroller, and the Corporation is given access to information in possession of the Comptroller. 49 Stat. 693-694, 12 U.S.C.A. § 264 (d)(2-4).

⁵ 12 U.S.C.A. § 481.

⁶ Hearing, Senate Committee on Banking and Currency, S. 244, 75 Cong. 1 Sess. (1917), p. 71.

⁷ Hearings, House Committee on Banking and Currency, H.R. 429 and 504 (1912-1913), Money Trust Investigation, 62 Cong. 2 Sess., Vol. 2, pt. 10, p. 1291.

⁸ See note 4, supra.

trolled companies without excepting banks and, as part of its power, to compel the production of their books, records and papers for scrutiny by the Commission—whereas on the other, the National Banking Act,⁹ in deference to the delicate and sensitive interests involved, contemplates exclusive supervision of banks by the Comptroller of the Currency and the confidential treatment by him of the matters developed as to their internal affairs.

And this brings us back to the question with which we began this inquiry—the authority of the Secretary of the Treasury to furnish the information in question and, assuming that, whether it should be published by the Commission. The first part of the question was answered in the affirmative by Attorney General Wickersham on an inquiry from the President relative to the Money Trust or Pujo Committee Investigation in Congress. After a comprehensive review of the duties and powers of the Comptroller, he said: "Thus the banking laws clothe the Comptroller with authority to examine into the affairs of national banks for three main purposes: First, to ascertain the financial condition and soundness of management of national banks; second, to determine whether or not such banks are operating in conformity with the banking laws; third, to enable him to recommend amendments to the existing law. Nowhere in the law is there any express provision that the information thus acquired by the Comptroller shall be confidential. While, if in your opinion, the interests of the Government require that this information shall be so treated, you have the right to refuse to divulge it (*Boske v. Comingore*, 177 U.S. 459, 469 [20 S.Ct. 701, 44 L.Ed. 846]), yet, I am clearly of the view that if, in your opinion, it is proper to give this information to the House committee you have the lawful power to do so." 29 Op. Atty. Gen. 555, 560.

[5,6] The Commission insists that equal power is lodged in the Secretary by R.S. 161,¹⁰ which authorizes the head of each Department to prescribe regulations not inconsistent with law for the custody, use,

and preservation of its records and papers. We think this is correct, and that the power includes the right to determine whether records may be withdrawn and used by other departments. In this view and since the Comptroller's records are within the Treasury Department and the Comptroller, by statute, is under the general direction of the Secretary,¹¹ it follows that no distinction can be made between the two classes of records. See, generally, 25 Op. Atty. Gen. 326; 35 Op. Atty. Gen. 5. Without more, therefore, we hold that the act of the Secretary in furnishing the Commission with the reports of the bank examiners in the present case "was not inconsistent with law".]

[7-9] Whether the information so furnished should be used by the Commission only for the purpose of conducting its inquiry into the financial affairs of the Bank or whether its use was unrestricted, presents a more difficult problem. As we have already pointed out, the unbroken administrative practice of the Secretary and the Comptroller, as well as the course of Congressional legislation, manifests a fixed purpose to confine the outside use of such information to criminal prosecutions, tax suits, and the like. And this is true because of the nature of banking, as to which, by universal recognition, public confidence is essential. The plenary power of the Comptroller over the conduct of the business and affairs of banks always has been considered ample to assure reasonable protection to depositors and the public.¹²

In the instant case it is said by the Bank that the Commission has already made public much of the information obtained from the examiners' reports. In this respect the record shows that the Commission, upon receiving the permission of the Secretary to make "public official use" of the reports, made an order for a hearing before one of its examiners to determine whether Transamerica had violated any of the provisions of the Act. The order, which was released to the public, set out the particulars of the subjects to be investigated, together with all of the facts believed by the

⁹ U.S. § 5133 et seq., 12 U.S.C.A. § 21, et seq.

¹⁰ 12 U.S.C.A. § 22.

¹¹ U.S. § 329, 12 U.S.C.A. § 1.

¹² The Reconstruction Finance Corporation has announced that in transactions between the corporation and a bank it will be guided by the reports of the latter to the Comptroller.

Hearings, House Committee on Banking and Currency, H.R. 5357, 74 Cong. 1 Sess. (1935), p. 135.

Commission to show the respects in which Transamerica's statement of the condition of the Bank was untrue. The specifications of alleged misconduct are so serious in their nature as to warrant the Commission in characterizing them as having, potentially, criminal aspects "which may yet lead to criminal prosecutions" and are set out in such meticulous detail as, backed by the great power of the Commission, to cause serious prejudice to the Bank and bring it, in advance of any hearing, into public disrepute. The Securities Exchange Act authorizes the Commission in its discretion to make investigations and to make public its findings, but there is nothing in the Act which authorizes publicity in advance of hearing. In the present case the order was made pursuant to Sec. 19(a) (2) of the Act, 15 U.S.C.A. § 78s, which empowers, after notice and hearing, suspension or cancellation of the registration statement. Under regulations prescribed by the Administrative Committee of the Federal Register, notices of hearing must be published in the Register, but the rule does not require the publication as part of such notice of the evidentiary facts; and where, as in this case, the latter are obtained from confidential sources, neither the purpose nor intent of the Act contemplates their broadcast to the public. It is not difficult to see that such a power might easily be made an instrument of oppression and, lacking specific congressional authorization, we think it ought not to be indulged. In addition to this, pretrial publication of evidence—labeled as believed to be true—ought, we think, to be avoided, especially as emanating from the tribunal charged with the judicial responsibility of weighing it and assuring the accused a fair hearing. And, if this is the correct view, it is particularly pertinent here, for after all the Bank is not a party in the proceeding instituted by the Commission. Its connection with the investigation grows wholly out of the fact that its largest stockholder, Transamerica, in certifying its own financial condition, is believed by the Commission to have violated the provisions of the Securities Exchange Act. So far as the Bank is concerned, even if the charge,

as to it, is true, any possible violation by it of the banking laws, is a matter not within the Commission's reach. And certainly until findings are made, the Bank is entitled to have judgment, public and official, suspended. This does not suggest or contemplate that the government should be hampered or restrained in its investigation or in its prosecution of violations of the laws, or that in this case the Commission, under its duty to develop the actual facts by which to test the bona fides of the Bank's financial statement, should be circumscribed in their proper pursuit.

And so, as we think, while it must be decided that the Secretary was authorized to deliver the reports, their use should be confined to an investigation of the charges in proper proceedings by the Commission in the discharge of its duties under the Act. And this the Commission now assures us is the length and breadth of the purpose it has in mind. It says that it does not desire or intend to introduce the reports in evidence and that it will not make them public by any other means. This assurance we accept as conclusive of this branch of the case, and relying upon it we hold that the Commission may use the information at hand in preparation for the hearing and to aid it in obtaining the evidence believed by it to be necessary and proper in the hearing on its notice to Transamerica to show cause why its registration statement should not be suspended. In saying this, we are not holding that the Commission has any "visitorial" power over the Bank,¹² or that it has the slightest right to manage or control the Bank's affairs or policy, or to do any of those things which are visitatorial in character. If in the discharge of its duty to hold hearings and make findings business secrets are necessarily disclosed, the result is attributable only to the necessity of carrying out the purposes of the Act. The difference between this and the exercise of visitatorial powers, which are restricted by Congress to itself and certain particular agencies of government, is pointed out in *First Nat. Bank of Youngstown v. Hughes*, C.C., 6 F. 737, in this language: "Visitation, in law, is the act of a superior or superintending officer, who

¹² 12 U.S.C.A. § 481: "No bank shall be subject to any visitatorial powers other than such as are authorized by law, or created in the courts of justice or such as shall be or shall have been exercised or directed by Congress, or by either House

thereof or by any committee of Congress or of either House duly authorized. (R. S. § 5210; Feb. 19, 1875, c. 89, 18 Stat. 329; Dec. 23, 1913, c. 6, § 21, 38 Stat. 271.)"

visits a corporation to examine into its manner of conducting business, and enforce an observance of its laws and regulations. Burrill defines the word to mean 'inspection; superintendence; direction; regulation.' The exercise of no such authority is contemplated by defendants. They do not contemplate inspection, supervision, or regulation of complainant's business, or an enforcement of its laws or regulations. On the contrary, their purpose is to ascertain, in a legal way, and by legitimate testimony, whether any person had, at the time mentioned, on deposit with complainant any money subject to taxation in said county which had not been returned by the owners thereof for that purpose. Hence, the subpoena commanding the production of the complainant's books, in the manner and for the purpose stated, is not an exercise of 'visitatorial powers;' * * * Pages 740, 741.

This distinction is recognized and approved in *Guthrie v. Harkness*, 199 U.S. 148, 158, 26 S.Ct. 4, 50 L.Ed. 130, 4 Ann. Cas. 433. But the Bank objects that, even if this is so, speaking generally, it does not apply here for the reason that the controlled company is a bank, and because banks are under the direction of the Comptroller, any examination by the Commission into its affairs is a duplication of supervision which ought not to be countenanced. The answer to this is that the value of the assets of Transamerica depends in large measure on the value of its shareholding in the Bank. An investigation of the one which did not include also an investigation of the other would be futile, and in this view we are unable to find anything, either in the statutes or in reason, to justify putting the Bank in a class by itself. The Bank insists this is done by Sec. 13(b) of the Act, 15 U.S.C.A. § 78m, but we do not so read the section. It provides that the Commission may prescribe the form in which the required information shall be set forth—"but in the case of the reports of any person whose methods of accounting are prescribed under the provisions of any law of the United States, or any rule or regulation thereunder, the rules and regulations of the Commission with respect to reports shall not be inconsistent with the requirements imposed by such law or rule or regulation in respect of the same subject matter * * *."

The Bank argues that, since it is required by the National Banking Act to file

with the Comptroller a "report of its condition", it is "inconsistent" to require Transamerica to file a different report with the Commission. The reasonableness of this argument may be conceded, and yet not reach the heart of the question. For here it is not a question of form or of the adoption of a different method of accounting. In all of these respects—as well as in the manner of appraisal of assets—the Bank must follow the Comptroller's orders. And if Transamerica can show the Bank's compliance therewith, we may assume the Commission would have no right to substitute its opinion in place of the Comptroller's. But that is matter for another day. The Comptroller's opinion of the Bank's practices does not appear. The case we have concerns a charge that items involving large sums of money have by fictitious transfers between the Bank and its branches and other subsidiaries of Transamerica been made to reflect an incorrect value in the Bank's assets and reserves, so that its footings are consequently unreal and untrue. To deny the right to investigate this charge and make public findings in relation thereto, would be destructive of the basic purpose of the Act.

[10] Fourth. This brings us then, to the question whether the subpoenas in their present form are so limitless in their scope as to make them unreasonable. The one to Ferrari commands him to bring from San Francisco to Washington, all loan and discount records, collateral records, appraisal records, charged off loan and discount records, loan approval records, and any other books of account not heretofore enumerated together with all supporting data and records of correspondence for and covering the period from January 1, 1929, to January 13, 1939. The only limit to this requirement is that the books relate to matter concerning some two hundred loans in the Bank and its branches.

The subpoena to Smith commands him to bring to Washington all records of loans and discounts, records of assets other than loans and discounts, records of collateral, records of charged off loans and discounts, records of charged off assets other than loans and discounts, loan approval records, investment records, records of inter-company accounts, general and expense ledgers, payroll and expense records, and any other books of account and records in support thereof not heretofore enumerated, records of appraisal, real estate tax bills, insurance policies, receipted bills and ex-

perse vouchers, contracts, guarantees, options, pledges and other agreements, minute books and records of correspondence, for and covering the period from January 1, 1929, to January 10, 1939, which include payments and credits to A. P. [redacted]; to agreements in relation to assets amounting to thirty-five million dollars previously carried on the books; the character of such assets; the collateral pledged for them; the obligations created under surety agreements for reduction of the obligations or guarantees thereof; loans and discounts, including losses, doubtful and slow accounts, write-ups of United States and municipal securities; the accounting methods employed to reflect such write-up; the character of the reserve maintained for contingencies; the adequacy of this reserve to cover self-insurance; losses on real estate; depreciation of bank premises, furniture, fixtures; losses on bonds and other securities; the amount and character of foreign exchange and credits held abroad; agreements between the bank and subsidiaries of Transamerica relating to charged-off assets; sale, transfer, assignment, assumption of the guarantees of rights or liabilities under the agreements; repurchase guarantees; an agreement between the Bank and Transamerica relating to 56,000 shares of National City Bank stock; the manner of creation, treatment, and adequacy of the reserves set up on the books of the Bank and its predecessors and the charges thereon. It is perfectly clear, we think, that compliance with these demands will, for all practical purposes, close the Bank, and it is equally clear that by transferring the place of hearing from Washington to San Francisco the Commission may carry on its investigation without unduly and unreasonably hampering the Bank in its business. If this is so, then any other course is so unreasonable as to require correction. In *Hale v. Henkel*, 201 U.S. 43, 26 S.Ct. 370, 50 L.Ed. 652, the Supreme Court had before it a similar case, which is well described in the following quotation:

"Applying the test of reasonableness to the present case, we think the subpoena duces tecum is far too sweeping in its terms to be regarded as reasonable. It does not require the production of a single contract, or of contracts with a particular corporation, or a limited number of docu-

ments, but all understandings, contracts, or correspondence between the MacAndrews & Forbes Company, and no less than six different companies, as well as all reports made and accounts rendered by such companies from the date of the organization of the MacAndrews & Forbes Company, as well as all letters received by that company since its organization from more than a dozen different companies, situated in seven different states in the Union. If the writ had required the production of all the books, papers, and documents found in the office of the MacAndrews & Forbes Company, it would scarcely be more universal in its operation, or more completely put a stop to the business of that company. Indeed, it is difficult to say how its business could be carried on after it had been denuded of this mass of material, which is not shown to be necessary in the prosecution of this case, and is clearly in violation of the general principle of law with regard to the particularity required in the description of documents necessary to a search warrant or subpoena. Doubtless many, if not all, of these documents may ultimately be required, but some necessity should be shown, either from an examination of the witnesses orally, or from the known transactions of these companies with the other companies implicated, or some evidence of their materiality produced, to justify an order for the production of such a mass of papers. A general subpoena of this description is equally indefensible as a search warrant would be if couched in similar terms." 201 U.S. pages 76, 77, 26 S.Ct. page 380, 50 L.Ed. 652.

While it is true the Act authorizes the Commission to subpoena witnesses from any part of the United States, we think it a fair statement that Congress never intended that the power should be exercised to bring from one side of the country to the other the principal officers of a bank and the books and records covering a period of ten years to appear before an examiner of an administrative commission. The right to be free of suit except in the District of which one is an inhabitant is a fixed part of our federal judicial history.¹¹ Its statutory requirement arose out of the experience of colonial days. Its wisdom has been proved in the passage of time, and no more obvious reversal of its spirit could be cited than is shown in the facts of this case. For all of these

¹¹ See, 51, Judicial Code, 28 U.S.C.A. § 1127.

reasons, we are of opinion the subpoenas are unreasonable under the rule laid down in *Hale v. Henkel*, supra. *Federal Trade Comm'n. v. American Tobacco Co.*, 264 U. S. 298, 44 S.Ct. 336, 68 L.Ed. 676, 32 A.L.R. 786; *Mobile Gas Co. v. Patterson*, D.C., 288 F. 884; *Id.*, D.C., 293 F. 208, 228; *Cudahy Packing Co. v. United States*, 7 Cir., 15 F.2d 133.

We therefore hold:

1. That the delivery to the Commission by the Secretary of the Treasury of the examiners' reports was authorized and legal;
2. That their use in proceedings to obtain the necessary facts and information whereby to carry out the investigatory function of the Commission, is proper;
3. That except to the extent necessary to carry out the purpose just above mentioned the reports should be treated as confidential; and
4. That the subpoenas in their present form are unreasonable and should not be enforced.

We, therefore, remand to the trial court, with instructions to revoke the decree dismissing the complaint. But the Commission, by counsel, having given assurances that the examiners' reports will not be given publicity except as authorized in this opinion and the subpoenas having expired by limitation and being now ineffective, no injunction need issue. The cause will remain on the trial docket of the District Court with the right to the Bank to apply for further relief if it should become necessary by subsequent events contrary to the views expressed herein.

Affirmed in part; reversed in part; and remanded.



**GIOVANNONI et al. v. WAPLE &
JAMES, Inc.**
No. 7163.

United States Court of Appeals for the
District of Columbia.

Decided May 8, 1939.

1. Brokers ⇨74

A purchaser who has not employed broker nor agreed to pay broker's com-

missions is not liable for commissions nor liable in damages to broker resulting from purchaser's breach of contract of sale.

2. Brokers ⇨74

Where contract of sale signed by purchasers provided that broker's commissions were to be paid by owner, and contained no inference of employment of broker by purchasers or of any obligation of purchasers to pay commissions, purchasers who breached contract were not liable to broker for damages in amount of commissions.

3. Brokers ⇨72

No recovery could be had by broker against purchasers for expenses allegedly incurred at instance of purchasers in securing examination of title, title certificate, and preparation of deed, where contract of purchase recited that conveyancing fees were to be paid by purchasers and there was no showing of payment by broker.

In Error to the Municipal Court of the District of Columbia.

Suit by Waple & James, Incorporated, against Alfred L. Giovannoni and another to recover as damages the commission which would have been payable to plaintiff if the defendant had not defaulted on contract to purchase a house listed for sale with the plaintiff. To review a judgment for plaintiff, the defendants bring error.

Judgment reversed and cause remanded.

Maurice Friedman and C. Leo DeOrsey, both of Washington, D. C., for plaintiffs in error.

Louis Ottenberg and H. Max Ammerman, both of Washington, D. C., for defendant in error.

Before GRONER, Chief Justice, and MILLER and VINSON, Associate Justices.

VINSON, Associate Justice.

The plaintiff, Waple & James, Inc., defendant in error here, is a real estate brokerage corporation doing business in the city of Washington. Defendants, plaintiffs in error here, became interested in a house listed for sale by plaintiff, and made an offer to purchase it through one of plaintiff's salesmen. Failing to obtain that house, defendants told the salesman to

UNITED STATES COURTHOUSE
Judge Learned Hand's Chambers

Windsor, Vt.,
September 3, 1943

Dear Mr. Secretary:

I have your letter of the 31st and shall of course be glad to talk with you and Mr. Paul over whatever you have in mind. I note that it is somewhat like the question in *Bank of America v. Douglas*, 105 Fed (2nd) 100; but that does not help me as I do not remember that decision — at least not by its title. I note also that you are assured that the point involved will not come up in the Second Circuit.

My plan is to leave here on Monday, September 27th for the Conference of Senior Circuit Judges which will be held at Washington beginning the next day. If that is too late, I could come down a day earlier, provided I could get a berth for Sunday night — the only communication from here on Sunday being by sleeper from New York or Springfield. Should you think it worthwhile to come here at some time before the 27th I shall of course be glad to see you in Cornish, a little place three miles from Windsor. I think that there is an air base at Lebanon about twelve miles from where we live; at least one was said to be building earlier in the summer. If we could find a convenient place to talk, I could motor up there to meet you — your letter would certainly be warrant enough for my getting the necessary gas.

I shall be away from here over Labor Day and again for a few days later in the month when I must meet two colleagues over a pending case. The time for that is not yet decided, but it will not take more than three or four days. If therefore what you wish cannot wait till the 27th, pray let me know when you would like to come and where you will land.

Sincerely yours,

(Signed) Learned Hand

P. S. If Lebanon is not available or convenient, I know that there is a field at Burlington. I should be very happy to motor there also. Indeed, I will meet you at any field provided I can get the gas, which, as I say, ought not under the circumstances to be a difficulty.

(Signed) L. H.

25

August 31, 1943

Dear Judge Hand:

I telephoned your office this afternoon because I am confronted with a question somewhat similar but not the same as the question involved in the case of Bank of America N. T. & S. A. v. Douglas, 105 F.(2d) 100. My hope was that I would be able to make arrangements for me and my General Counsel, Randolph E. Paul, to discuss the situation with you. I intended to seek your help in the matter because I am assured that no aspect of the case could ever come before you in your judicial capacity and it would be a great help to me to have some expression of views from you on both the legal and policy level.

I learned from your Secretary that you were in Vermont until Court reconvenes early in October. Since the matter is somewhat pressing, Mr. Paul and I would like to come to Vermont to see you, if it is agreeable to you. We could fly to some neighboring airport without too much trouble, and we would hope that we would not be disturbing your vacation unduly.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Judge Learned Hand
United States Circuit Court of Appeals
Second Judicial Circuit
New York, New York

REP:t
8-31-43

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

SEP 7 - 1943

TO Secretary Morgenthau
FROM Randolph Paul

Attached hereto is a memorandum for your
diary on the most recent phase of the APC - Foreign
Trade Control matter.



September 3, 1943.

MEMORANDUM FOR THE SECRETARY'S DIARY:

On August 12, 1943, Secretary Morgenthau addressed a letter, copy of which is attached, to the President, requesting that Judge Rosenman be assigned the problem which had arisen between the APC and the Treasury. This problem involved the proposed action of the APC in taking over the supervision of all business enterprises in the United States owned by persons in certain of the occupied countries, including France. This proposed action of the APC would be directly contrary to the provisions of the Executive Order prescribing the respective jurisdictions of the Treasury and the APC.

John Pehle had luncheon today with James E. Markham, who is Deputy Alien Property Custodian. Markham indicated that after carefully considering the matter the APC had decided to accept the Treasury's view and not attempt to take over this field. This matter was promptly reported to the Secretary, who requested Pehle to discuss the matter with Judge Rosenman who was coming to the Treasury at 3 p. m. Judge Rosenman advised Pehle that the President had asked him to look into the matter but that he had not done anything about it until Thursday, September 2nd, when he met Crowley and Markham at a social gathering. Rosenman asked Crowley and Markham about the matter and was advised that the APC had decided to adopt the Treasury's point of view.

Pehle reported that the APC had agreed to withdraw its proposed program and Judge Rosenman said that there would appear to be no further action which he should take in the matter.



AUG 12 1943

My dear Mr. President:

Mr. Crowley has brought up a matter which was settled when you issued the Executive Order defining the respective fields for the Treasury and the Alien Property Custodian. Judge Rosenman spent months and months on this and I would appreciate it if you would refer this matter again to Judge Rosenman who is entirely familiar with it and who I understand would be glad to go into it.

Faithfully yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The President,

The White House.



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON 25



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September 7, 1943

MEMORANDUM TO THE SECRETARY

MA

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

We are cooperating with the Bureau of the Mint in the transfer of approximately 20,000,000 ounces of silver in bars to India and approximately 5,050,000 ounces in the form of coins to Australia. There is available at the assay office in New York City the total quantity of silver bars for India, for loading as ships are made available. The proposed shipping schedule extends over a period of several weeks, commencing about September 9th. The coins for Australia are to be produced at the San Francisco and Denver mints, and preliminary steps have been taken to arrange for transportation when the coins are available for shipment.

Clifton E. Mack
Clifton E. Mack
Director of Procurement

LEND-LEASE
TREASURY DEPARTMENT, PROCUREMENT DIVISION
STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
AS OF SEPTEMBER 1, 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	\$3875.2 (3875.0)	\$1931.8 (1931.8)	\$1557.0 (1557.0)	\$103.4 (103.4)	\$11.0 (10.9)	\$272.0 (271.9)
Purchase Authoriza- tions (Requisitions)	\$2982.7 (2984.2)	\$1585.7 (1594.9)	\$1230.3 (1224.5)	\$36.6 (36.5)	- -	\$130.1 (128.3)
Requisitions Cleared for Purchase	\$2921.6 (2924.9)	\$1554.4 (1561.9)	\$1207.2 (1203.6)	\$36.5 (36.4)	- -	\$123.5 (123.0)
Obligations (Purchases)	\$2859.6 (2858.3)	\$1534.1 (1540.5)	\$1181.9 (1174.9)	\$36.4 (36.4)	\$7.4 (7.3)	\$99.8 (99.2)
Deliveries to Foreign Governments at U. S. Ports*	\$1286.3 (1220.7)	\$849.3 (837.0)	\$355.5 (352.2)	\$13.3 (18.3)	- -	\$13.2 (13.2)

*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 25, 1943

EXPLANATION OF DIFFERENCE.

The decreases in United Kingdom are
caused by an amendment to Contract 29844.

September 7, 1943

Major General J. H. Burns, U. S. Army
The President's Soviet Protocol Committee
Washington 25, D. C.

My dear General:

Thanks very much for sending me the memorandum submitted to the Secretary of State by the Soviet Embassy, dated September 1, 1943, in reply to this Government's last proposal with reference to the proposed Third Protocol.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

THE PRESIDENT'S SOVIET PROTOCOL COMMITTEE
WASHINGTON 25, D. C.

OFFICE OF THE ATTORNEY GENERAL
1901 Columbia Building, Washington, D.C. NW.

The Honorable

My dear Mr. Secretary:

Sincerely yours,

J. H. BURNS,
Major General, U.S. Army.
Executive.

1 Inclosure

Regraded Unclassified

MEMORANDUM

Now is the answer of the Soviet Government to the proposals made by the Government of the United States regarding the Third Protocol: In view of the fact that the U. S. Government does not agree to make available shipping space trading under the U.S. flag in excess of 2,400,000 short tons for U. S. shipment to the Soviet Union under the Third Protocol through the Atlantic Ocean, the Soviet Government, with the purpose of reconciling of the amount of deliveries with available shipping facilities, agrees to decrease the Program of supplies under the Third Protocol proposed by the United States Government from 7,080,000 tons to 5,600,000 tons, including 500,000 tons of stocks and carry-overs, by decreasing the quantities of the following items /in short tons/:

a/ Wheat and flour 700,000 tons (including deliveries from Canada) instead of 1,680,000 tons.

b/ Concentrated foods 177,000 tons instead of 252,000 tons.

c/ Ferrous metals 500,000 tons instead of 710,000 tons.

d/ Petroleum products 360,000 tons instead of 565,000 tons.

e/ Various chemicals 9,200 tons instead of 18,800 tons.

At the same time the Soviet Government agrees to the above-mentioned decrease in the deliveries of the petroleum products on the provision that the Government of Great Britain will continue deliveries of aviation gasoline to the USSR from Iran at the rate of 10,000 tons per month during the Third Protocol period and the U. S. Government will replace these deliveries to England out of its own supplies without decreasing the above mentioned amount of petroleum product deliveries to the USSR from the United States of America.

The Government of the USSR, agreeing to decrease the program of deliveries under the Third Protocol, is relying upon the assurance of the U. S. Government that the United States agrees to increase the aforementioned amount of deliveries if conditions permit and circumstances justify it in future."

Embassy of the Union of Soviet Socialist Republics
Washington, D. C.

September 1, 1943

Regraded Unclassified

SECRET

DEPARTMENT OF STATE
WASHINGTON

September 2, 1943

My dear General Burns:

In the absence of Mr. Acheson, the Secretary has asked me to submit to you the attached reply to the proposals made by the United States regarding the Third Protocol which has just been received from the Soviet Embassy.

Sincerely yours,

(Signed) Kermit Roosevelt, Jr.

Kermit Roosevelt, Jr.
Special Assistant to the
Assistant Secretary

Major General J. H. Burns,

Munitions Assignments Board,

Combined Chiefs of Staff Building.

COPY

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OK

DEPARTMENT OF STATE

FDR

THE SECRETARY

CONFIDENTIAL

September 7, 1943

Memorandum for the President

In November 1942 we informed the British Government of our readiness to begin informal, exploratory talks with representatives of the governments with which mutual-aid agreements had been concluded concerning the steps to be taken toward formulating plans for giving effect to the post-war economic policies laid down in Article VII of those agreements. The British Government designated two representatives to discuss monetary problems with the Treasury Department but indicated that it was not then ready for discussions of other subjects.

In an aide-memoire dated August 4, 1943, the British Embassy referred to the foregoing and indicated that it had carried further its study of the various topics and is now prepared to begin informal exploratory conversations in the whole field covered by Article VII with a view to reaching agreement on an orderly agenda for these discussions, and to send a delegation of senior officials to Washington for this purpose. The plan is for these officials to arrive here in about a week, although the

- 2 -

discussions will not begin until September 20 or thereabouts.

The Department, after consultation with the Secretary of the Treasury, has replied that it is in accord with the British suggestion and has expressed the view that it would be preferable that the conversations on monetary policy continue in the existing channel; that is, in the Treasury Department between representatives primarily of the two treasuries; also that the Treasury representatives should deal with the subject of international investments. It was further stated that this Government is making the necessary arrangements for conversations on commercial policy, the regulation of primary products and related subjects, to take place in the Department of State.

It is my intention to ask Mr. Myron Taylor to carry on the discussions in the latter fields on behalf of the United States with the assistance of the following officers of this Government:

State Department

Leo Pasvolsky, Special Assistant to the Secretary
of State

Herbert Feis, Adviser on International Economic
Affairs

- 3 -

Harry C. Hawkins, Chief, Division of Commercial
Policy and Agreements

John D. Hickerson, Assistant Chief, Division of
European affairs

Leroy D. Stinebower, Chief, Division of Economic
Studies

Treasury Department

Harry D. White, Assistant to the Secretary and
Director, Division of Monetary Research

Commerce Department

Will Clayton, Assistant Secretary

Amos E. Taylor, Director, Bureau of Foreign and
Domestic Commerce

Department of Agriculture

Paul Appleby, Under Secretary

Leslie A. Wheeler, Director, Office of Foreign
Agricultural Relations

Tariff Commission

Oscar B. Ryder, Chairman

Lynn R. Edminster, Vice Chairman

I should appreciate being informed whether the fore-
going meets with your approval.

I have advised the Governments of Soviet Russia and
China of our readiness to enter into similar discussions
with representatives of those Governments, respectively.

/s/ C. H.

VISIT OF THE UNITED KINGDOM GROUP
TO DISCUSS ARTICLE VII

Arrangements regarding Publicity

1. If questions are asked regarding the visit, oral reply will be made by the person of whom inquiry is made within the framework of the following statement:

The United Kingdom officials are here to deal with several pending matters of current Government business related to the war which will be expedited through oral discussion between them and the officials of the United States Government concerned. They will also continue the conversations which were begun last Spring on the monetary plans prepared by Treasury experts and will hold similar informal discussions on related subjects, including some phases of commercial policy, with interested officials of the United States Government.

2. There will be no written statement to the press regarding the purpose and nature of the discussions unless later developments should seem to make this desirable.

3. The United Kingdom Government probably will make public the names of officials who have come to the United States, but the names will not be given out as a group or delegation but as individuals who are in this country for informal discussions on matters within the field of their respective responsibilities, with various officials of this Government.

4. Names of United States officials participating in these discussions will not be given out by this Government.

Foregoing phoned to Mr. Opie of British Embassy who took it down and who will place it in hands of all British officials concerned.

SEP 7 1943

My dear Senators:

I want to express my appreciation for your interest in the tentative proposal for an International Stabilization Fund. You may be sure that the members of the Treasury staff will always be available to discuss with you any aspect of the problem of international monetary cooperation.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Sheridan Downey,
United States Senate,
Washington, D. C.

EMB/jm
9/1/43

United States Senate

COMMITTEE ON MILITARY AFFAIRS

August 28, 1943

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

My dear Mr. Secretary:

This is a belated acknowledgment of your July 28th letter enclosing a preliminary draft of a proposal for "International Stabilization Fund" for which please accept my thanks and assurance it will be read with interest. I shall certainly take advantage of your kind suggestion that you will give further information if it is desired. I realize the imperative necessity that a proper system of international exchange be worked out, and am most anxious to lend my services to such an end.

Sincerely,

Sheridan Downey
SHERIDAN DOWNEY

SHERIDAN DOWNEY

SD/gb

SEP 7 1943

My dear Mr. Smith:

This is to acknowledge your letter of August 31, 1943, submitting a series of questions pertaining to the revised draft of the tentative proposal for an International Stabilization Fund.

A full reply to your questions is being prepared and will be sent to you shortly.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Frederick C. Smith,
House of Representatives,
Washington, D. C.

E/mc/amy

COMMITTEE
BANKING AND CURRENCY

HOME ADDRESS:
MARION, OHIO

Congress of the United States
House of Representatives
Washington, D. C.

August 31, 1943

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

Dear Sir:

I have gone over your second draft of a proposed International Stabilization Fund and am herewith submitting a series of questions pertaining to the same. I should greatly appreciate your getting to me answers to these questions at the earliest time possible.

Thanking you, I am

Very truly yours,

Frederick C. Smith
Frederick C. Smith

Enclosure

Congress of the United States
House of Representatives

Washington, D. C.

August 31, 1943

Questions pertaining to the Proposal of the
United States Treasury for the Creation of an International
Stabilization Fund.

Name the individual countries which would be included in the plan which the "Revised Draft" of July 10, 1943 designates "The United Nations countries associated with them, as declared in the Atlantic Charter."

- 1 - 4. What is meant by "blocked foreign balances"? Does this refer to what is termed "abnormal balances in overseas ownership held in various countries at the end of the war" in Section 34 of the Keynes Plan ("Text of a paper containing Proposal by British Experts for an International Clearing Union, British Information Service, April 8, 1943")?

What is the nature of the blocked foreign balances?

Do blocked foreign balances include refugee money?

Does the term "free foreign exchange" exclude the blocked foreign balances?

How were the blocked foreign balances created?

Name the countries whose balances the United States holds in the form of blocked foreign balances and state the amount of each such balance held.

Name the countries whose balances England holds in the form of blocked foreign balances and state the amount of each such balance held.

Does Russia hold any blocked foreign balances, and if so, name the countries whose blocked foreign balances she holds and the amount of each such balance held.

What is the total amount of all blocked foreign balances held?

COMPOSITION OF FUND

- (A) State the formula. Show the factors which would form the basis for computing each quota.

State the weight that would be given to each such factor.

August 31, 1943

State the amount of gold held by each country which would be used as a factor for computing its quota.

State the amount of free foreign exchange held by each country which would be used as a factor for computing its quota.

State the "magnitude and the fluctuations of the balance of international payments" of each country which would be used as a factor for computing its quota.

State the national income of each country which would be used as a factor for computing its quota.

Name the factors which are included in the term "etc." Show the figure representing each such factor for each country which would be used in computing its quota.

Show the figure for each country that would represent its quota.

Show the amount of gold each country would pay into the Fund.

Show the amount of "local currency", or "government securities" which each country would pay into the Fund.

VI - Show in terms of arithmetic the "basic voting power" each member country would be entitled to cast.

11 - 3 - a States in part:

"The gold payment required of a member country, substantial parts of whose home areas have been wholly or partially occupied by the enemy; shall be only three-fourth of the above."

Designate which of the following countries this would include, and name each other country it would include.

- | | |
|------------|-------------------------|
| 1. China | 8. Poland |
| 2. Russia | 9. Czechoslovakia |
| 3. France | 10. Yugoslavia |
| 4. Belgium | 11. Greece |
| 5. Holland | 12. Luxembourg |
| 6. Denmark | 13. North African Areas |
| 7. Norway | |

Page 7 August 31, 1943

V - 2 - 1st paragraph -

Would not the effect of this provision be to concentrate the gold in the "International Stabilization Fund"?

V - 2 - 2 - Would not this section have the effect of concentrating gold in the International Stabilization Fund?

V - 3 - Would this section place restrictions on capital transfers?

V - 4 - 1st paragraph - Would not the effect of this provision be to concentrate gold in the International Stabilization Fund?

V - 5 - 2nd paragraph - Give a concrete illustration of the manner in which this section would operate.

Just what is meant by the second sentence of this paragraph?

V - 7 - Would this section have the effect of concentrating gold in the International Stabilization Fund?

V - 14 - Would this section have the effect of concentrating gold in the International Stabilization Fund?

What is meant by "multiple currency devises"?

V - 2 - a - 2nd Paragraph;	)	It would appear the language of these sections would make it optional with the Fund
V - 2 - b;	)	whether it would accept gold, or whether it
V - 2 - c;	)	would accept foreign exchange of other instruments of payment as the case might be.
V - 2 - d;	)	

Is this interpretation correct?

What, if any, would be the criterion for deciding whether gold would be taken in payment, or whether other instruments would be taken in payment?

#####

NOT TO BE RE-TRANSMITTEDBRITISH MOST SECRET
U.S. SECRETCOPY NO. 13OPTEL NO. 296

Information received up to 10 a.m., 7th September, 1943.

1. NAVAL

One of H.M. Destroyers was sunk by U-boat last night 40 miles east of GIBRALTAR. 9 Officers and 120 ratings have been picked up.

2. MILITARY

ITALY. Troops of 5th Division captured PALMI on the morning of the 6th and pushed on towards GIOIA where patrols met slight resistance. Inland the Canadians captured DEFILANUOVA and advanced further east and north-east from the village. In the Southern Sector, demolitions are hindering progress. Air Reconnaissance 6th, reported no movement or concentrations in the Toe.

3. AIR OPERATIONS

MANNHEIM. 1,463 tons dropped including 262 4,000 pound H.E. and 754 tons of incendiaries. Clear weather, good visibility. Attack heavy and highly concentrated, resulting in fierce conflagration covering extensive area. Several heavy explosions reported. Crews agree most successful attack yet made on this objective. A/A fire heavy but diminishing. Many fights with night Fighters of which 11 reported destroyed and 4 damaged.

6th. Out of 338 Fortresses sent out 49 bombed STUTTGART, the remainder attacked various other objectives in Southwest GERMANY. A total of 219 medium bombers and 26 night and fighter bombers attacked railway centres in Northern FRANCE and BELGIUM and the docks at BOULOGNE. 1430 Fighter Sorties were flown as escort and cover. (Corrupt Section)

ITALY. 4th/5th. 73 Wellingtons bombed airfields at GRAZZINISE and Bostons bombed railway yards at BATTISAGLIA.

5th. 138 Fortresses bombed VITERBO Airfield and 103 Mitchells attacked GRAZZINISE Airfield. 48 medium Bombers attacked PIZZO and TROFEA, Northeast of PALMI.

SARDINIA. 5th. 4 Medium Bombers attacked R.D.F. installations at PULA and 40 Fighter Bombers attacked an airfield near CAGLIARI.

Regraded Unclassified

September 8, 1943
9:40 a.m.

TAXES

Present: Mr. Paul
 Mr. Gaston
 Mr. Sullivan

(Letter to Mr. Stam read by the Secretary, copy attached.)

H.M.JR: It is a good letter. It covers everything you want but softens it up. Don't you think so, John?

MR. SULLIVAN: Yes.

(Letter to Mr. Stam signed by the Secretary.)

H.M.JR: There is a word here or a word there I might change, but what the heck - you could keep that up all day long. It ought to go up special, by hand today.

MR. PAUL: Yes. Stam is coming down here today, but we will send it up by hand.

(Letter to Senator George read by the Secretary, copy attached.)

H.M.JR: This is all right. (Letter to Senator George signed by the Secretary.)

Now, would you gentlemen please see that Mrs. Klotz has not only what I write on this thing, but also anything that you write, like the letters between you and George?

MR. SULLIVAN: Yes, sir.

- 2 -

MR. PAUL: Those other two requests to Helvering are just formal things for the record, just between you and him. In case this ever comes up, it will be part of the record. (Memoranda to Commissioner Helvering handed to the Secretary by Mr. Paul, copies attached.)

H.M.JR: But be sure that my office gets the complete file.

Well, now, does this mean it was submitted to the President?

MR. PAUL: No, you are speaking for the President.

H.M.JR: Can I do that?

MR. PAUL: Yes, you can under that statute. You are the President's alter ego under that statute.

(Memoranda to Commissioner Helvering signed by the Secretary.)

H.M.JR: What else?

MR. PAUL: That is all I have here. I am glad to get these going. We will just have to wait, now. The chances are we won't hear today from the President?

H.M.JR: I don't know.

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Dear Mr. Stam:

Your letter of September 4, 1943, has come as a surprise to me. I have been following with close interest the course of the discussion between your staff and the Treasury staff and I am convinced that as a result of the interchange of information and ideas between us we have made real progress in our mutual search for solutions to the vexed problems which face us.

Our files reveal that you have communicated to us numerous suggestions covering many facets of the revenue situation. These suggestions have been of considerable help in our studies. We have, in turn transmitted to you our ideas on the revenue situation and a very considerable body of information which we have developed in the course of our studies.

For example, within the last month and a half you served four formal requests upon the Treasury Department, including the Bureau of Internal Revenue, for a vast mass of material. In one request addressed to Mr. Paul, you directed that there be delivered to your office "Any suggested alternative plans already prepared by the Treasury Department in 1943 for raising additional revenue or combating inflation, together with accompanying schedules." Another request directed the Commissioner of Internal Revenue to furnish "Any alternative suggestions of your staff for raising additional revenue or combating inflation, with accompanying data and statistics." All four requests have been complied with.

- 2 -

In addition, the Treasury has prepared numerous analyses at your request, and has held numerous and continuing conferences with you and members of your staff. At the present time the Treasury is engaged in making eight special studies pursuant to interchanges of ideas between the two staffs. This work on the part of my staff has been done without hesitation and with a keen appreciation of our mutual responsibilities in meeting the highly complex problems which face us.

Either in conference or in memoranda, we have discussed with you and transmitted to you suggestions and proposals with respect to a broad range of subjects. Some of these subjects are: Increase in individual income tax rates with accompanying relief features, individual excess profits tax, tax on increase in individual incomes, compulsory savings, refundable individual income tax, spendings tax, integration of the victory tax, sales tax, the earned income credit, the substitution of a credit against tax for the present personal exemption and credit for dependents, integration of the individual normal tax and surtax, changes in corporation normal tax, surtax, and excess profits tax rates, tax on small corporations, postwar reserves, capital stock tax, flat rate tax on income of certain presently-exempt corporations, limitations on the amounts of certain income tax deductions, miscellaneous excise tax changes and additions, changes in rates and exemptions for gift and estate taxes, administrative changes, simplification, plugging tax loopholes, elimination of individual income tax returns, and the mechanics of withholding.

Your letter implies that no affirmative suggestions for changes in, or additions to, the revenue laws have been made to you by the Treasury. I am sure you will find that the record is to the contrary. Just as you have extended to us the benefit of your ideas, so the Treasury has both in writing and in

- 3 -

conference advanced numerous suggestions to you and to members of your staff. We are still awaiting an expression of your reaction to many of these proposals. You have informed us that you have not as yet reached a decision on a number of these suggestions and that your reaction to others depends upon what might be done legislatively in the field of renegotiation of war contracts, so that you cannot express a view at this time.

In addition, you have not expressed your opinion on certain matters because you regard the decision as resting with the Committees. Correspondingly, Mr. Paul has not been in a position to give you decisions on such matters, or matters which are peculiarly the subject of presentation by the executive branch to the Committees for their consideration and decision.

I appreciate the aid which you have given us and assure you that my staff always has been and remains at your disposal for the free exchange of information and ideas. It is my sincere desire that our dealings with each other be on a plane of mutual trust and respect.

Sincerely yours,

Secretary of the Treasury

Mr. Colin F. Stam
Chief of Staff
Joint Committee on Internal
Revenue Taxation
Washington, D. C.

BMBrodsky:hdr
9-8-43

25

My dear Senator:

You may be interested in the attached copies of a letter which I have received from Mr. Stan and my reply to him, together with a memorandum showing the record of the work which Mr. Stan's office and the Treasury have been doing together.

I hate to take up your time by writing to you about this matter. You have more important things to do, and so have I. I can assure you that everyone in the Treasury wants to help the Congress of the United States write an effective tax bill and I sincerely hope that any petty misunderstandings will not keep us from accomplishing the ultimate objective.

Sincerely yours,

Secretary of the Treasury

Honorable Walter F. George
United States Senator
Vienna, Georgia

Enclosures

BMBrodsky:hdr
9-8-43

MEMORANDUM

TO: Commissioner Helvering
FROM: Secretary Morgenthau

I have examined the attached material containing suggestions in the estate and gift tax fields for consideration in connection with the new revenue program. I understand that this material was submitted for examination on behalf of the President to ascertain whether disclosure thereof would be contrary to the public interest and that if not, you desire to submit the material to the Staff of the Joint Committee on Internal Revenue Taxation. As there is nothing therein disclosure of which would be contrary to the public interest, I am returning the material to you for such submission.

Attachment

SSSurrey:hdr
9-8-43

September 8, 1943
11:33 a.m.

211

Operator: Go ahead.

HMJr: Hello.

Herbert
Lehman: Hello, Henry.

HMJr: Good morning.

L: Good morning. How are you?

HMJr: Fine.

L: Henry, I wanted to get some advice if I could.

HMJr: Please.

L: We - I have to get a new public information man.

HMJr: Yes.

L: The man I had - Tom Reynolds, who was fine - he's a newspaper man - is going back to the Chicago Sun and I've got to have somebody who is discreet, knows Congress, knows his way about Washington, if such a man is available.

HMJr: Yeah.

L: I - I was wondering whether you had anybody that you could suggest.

HMJr: Well, I'll ask our people. They're pretty scarce.

L: I know they are awfully scarce, because I've been chasing around.

HMJr: But - uh - of course, the first question I'll ask you is what do you pay?

L: Uh - we pay up to \$8,000.

HMJr: I see.

L: Right.

HMJr: Well, I'll pass it along and see what they can think about.

L: All right. If you can, I'd appreciate it. Now one other question.

HMJr: Yeah.

L: We are working out now, in connection with this United Nations thing....

HMJr: Yeah.

L:some - we're trying to work out a plan of financing it.

HMJr: Yeah.

L: We've been working very closely with - with Harry White and Taylor....

HMJr: Yeah.

L:and I know they want to be just as helpful as they possibly can be to us. I feel that we've done a lot of research work - uh - there are lots of questions we can't possibly answer, but we've got to get - bring the - our loose ends together.

HMJr: Yeah.

L: Now, when I say "we" I'm talking now in preparation for UNRA.

HMJr: Yeah.

L:although what my connection with it will be, I don't know.

HMJr: Yeah.

L: So, I'm setting up a little - little unit on that.

HMJr: Yeah.

L: But we want to work very closely with the Treasury....

HMJr: Yeah.

L:on it and I don't want to get anybody in there who would - who - who - who wouldn't be agreeable.

HMJr: Yeah.

L: I mean I want somebody who - who's going to work very well.

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HMJr: Yeah.

L: Do you know a man by the name of Percy Bidwell?

HMJr: No.

L: You don't know him?

HMJr: No.

L: Uh huh.

HMJr: No, he doesn't mean anything to me.

L: The name of Jacob Viner has been suggested but I - I was told - but I'm not sure that he - somebody also suggested that he wasn't sure how closely he and Harry White would work together.

HMJr: Oh, they get along pretty well.

L: Uh huh.

HMJr: But Viner isn't too satisfactory a person to have on a job.

L: He's not?

HMJr: Not too satisfactory.

L: Well, I - I've really discarded him....

HMJr: Not too satisfactory.

L:because I do want - I don't mean to say that I want a man who is going to necessarily accept everything that's told him....

HMJr: No.

L:or suggested, but I do want....

HMJr: May I make a suggestion?

L: Yeah.

HMJr: Why don't you ask Harry White to come over and see you and sit down and talk to you?

L: Well, I probably will, then. I thought you might know this man.

HMJr: No, I don't.

L: All righty.

HMJr: But I'll - I'll see what else....

L: All right.

HMJr: I do think that when.....

(Remainder of conversation not recorded)

September 8, 1943
2:15 p.m.

THE LITTLE BUSINESSMAN

Present: Mr. Paul
Mr. O'Connell
Mrs. Klotz

H.M.JR: I want to give you an interesting job. I had lunch with the Vice President today and he thinks that we ought to do something for the little businessman for two reasons: One, if we don't want to have Fascism in this country, we have got to encourage the little businessman; and, second, make it possible for him, for both the tax and profit incentive, to risk his capital; and, third, in peacetime we ought to have a hundred and thirty billion dollars in national income, and if we do we need very much increased production, and we need, again I say, the little businessman.

So I said that I would forget my age, pretend I was young, and with the help of some young men - this was my idea, what I am going to say now - see whether, for the little businessman, we couldn't design a corporation which would correspond to Farm Credit and do for the little businessman what I did for the farmer. See?

Now, what you (O'Connell) ought to do, if agreeable to you (Paul) - under your supervision, I want to--

MR. PAUL: I sent some stuff on the little businessman up to Senator O'Mahoney recently. He had better take a look at that.

H.M.JR: You had better begin reading Justice Brandeis if you haven't done it, and then you had better read Robert H. Jackson. Those are about two as good people as I can refer you to. You might even go and see them.

- 2 -

Will you take that on? I told the Vice President that when we had the thing in such shape that I was satisfied, we would have a little talk.

MR. O'CONNELL: All right.

H.M.JR: He thinks that for the political platform it would be most useful.

MR. O'CONNELL: All right.

**EISENHOWER ANNOUNCES UNCONDITIONAL SURRENDER OF ITALIAN ARMED
FORCES.**

9/8--GE1147A

September 8, 1943 218
3:40 p.m.

HMJr: Hello.

Operator: All right, sir.

HMJr: Hello.

Operator: There you are.

Steve
Early: Hello, Henry.

HMJr: Steve.

E: You called me a moment ago and I couldn't talk.

HMJr: Well, I gave my message to your efficient Mrs. Rumelt but I'll give it to you again although I don't think it's necessary.

E: What is it, Henry?

HMJr: Well, my introduction of the President is on the way over to you now.

E: Yeah.

HMJr: I'd like very much if you would read it....

E: Yeah.

HMJr:and then show it to the President and make sure I'm in tune with him.

E: Well, he hasn't gotten yet - doesn't know yet what he's going to say, I'm afraid.

HMJr: Well, anyway it will be - my thing will be in your hand....

E: Yeah.

HMJr:and I'm going to leave it with you.

E: All right.

HMJr: Because....

E: Knox just finished telling me the same thing....

HMJr: Well....

E:about something else - Elk Hills.

HMJr: Beg pardon?

E: Knox just finished telling me something - the same thing about Elk Hills.

HMJr: Well, he's not introducing the President.

E: No, but he's signing a contract with the Standard Oil of California.

HMJr: Well, that's a little bit different.

E: Yeah. But I get it, gosh damn him. All right, Henry.

HMJr: But - uh - you're the only fellow I can count on over there.

E: All right, Buzz, I'll do the best I can for you on it. I think that will be all right - I'm sure.

HMJr: That's good enough.

E: Right, Henry.

HMJr: Thank you.

September 8, 1943

Dear Steve:

I am enclosing herewith a draft of what I propose to say to introduce the President this evening. I would greatly appreciate it if you would show this to him, and get his suggestions and approval. Just as soon as you have this, I wish you would have your secretary get in touch with Mrs. McHugh in my office, and she will get it to me, as I am taking the movie stars down to Mount Vernon this afternoon.

Yours sincerely,

(Signed) Henry

Honorable Stephen Early,
Secretary to the President,
The White House,
Washington, D.C.

Del. by S.S. 3:45 9/8

THANK YOU, MR. CAGNEY.

LADIES AND GENTLEMEN:

Victory in Italy is only the beginning of a long, arduous and expensive march to Berlin and Tokyo. The Bonds that the American people have bought up to this time have helped pay the staggering bill for the equipment, the ammunition, and other vital materials of war which have made possible the glorious victory today.

The first and second War Loans helped pay the bill for the Italian conquest.

But the long, hard march to Berlin and Tokyo has just begun. If you think it will be easy, if you think we can win this fight with one hand -- then you are wrong, dangerously wrong.

- 2 -

Before the last shot is fired, many lives are going to be lost and many billions spent. The more American dollars that go into superior equipment, the less American blood will redden foreign soil.

As I pointed out last Monday, it may cost between two and three billions just to bomb Berlin off the map. And before we get to Berlin there will be other difficult, costly steps to take.

Now, more than ever before, we need the help of every individual American. As Mr. Churchill said last week when he bought the first Bond of the Third War Loan, "This loan will undoubtedly have the effect of appreciably shortening the struggle if fully subscribed. But if it fails, it would entail a prolongation. For that reason, every one should give it utmost support."

- 3 -

We are proud, tonight, that it is the President who launches this most vital, most important Third War Loan which will help to carry the United Nations further along towards the surrender of all our enemies.

I give you the Commander-in-Chief -- Franklin Delano Roosevelt.

RADIO ADDRESS

Victory in Italy is only the beginning of a long, arduous and expensive march to Berlin and Tokyo. The Bonds that the American people have bought up to this time have helped pay the staggering bill for the equipment, the ammunition, and other vital materials of war which have made possible the glorious victory today.

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- 2 -

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I give you the Commander-in-Chief -- Franklin Delano Roosevelt.



September 8, 1943
8:20 p.m.

226 ✓

Operator: Here you are, sir.

HMJr: Hello.

Steve
Early: Yes, Henry.

HMJr: Good evening.

E: Yeah.

HMJr: I got your message that you liked my talk....

E: Yeah.

HMJr:and that we should release it here.

E: Why certainly.

HMJr: Well....

E: It never was my understanding that we were going to do it....

HMJr: Well....

E:because I was asked to return it as soon as it was approved.

HMJr: Well, the whole point is, when I do something with the President I'd rather be told to release it than to do the other.

E: Ah - well, I called Miss McClure, I think it was....

HMJr: McHugh.

E:a few minutes ago - McHugh - a few moments ago and told her, in your absence that I would dare for the first time to give an order.

HMJr: That's all right. Well, I'd rather be accused of being over modest than "pushy"....

E: That's right. That's right.

HMJr:when I do something with the President.

E: That's right. Well, now don't get her in trouble because I told her....

HMJr: No, no.

E:that I'd be responsible.

HMJr: No, no, no. She....

E: But I do think that speech ought to be - that introduction - it is sort of a little speech - should be given out. It's an essential part of the story.

HMJr: Well- uh - it - I just came back and we are having it copied....

E: Good.

HMJr:very shortly.

E: Schwarz is going to put it out?

HMJr: Excuse me.

E: Schwarz, is it?

HMJr: Yes, Schwarz.

E: He'll put it out?

HMJr: That's right - to our regular press people.

E: Well, that's right.

HMJr: So it's 9:45?

E: That's right, Henry.

HMJr: And they sent me down the river a copy of the President's speech - Sam Rosenman did.

E: That's right.

HMJr: It's a wow!

E: Yeah. I think it's all right.

HMJr: It's a wow! When did you give yours to the press?

E: Mine?

HMJr: Yes, his speech.

E: Oh. They - they've had it for about two hours.

HMJr: They've had it for two hours?

E: Yes. At least.

HMJr: Well, we're a little late on the starting but....

E: That's all right. They'll cut it in if you'll give them the text.

HMJr: Well - they - now that you've suggested it we'll do it.

E: Okay.

HMJr: And I'll see you later?

E: No, Henry, I'm not going - I'm not going to be there tonight.

HMJr: The movie stars were terribly disappointed they couldn't see the President.

E: Well, I - naturally they would be but, Henry, he just couldn't have it tonight.

HMJr: Yeah, I see.

E: As a matter of fact, between you and me, he said he just wouldn't have it.

HMJr: Yeah.

E: He said if he did, he'd want to speak to all of them individually and he just didn't have the time to do it.

HMJr: Well, I can understand.

E: Yeah.

HMJr: Well, thank you.

E: All right, Henry. Good night.

HMJr: Good night.

Ladies and Gentlemen:

9/8/43.229
Cagney's speech
introducing *Roy*

The play we're opening tonight is entitled "Back the Attack -- with War Bonds." Its setting is America; its actors, the American people. The opening scene is the White House. And from there the scenes shift to every State, every city, every town, and every village in the Union.

The play has no name-stars; nor was there an ~~author~~ ^{author} to write it in advance. There are a hundred and 30 million actors, each writing his own lines. You are one of them.

You see this is a new kind of play -- a play whose theme is the freedom of man, with the accent on democracy. Yet -- unlike other new plays -- it cannot, must not, dare not fail. For on its success depends all that we Americans are and all that we hope to be.

It's about time now for the curtain to go up. So without further ado, may I introduce the Secretary of the Treasury, the Honorable Henry Morgenthau, Jr.

HM Jr's speech introducing the President
opening Third War Loan Drive

9/8/43-

THANK YOU, MR. CAGNEY.

LADIES AND GENTLEMEN:

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- 2 -

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Now, more than ever before, we need the help of every individual American. As Mr. Churchill said last week when he bought the first Bond of the Third War Loan, *and* *note* "This loan will undoubtedly have the effect of appreciably shortening the struggle if fully subscribed. But if it fails, it would entail a prolongation. For that reason, every one should give it utmost support." *end of quotation*

- 3 -

We are proud, tonight, that it is the President
who launches this most vital, most important Third
War Loan which will help to carry the United Nations
further along towards the surrender of all our enemies.

Guide
I give you the Commander-in-Chief -- Franklin
Delano Roosevelt.

THE WHITE HOUSE
WASHINGTON

September 8, 1943

CONFIDENTIAL FOR YOUR EYES ONLY

Dear Henry:

There are a few corrections to this draft, of a minor nature. The speech will take about 13 minutes to deliver.

S.I.R.

DEATH

Once upon a time, a few years ago, there was a city in our Middle West which was threatened by a destructive flood in the river. The waters had risen to the top of the banks. Every man, woman and child in that city was called upon to fill sand bags in order to defend their homes against the rising waters. For many days and nights, destruction and death stared them in the face.

As a result of the grim, determined community effort, that city still stands. Those people kept the levees above the peak of the flood. All of them joined together in the desperate job which had to be done -- business men, workers, farmers, doctors, preachers -- people of all races.

To me, that town is a living symbol of what community cooperation can accomplish.

Today, in the same kind of community effort, the United Nations and their people have kept the levees of civilization high enough to prevent the floods of aggression and barbarism and wholesale murder from engulfing us all. The flood has been raging for four years. At least, we are beginning to gain on it; but the waters have not yet receded enough for us to relax our sweating work with the sand bags. In this war bond campaign we are filling bags and placing them against the flood -- ~~many bags~~, if you like ~~many~~ bags which are essential if we are to stand off the ugly torrent which is trying to sweep us all away.

Today, an armistice with Italy was concluded.

This was a ^{great} victory for the United Nations -- ^{and} but it was ^{also a} ~~another~~ great victory for the Italian people. After years of war and suffering and degradation, the Italian people are at last coming to the day of liberation from their real enemies, the Nazis.

But let us not delude ourselves that this armistice means the end of the war in the Mediterranean. We must drive the Germans out of Italy as we have driven them out of Tunisia and Sicily, and we must strike them on their own soil from all directions.

Our ultimate objectives in this war continue to be Berlin and Tokyo.

- we must drive them out of France and all other captive countries -

- 2 -

DRAFT

I ask you to bear these objectives constantly in mind — and do not forget that we will have a long way to go before attaining them.

The great news you have heard today from General Eisenhower does not give you license to settle back in your easy chairs and say, "Well, that does it. We've got 'em on the run. Now we can start the celebration."

The time for celebration is not yet. And I have a suspicion that when this war does end, we shall not be in a very celebrating frame of mind. I think that our main emotion will be one of grim determination that this shall not happen again.

During the past weeks, Mr. Churchill and I have been in constant conference with the leaders of our combined fighting forces. We have been in constant communication with our fighting Allies who are prosecuting the war with relentless determination and with conspicuous success on far distant fronts.

We have seen the satisfactory fulfillment of plans that were made in Casablanca last January and here in Washington last May. And we have made new, extensive plans for the future. But throughout these conferences we have never lost sight of the fact that this war will become bigger and tougher rather than easier during the long months that are to come.

This war does not and must not stop for one single instant. Our fighting men know that. Those of them who are moving forward through jungles against lurking Japs — those who are in landing barges moving through the dawn up to strange enemy coasts — those who are diving their bombers down on the target a roof top level — every one of these men knows that this war is a full-time job and it will continue so until total victory is won.

And, by the same token, every responsible leader in all the United Nations knows that the fighting goes on twenty-four hours a day, seven days a week, and that any day lost may have to be paid for in terms of months added to the duration of the war.

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Regraded Unclassified

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Every campaign, every single operation that we plan and carry through must be figured in terms of staggering costs. We cannot afford to be niggardly with any of our resources, for we shall need all of them to do the job that we have undertaken.

Your fellow Americans have given a magnificent account of themselves -- on the battlefields and on the oceans and in the skies all over the world.

Now it is up to you to prove to them that you are contributing your share and more than your share. It is not sufficient simply to put money into War Bonds which ^{you would} we would normally save. We must put money into War Bonds which we would not normally save. Only then have we done everything that good conscience demands. It is up to you -- the Americans in the American homes -- the very homes which our sons and daughters are working and fighting and dying to preserve.

I know I speak for every man and woman in America when I say that we Americans will not be satisfied to send our troops into the fire of the enemy with equipment inferior in any way. Nor will we be satisfied to send our troops with equipment only equal to that of the enemy. We are determined to provide our troops with overpowering superiority of quality and quantity in any and every category of arms and amm²⁻¹⁰unents that they may conceivably need.

And where does that dominating power come from? It can come only from you. The money you lend and the money you give in taxes buys that death-dealing, life-saving power we need for victory. This is an expensive war -- expensive in money; you can help keep it at a minimum cost in lives.

The American people will never stop to reckon the cost of redeeming civilization. They know there can never be any economic justification for failing to save freedom. ³⁻²⁰

We can be sure that our enemies will watch this drive with the keenest interest. They know that success in this undertaking will shorten

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the war. They know that the more money the American people lend to their Government, the more powerful and relentless will be the American forces in the field. They know that only a united and determined America could possibly produce on a voluntary basis so large a sum of money as fifteen billion dollars.

The overwhelming success of the Second War Loan Drive last April showed that the people of this Democracy stood firm behind their troops.

The Third War Loan, which we are starting tonight, will also succeed -- because the American people will not permit it to fail.

I cannot tell you how much to invest in War Bonds during this Third War Loan Drive. No one can tell you. It is for you to decide under the guidance of your own conscience.

I will say this, however. Because the Nation's needs are greater than ever before, our sacrifices too must be greater than they have ever been before.

Nobody knows when total victory will come...but we do know that the harder we fight now, the more might and power we direct at the enemy now, the shorter the war will be and the smaller the sum total of sacrifice.

Success of the Third War Loan will be the symbol that America does not propose to rest on its arms -- that we know the tough, bitter job ahead and will not stop until we have finished it.

Now it is your turn!

Every dollar that you invest in the Third War Loan is your personal message of defiance to our common enemies -- to the ruthless militarists of Germany and Japan -- your personal message of faith and good cheer to our fighting men ~~and~~ ^{allies and} all the men at the front.

2nd 3

HOLD FOR RELEASE

HOLD FOR RELEASE

HOLD FOR RELEASE

September 8, 1943

CAUTION: The following address of the President, to be broadcast in connection with the opening of the Third War Loan Drive, MUST BE HELD IN CONFIDENCE until released.

NOTE: Release to editions of all newspapers appearing on the streets NOT EARLIER THAN 9:45 P.M., E.W.T., Wednesday, September 8, 1943. The same release also applies to radio announcers and news commentators.

CARE MUST BE EXERCISED TO PREVENT PREMATURE PUBLICATION.

STEPHEN EARLY
Secretary to the President

Once upon a time, a few years ago, there was a city in our Middle West which was threatened by a destructive flood in the river. The waters had risen to the top of the banks. Every man, woman and child in that city was called upon to fill sand bags in order to defend their homes against the rising waters. For many days and nights, destruction and death stared them in the face.

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Our ultimate objectives in this war continue to be Berlin and Tokyo.

I ask you to bear these objectives constantly in mind -- and do not forget that we still have a long way to go before attaining them.

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- 2 -

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During the past weeks, Mr. Churchill and I have been in constant conference with the leaders of our combined fighting forces. We have been in constant communication with our fighting Allies, Russian and Chinese, who are prosecuting the war with relentless determination and with conspicuous success on far distant fronts. And he and I are together here at this crucial moment.

We have seen the satisfactory fulfillment of plans that were made in Casablanca last January and here in Washington last May. And we have made new, extensive plans for the future. But throughout these conferences we have never lost sight of the fact that this war will become bigger and tougher, rather than easier during the long months that are to come.

This war does not and must not stop for one single instant. Our fighting men know that. Those of them who are moving forward through jungles against lurking Japs -- those who are in landing barges moving through the dawn up to strange enemy coasts -- those who are diving their bombers down on the target at roof top level -- every one of these men knows that this war is a full-time job and that it will continue to be until total victory is won.

And, by the same token, every responsible leader in all the United Nations knows that the fighting goes on twenty-four hours a day, seven days a week, and that any day lost may have to be paid for in terms of months added to the duration of the war.

Every campaign, every single operation that we plan and carry through must be figured in terms of staggering material costs. We cannot afford to be niggardly with any of our resources, for we shall need all of them to do the job that we have undertaken.

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Now it is up to you to prove to them that you are contributing your share and more than your share. It is not sufficient simply to put money into War Bonds which we would normally save. We must put money into War Bonds which we would not normally save. Only then have we done everything that good conscience demands. It is up to you -- the Americans in the American homes -- the very homes which our sons and daughters are working and fighting and dying to preserve.

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The American people will never stop to reckon the cost of redeeming civilization. They know there can never be any economic justification for failing to save freedom.

- 3 -

We can be sure that our enemies will watch this drive with the keenest interest. They know that success in this undertaking will shorten the war. They know that the more money the American people lend to their Government, the more powerful and relentless will be the American forces in the field. They know that only a united and determined America could possibly produce on a voluntary basis so large a sum of money as fifteen billion dollars.

The overwhelming success of the Second War Loan Drive last April showed that the people of this Democracy stood firm behind their troops.

The Third War Loan, which we are starting tonight, will also succeed -- because the American people will not permit it to fail.

I cannot tell you how much to invest in War Bonds during this Third War Loan Drive. No one can tell you. It is for you to decide under the guidance of your own conscience.

I will say this, however. Because the Nation's needs are greater than ever before, our sacrifices too must be greater than they have ever been before.

Nobody knows when total victory will come -- but we do know that the harder we fight now, the more might and power we direct at the enemy now, the shorter the war will be and the smaller the sum total of sacrifice.

Success of the Third War Loan will be the symbol that America does not propose to rest on its arms -- that we know the tough, bitter job ahead and will not stop until we have finished it.

Now it is your turn!

Every dollar that you invest in the Third War Loan is your personal message of defiance to our common enemies -- to the ruthless militarists of Germany and Japan -- your personal message of faith and good cheer to our Allies and all the men at the front.

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HOLD FOR RELEASE

HOLD FOR RELEASE

HOLD FOR RELEASE

September 8, 1943

CAUTION: The following address of the President, to be broadcast in connection with the opening of the Third War Loan Drive, MUST BE HELD IN CONFIDENCE until released.

NOTE: Release to editions of all newspapers appearing on the streets NOT EARLIER THAN 9:45 P.M., E.W.T., Wednesday, September 8, 1943. The same release also applies to radio announcers and news commentators.

CARE MUST BE EXERCISED TO PREVENT PREMATURE PUBLICATION.

STEPHEN EARLY
Secretary to the President

Once upon a time, a few years ago, there was a city in our Middle West which was threatened by a destructive flood in the river. The waters had risen to the top of the banks. Every man, woman and child in that city was called upon to fill sand bags in order to defend their homes against the rising waters. For many days and nights, destruction and death stared them in the face.

As a result of the grim, determined community effort, that city still stands. Those people kept the levees above the peak of the flood. All of them joined together in the desperate job which had to be done -- business men, workers, farmers, doctors, preachers -- people of all races.

To me, that town is a living symbol of what community cooperation can accomplish.

Today, in the same kind of community effort, the United Nations and their people have kept the levees of civilization high enough to prevent the floods of aggression and barbarism and wholesale murder from engulfing us all. The flood has been raging for four years. At last, we are beginning to gain on it; but the waters have not yet receded enough for us to relax our sweating work with the sand bags. In this war bond campaign we are filling bags and placing them against the flood -- bags which are essential if we are to stand off the ugly torrent which is trying to sweep us all away.

Today, an armistice with Italy was concluded.

This was a great victory for the United Nations -- but it was also a great victory for the Italian people. After years of war and suffering and degradation, the Italian people are at last coming to the day of liberation from their real enemies, the Nazis.

But let us not delude ourselves that this armistice means the end of the war in the Mediterranean. We must drive the Germans out of Italy as we have driven them out of Tunisia and Sicily; we must drive them out of France and all other captive countries; and we must strike them on their own soil from all directions.

Our ultimate objectives in this war continue to be Berlin and Tokyo.

I ask you to bear these objectives constantly in mind -- and do not forget that we still have a long way to go before attaining them.

The great news you have heard today from General Eisenhower does not give you license to settle back in your rocking chairs and say, "Well, that does it. We've got 'em on the run. Now we can start the celebration".

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The time for celebration is not yet. And I have a suspicion that when this war does end, we shall not be in a very celebrating frame of mind. I think that our main emotion will be one of grim determination that this shall not happen again.

During the past weeks, Mr. Churchill and I have been in constant conference with the leaders of our combined fighting forces. We have been in constant communication with our fighting Allies, Russian and Chinese, who are prosecuting the war with relentless determination and with conspicuous success on far distant fronts. And he and I are together here at this crucial moment.

We have seen the satisfactory fulfillment of plans that were made in Casablanca last January and here in Washington last May. And we have made new, extensive plans for the future. But throughout these conferences we have never lost sight of the fact that this war will become bigger and tougher, rather than easier during the long months that are to come.

This war does not and must not stop for one single instant. Our fighting men know that. Those of them who are moving forward through jungles against lurking Japs -- those who are in landing barges moving through the dawn up to strange enemy coasts -- those who are diving their bombers down on the target at roof top level -- every one of these men knows that this war is a full-time job and that it will continue to be until total victory is won.

And, by the same token, every responsible leader in all the United Nations knows that the fighting goes on twenty-four hours a day, seven days a week, and that any day lost may have to be paid for in terms of months added to the duration of the war.

Every campaign, every single operation that we plan and carry through must be figured in terms of staggering material costs. We cannot afford to be niggardly with any of our resources, for we shall need all of them to do the job that we have undertaken.

Your fellow Americans have given a magnificent account of themselves -- on the battlefields and on the oceans and in the skies all over the world.

Now it is up to you to prove to them that you are contributing your share and more than your share. It is not sufficient simply to put money into War Bonds which we would normally save. We must put money into War Bonds which we would not normally save. Only then have we done everything that good conscience demands. It is up to you -- the Americans in the American homes -- the very homes which our sons and daughters are working and fighting and dying to preserve.

I know I speak for every man and woman in America when I say that we Americans will not be satisfied to send our troops into the fire of the enemy with equipment inferior in any way. Nor will we be satisfied to send our troops with equipment only equal to that of the enemy. We are determined to provide our troops with overpowering superiority of quality and quantity in any and every category of arms and armaments that they may conceivably need.

And where does our dominating power come from? It can come only from you. The money you lend and the money you give in taxes buys that death-dealing, life-saving power we need for victory. This is an expensive war -- expensive in money; you can help keep it at a minimum cost in lives.

The American people will never stop to reckon the cost of redeeming civilization. They know there can never be any economic justification for failing to save freedom.

- 3 -

We can be sure that our enemies will watch this drive with the keenest interest. They know that success in this undertaking will shorten the war. They know that the more money the American people lend to their Government, the more powerful and relentless will be the American forces in the field. They know that only a united and determined America could possibly produce on a voluntary basis so large a sum of money as fifteen billion dollars.

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Now it is your turn!

Every dollar that you invest in the Third War Loan is your personal message of defiance to our common enemies -- to the ruthless militarists of Germany and Japan -- your personal message of faith and good cheer to our Allies and all the men at the front.

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BOND SPEECH FOR THE PRESIDENT

9/8/43-
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MY FRIENDS:

A war is not won by an army. It is won by many armies ~~which~~ working together. ~~That~~ ^{only} is true not ~~on~~ ^{example} on the battle front, but on the home front as well. We have, for ~~instance~~, along with our soldiers, sailors and marines ~~fighting~~ on the 67 fighting fronts, our home-front industrial army. We have our civilian defense army. And we have another army about which I should like to ^{tell} ~~say~~ to you tonight.

At this moment there stands mobilized and ready to go ^{which has enlisted} into action an army ~~composed of~~ ^{self-sacrificing} three millions of your friends and neighbors. These three million ~~enthusiastic~~ ^{are estimated with} energetic men and women, the soldier-salesmen of the Third War Loan Drive, ~~face~~ the most colossal money-raising task in all of history. Within the next three weeks they will ask you ^{from} ~~for~~ ^{unimaginable total} the ~~stepping~~ ^{of} 15 billion dollars — more money than has ever before been ~~raised~~ raised anywhere, at any time.

Let me tell you a little bit about this mobilization.

~~One~~ One out of every two billboards in the United States ~~carries~~ ^{carries} a Bond message. ~~Virtually every radio station in the country,~~ ^{My voice is reaching you over} ~~and~~ ^{a network taking in virtually every single} ~~radio station in the country, and Bond~~ ^{radio station in the country, and Bond} ~~messages will continue over this~~ ^{messages will continue over this} ~~great network.~~ ^{Practically every news-} ~~Practically every news-~~ ^{paper, every department store, every theater} ~~will advertise Bonds.~~

In Missouri just about every city and town will have a Bond parade. One county in Illinois has already reached its quota. Just one regiment in the New York ~~State~~ Bond army consists of the 2500 key employees in the State.

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Massachusetts is conducting street carnivals throughout the state. ~~The~~ Every air raid siren in Indiana will sound tomorrow in Indiana to open the drive there. California will stage a mock invasion. Iowa is opening the drive with a state-wide blackout. I don't think there is an industry, an insurance company or a bank that hasn't lent its facilities to the Treasury for this drive. The motion picture industry, for instance, has contributed so many of its stars that the studios have closed their doors for the next few days.

9 That ~~is not all, but~~ is enough to give you some idea of the scope of ~~the~~ Third War Loan Drive, and of the ~~agxxxx~~ enthusiasm, ~~and~~ energy and efficiency of your friends and neighbors who are conducting it.

¶ ~~N~~ ^W We can be good and sure that our enemies, Germany and Japan, will watch this drive with the keenest interest. We know ^{how} ~~that~~ they watched the Second War Loan Drive, last Spring. For days before that drive started, ~~the radio stations of Germany and Japan~~ the radio stations of Germany and Japan (and Italy: I almost forgot Italy) filled the air with hysterical jeers, pointing out that it was bound to fail, that not even Americans could raise so much money. When we not only raised ^{it} ~~the money~~, but subscribed an extra billion ^{or two} ~~for good measure~~, the air became ^{and} ~~very~~ quiet. ¶ It was the quiet of fear. ^{overwhelming} The success of the Second War Loan Drive meant that the people of this weak, timid democracy were interested in the war, after all -- that we were united behind it -- that at any cost we meant to buy and build the arms that would wash the black ~~mark of Fascism~~ ^{filth} of Fascism down the sewer of history.

We can be good xxx and sure that Germany and Japan will

are keeping an eye on this Drive, too. But ~~they are not~~ their propaganda radio stations are silent. They are saving their breath. For they know, ^{in advance,} ~~because~~ that this Drive will succeed, ~~also~~.

~~But~~ I agree, ~~with them~~. It will succeed. ~~It will suc-~~
ceed in spite of the fact that you are asked to buy an extra hundred-
dollar Bond despite the already grievous load of taxation which you
are carrying on your shoulders.

It will succeed because every man and woman in the United States knows that, by spending dollars, we will save lives.

My Friends

Sheet # 2

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SUGGESTION FOR PRESIDENT

In all the meetings that

I want to give you a little side light on the discussions that Mr. Churchill and I have had over a period of months in Casablanca, Quebec, and here in Washington,

As you all know, at all of these meetings we have been ~~concentrated on~~ ^{united} planning just one great thing. We have aimed at one objective -- the utter and complete and absolute destruction of Nazi Germany, and of Fascist Japan, ~~and of their satellite nations. Not for~~ one moment have we considered the possibility of merely bringing these aggressor nations and their leaders to their knees. Both Mr. Churchill and I know that bringing them to their knees will mean that they will one day rise again, ^{and} even while they are begging for sympathy and pity, ~~to~~ stab us in the back.

Under their present kind of leadership, we know that there are no morals, ^{and} no honesty, ~~and no common everyday horse sense~~ in these nations today.

That is why we must, ^{if necessary} devastate their lands, ^{to} wipe out their taste for war once and for all, ~~and mete out the worst possible punishment to their leaders.~~

~~Adolph Hitler hasn't the mental capacity to understand anything but destruction -- and destruction he will get! We discovered that many months ago. We found there was no reason --~~ ^{the stubborn Nazi leader} ~~ing with simple minded Adolph, nor with the boasting, bluffing, and now deflated Mussolini, nor with the bantam son of Heaven.~~

To talk to them, we knew we had to speak ~~in~~ the language of power. The Democracies tried for a long time to talk to them like civilized human beings, and they laughed at us. Back in the days when the appeasers sat down with them and wrote solemn

These egotistic, misguided nations
- 3 -
concerned

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~~drop them faster, than they~~

~~They saw this war only as a battle of machines, and of~~
heartless, ruthless skill in the fine art of terrorism and
mass murder. And because they believed this, ^{Mr Churchill and I} knew that
they feared power more ^{fighting power, bombing power, sea and air power} than anything on earth. ~~So we set~~

~~about getting better machines than they, and they became~~
~~paralyzed with fear.~~

Now the reason I am telling you all this tonight, is
because the problem of developing staggering power ~~within~~ ^{for}
the United Nations is largely your job. To create this power
requires tireless effort on the home front. And it requires
huge amounts of money -- amounts so large that they stagger
the imagination.

^{Mr} Churchill and I have never stopped to reckon the cost
of ^{preserving} ~~saving~~ civilization.

~~Whatever the cost, no matter how large, we knew that~~
~~our people in the free nations would back us up in the fact~~
~~that any cost in dollars is small if it will save us from~~
~~being thrown back thousands upon thousands of years into the~~
~~middle ages.~~ There could never be any economic justification
for failing to save freedom. However, the huge costs involved
in this war ^{could} ~~might have caused us, and all the nations of the~~
~~world, unnecessarily great~~ ^{cause uniquely great} post-war problems. An inflated
economy could retard the reconstruction ~~year after year.~~ ^{to}

~~For this reason that we are asking you, the American~~
~~people, to help us keep our books balanced in the greatest~~
~~possible degree while we are creating and delivering this~~

through your payment of taxes and
purchase of War Bonds

volley of power to crush the Nazis and Fascists, and their threat to our free world.

In our Democracy we have two ways of keeping our books balanced safely -- and both of them depend upon your determination to see your nation successfully through this war.

The safe ways to raise the huge amounts of money necessary are through taxes, and through the sale of War Bonds. I realize fully that the tax burden is becoming heavier and heavier. I realize that in many quarters it is a real struggle to pay the higher taxes needed. But I think we can all agree that as a struggle, it is much less bitter, and much less hopeless, than the noble, courageous struggle the people in Denmark are having today.

The other way we have of financing the war is through War Bonds. Since before the war began, we have encouraged people to voluntarily lend their money to the Government. We have kept this on a voluntary basis for very good reasons. We believe in the American people. We have faith that their consciences will dictate the amount of money that ^{they} a person can invest in ^{their} his future, and in a free world for ^{their} his children and his children's children.

Tonight, we are launching a campaign to raise fifteen billion dollars through this voluntary program. To raise ~~set~~ this amount of money, everyone will have to buy extra Bonds. We know very well that we can't reach this goal if we depend

4 In ~~within~~ these ~~next~~ ~~the~~ weeks to
 every ~~where~~ home, every office, every
 factory - even remote farms will be
 visited by War Bond salesmen. Every
 town of the 48 ~~that~~ has its ~~own~~
 place for parades, carnivals, ~~and~~
 meetings. ~~So eager~~
~~is the~~ ~~is~~ this War Loan drive
 the armed forces, ~~and~~ ~~so eager~~
~~to do~~ ~~every thing~~ ~~to~~ ~~can~~
 their power to help ~~this drive~~
 that General Eisenhower ~~is~~ has
 sent home thirteen hundred tons
 of captured enemy equipment to
 show you what ~~our men~~
~~are~~ fighting. Whole communi-
 ties are ~~on~~ a war-time
 alert tonight, with people waiting
 in their homes for flying
 squadrons of special Bond salesmen.

Just one regiment in the New York Bond army consists of the 2500 key employers in the State. Massachusetts is conducting street carnivals throughout the State. Every air raid siren in Indiana will sound tomorrow in Indiana to open the drive there. California will stage a mock invasion. Iowa is opening the drive with a state-wide blackout. I don't think there is an industry, an insurance company or a bank that hasn't lent its executives to the Treasury for this drive. The motion picture industry, for instance, has contributed so many of its stars that the studios have closed their doors for the next few days.

That is enough to give you some idea of the scope of the Third War Loan Drive, and of the enthusiasm, energy and efficiency of your friends and neighbors who are conducting it.

We can be good and sure that our enemies, ~~Germany and Japan~~ ^{Italy} will watch this drive with the keenest interest. We know how they watched the Second War Loan Drive, last Spring. For days before that drive started the radio stations of Germany and Japan (and Italy: I almost forgot Italy) filled the air with hysterical jeers, pointing out that it was bound to fail, that not even Americans could raise so much money. When we not only raised it, but subscribed an extra billion or two for good measure, the air became suddenly quiet.

It was the quiet of fear. The overwhelming success of the Second War Loan Drive ^{demonstrated} ~~meant~~ that the people of this weak, timid

democracy were ~~interested in the war, after all -- that we were~~
united behind ^{the war} ~~it~~ -- that at any cost we meant to buy and build
the arms ~~that would~~ wash the black filth of Fascism down the
sewer of history.

~~We can be good and sure that Germany and Japan are keeping an~~
~~eye on this Drive, too. But their propaganda radio stations are~~

upon people investing only ~~additional~~ idle money. We know that the American people are going to have to tighten their belts and readjust their budgets and skimp and do without. But we believe the people will do it, because, as Mr. Morgenthau has so often said, they have not ^{never let} us down ~~yet~~. In past drives ^{you} ~~they~~ have subscribed more than we asked for, and I confidently hope that ^{you} ~~they~~ will do so again.

The way in which the people of this country have volunteered to help -- to get out and work -- in the Third War Loan drive proves that the faith that we have in America is well founded. Labor and management, business and industry, Churches, clubs, all sorts of groups and individuals in every walk of life, have rolled up their sleeves and ~~gone~~ to work. They have put aside selfish considerations to create what I consider to be the finest organization of the forces of Democracy on the Home Front that I have ever seen. One only needs to see the enthusiasm with which the American people are going into this drive, and one cannot help wonder where all this talk is coming from that the American Home Front is complacent and soft, and too busy jockeying for position in the coming ~~post war period to work for the war.~~

~~In closing, I should like to read to you the proclamation~~
~~which I have issued~~ ^{Therefore,} under the official seal of the Government ^{I have issued the following proclamation,} of the United States, to launch the Third War Loan drive.":

"Recognizing the fact that in carrying the war into enemy territory, we shall need greater amounts

~~Therefore~~

of money than any nation has ever asked from its citizens in all history, I, FRANKLIN D. ROOSEVELT, President of the United States of America, do officially proclaim that on Thursday, the ninth of September, 1943, the Third War Loan shall be launched.

As Commander-in-Chief, I hereby invoke every citizen to give all possible aid and support to this Third War Loan drive, not only so that our financial goal may be reached, but to encourage and inspire those of our husbands and fathers and sons who are under fire on a dozen fronts all over the world. It is my earnest hope that every American will realize that in buying War Bonds in this Third War Loan he has an opportunity to express voluntarily and under the guidance of his conscience, the extent to which he will "back the attack."

The American people supported well the first and second War Loan drives and in fact did even more than was asked of them. 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.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of the United States of America to be affixed.

DONE at the City of Washington, this twenty-sixth day of July, in the year of our Lord nineteen hundred and forty-three, and of the Independence of the United States

of America the one hundred and sixty-eighth."

(signed) ~~FRANKLIN D. ROOSEVELT.~~

(SEAL)

By the President:

CORDELL HULL

Secretary of State

DRAFT

BOND SPEECH FOR THE PRESIDENT

#3 257

MY FRIENDS:

In ~~and~~ the meetings that Mr. Churchill and I have had over a period of months in Casablanca, Quebec, and here in Washington, we have ^{arrived} arrived at one objective -- the utter and complete and absolute destruction of Nazi Germany, and of Fascist Japan.

~~Under their present leadership, we know that there are no morals and no honesty in these nations today.~~

~~That is why~~ ^{we will} If necessary, ^{into rubble} devastate their lands to wipe out, once and for all, their taste for war.

These egotistic, misguided nations conceived this war ~~only~~ as a battle of ^{machines that would produce} machines, and of heartless, ruthless skill in the fine art of terrorism and mass murder. And because they believed this, Mr. Churchill and I knew that they feared power - fighting power; bombing power, sea and air power, more than anything on earth.

~~Now~~ The reason I am telling you all this tonight, is because the problem of developing ^{overwhelming} staggering power for the United Nations is largely your job. To create this power requires tireless effort on the home front. And it requires huge amounts of money -- amounts so large that they stagger the imagination.

Mr. Churchill and I have never stopped to reckon the cost of preserving civilization. There ^{can be no} could never be any economic justification for failing to save freedom. However, the huge costs involved in this war could cause unnecessarily great post-war

- 2 -

problems. An inflated economy could retard the reconstruction. For this reason we are asking you to help us keep our books balanced to the greatest possible degree through your payment of taxes and purchasing War Bonds.

Since before the war began, we have encouraged people to voluntarily lend their money to the Government. We have kept this on a voluntary basis for very good reasons. We believe in the American people. We have faith that their consciences will dictate the amount of money that they can invest in their future.

Tonight, we are launching a campaign to raise fifteen billion dollars through this voluntary program. <

In these weeks to come, every home, every office, every factory - even remote farms will be visited by War Bond salesmen. Every state of the 48 has its plans for parades, carnivals, and mass meetings. So eager are the armed forces to do everything in their power to help this Drive/ that General Eisenhower has sent home thirteen hundred tons of captured enemy equipment. ~~As shown by what our men are fighting~~ Whole communities are on a war-time alert tonight, with people waiting in their homes for flying squadrons of special Bond salesmen.

We can be good and sure that our enemies will watch this drive with the keenest interest. We know how they watched the Second War Loan Drive, last Spring. For days before that drive started the radio stations of Germany and Japan (and Italy: I almost forgot

Italy) filled the air with hysterical jeers, pointing out that it was bound to fail, that not even Americans could raise so much money. When we not only raised it, but subscribed an extra billion or two for good measure, the air became suddenly quiet.

It was the quiet of fear. The overwhelming success of the Second War Loan Drive demonstrated that the people of this weak, timid Democracy were united behind the war -- that at any cost we meant to buy and build the arms to wash the black filth of Fascism down the sewer of history.

to the finest ^{and most powerful} equipment, 260

This Drive, too, will succeed.

one fighter

It will succeed because every man and woman in the United States knows that, by spending dollars, we save lives *on boys*.
Let me illustrate. *our* *could* *Berlin*

If ~~when our~~ *left* soldiers march into Germany, *without* *left* there is not a German plane in the sky, not a German gun firing *left*.

~~if there is not a mile of smoldering rubbish high enough to~~
~~solid enough to afford cover to a German machine-gunner -- then~~
~~xxxxxxingxxxxx~~ ~~our American boys will lose their lives. and~~
~~the life of every boy is xxx infinitely precious to us of the~~
~~democracies.~~ *to have Berlin and the Ruhr*

Unfortunately, *German*
~~we~~ we can't hope for that. There will be planes,
~~xxxx~~ there will be ~~guns~~ guns, and too many boys of the ~~xxxxxx~~
United Nations will lay down their lives for the ~~ideal~~ *German* ideals
that are sacred to us. But, the more bombs and shells we pour
into Germany, the weaker Germany's resistance will be and the more
lives we will ~~xxxxxx~~ save. And War Bonds -- the means through
which you lend your money to your Government -- War Bonds, I say,
pay for the bombs and shells.

As Mr. Morgenthau said recently at Detroit, we can
estimate in dollars and cents ~~xxxxxxxxxxxx~~ how much it will
cost to reduce any city in Germany. ~~xxxxxxx~~ The overall cost
of smashing ~~Hamburg~~ the city of Hamburg was ~~\$46,700,000~~ *billions of dollars*.

*- if they could march into
Berlin the way they marched
into Keshen, without a living
being in sight. Then the cost
to us in lives would be small.*

Translating planes and gasoline and bombs into dollars, we know just about what it will cost us to get Berlin and get Tokio -- and get them good!

It is the sum total of all this money that bulks into the billions of dollars -- one hundred billion for ~~this year~~ the year 1943.

4| And it is the sum total of your War Bonds, translated into planes and gasoline and bombs, that the Axis ~~forces~~ nations fear. Your Bonds will help to crush them into ~~xxx~~ the unconditional surrender which will alone satisfy us in our just wrath.

~~Therefore I, Franklin Roosevelt, do tonight proclaim~~

DRAFT

BOND SPEECH FOR THE PRESIDENT

~~First~~ Four - 262

MY FRIENDS:

In the meetings that Mr. Churchill and I have had over a period of months in Casablanca, Quebec, and here in Washington, we have aimed at one objective -- the utter and complete and absolute destruction of Nazi Germany, and of Fascist Japan. If necessary, we will devastate their lands into rubble to wipe out, once and for all, their taste for war.

These egotistic, misguided nations conceived this war as a battle of machines - machines that would produce terrorism and mass murder. And because they believed this, Mr. Churchill and I knew that they feared power - fighting power; bombing power, sea and air power - more than anything on earth.

The reason I am telling you all this tonight, is because the problem of developing overwhelming power for the United Nations is largely your job. To create this power requires tireless effort on the home front. And it requires huge amounts of money -- amounts so large that they stagger the imagination.

Mr. Churchill and I have never stopped to reckon the cost of preserving civilization. There can be no economic justification for failing to save freedom. However, the huge costs involved in this war could cause unnecessarily great post-war problems. An inflated economy could retard the reconstruction. For this reason we are asking you to help us keep our books balanced to the

greatest possible degree through your payment of taxes and through purchasing War Bonds.

Tonight, we are launching a campaign to raise fifteen billion dollars through this voluntary War Bond program.

Whole communities -- whole states -- are on a war-time alert tonight, with people waiting in their homes for flying squadrons of special Bond salesmen.

In these weeks to come, every home, every office, every factory -- even remote farms will be visited by War Bond salesmen. Every state of the 48 has its plans for parades, carnivals, and mass meetings. So eager are the armed forces to do everything in their power to help this Drive that General Eisenhower has sent home thirteen hundred tons of captured enemy equipment, to show you the kind of weapons that our weapons must destroy.

We can be good and sure that our enemies will watch this drive with the keenest interest. We know how they watched the Second War Loan drive, last Spring. For days before that drive started the radio stations of Germany, Japan and Italy filled the air with hysterical jeers, pointing out that it was bound to fail, that not even Americans could raise so much money. When we not only raised it, but subscribed an extra billion or two for good measure, the air became suddenly quiet.

It was the quiet of fear. The overwhelming success of the Second War Loan drive demonstrated that the people of this weak,

timid Democracy were united behind the war -- that at any cost we meant to buy and build the arms to wash the black filth of Fascism down the sewer of history.

This drive, too, will succeed.

It will succeed because every man and woman in the United States knows that, by spending dollars for the finest and most powerful equipment, we are saving the lives of our boys.

If our soldiers could march into Berlin without a German plane left in the sky, without a German gun left firing -- if they could move into Berlin the way they marched into Kiska, without a living enemy in sight -- then the cost to us in lives would be small.

Unfortunately, we can't hope to have Berlin another Kiska. There will be German planes, there will be guns. But, the more bombs and shells we pour into Germany, the weaker Germany's resistance will be and the more lives we will save. And War Bonds the means through which you lend your money to your Government -- War Bonds, I say, pay for the bombs and shells.

As Mr. Morgenthau said recently at Detroit, we can estimate in dollars and cents how much it will cost to reduce any city in Germany. The overall cost of smashing the city of Hamburg was \$46 million dollars.

Translating planes and gasoline and bombs into dollars, we know just about what it will cost us to get Berlin and get Tokio -- and get them good!

It is the sum total of all this money that bulks into the billions of dollars -- one hundred billion for the year 1943.

And it is the sum total of your War Bonds, translated into planes and gas line and bombs, that the Axis nations fear. Your Bonds will help to crush them into the unconditional surrender which will alone satisfy us in our just wrath.

Therefore, under the official seal of the Government of the United States, I have issued the following proclamation to launch the Third War Loan drive:

"Recognizing the fact that in carrying the war into enemy territory, we shall need greater amounts of money than any nation has ever asked from its citizens in all history, I, FRANKLIN D. ROOSEVELT, President of the United States of America, do officially proclaim that on Thursday, the ninth of September, 1943, the Third War Loan shall be launched.

"As Commander-in-Chief, I hereby invoke every citizen to give all possible aid and support to this Third War Loan drive, not only so that our financial goal may be reached, but to encourage and inspire those of our husbands and fathers and sons who are under fire on a dozen fronts all over the world. It is my earnest hope that every American will realize that in buying War Bonds in this

Third War Loan he has an opportunity to express voluntarily and under the guidance of his conscience, the extent to which he will "back the attack".

"The American people supported well the first and second War Loan drives and in fact did even more than was asked of them. 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.

"IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of the United States of America to be affixed."

-oOo-

7/8/42-

267✓

Draft of President

Speech

Prepared by Mr. Smith

MY FRIENDS:

Tonight thousands of British and Canadian troops are driving hard into the heart of Italy. The Italian defenders, confused and bewildered by the force of the men and the equipment of the United Nations, have not yet been able to put up a strong defense.

The American Seventh Army, after having driven the Nazi and Fascist leaders to near distraction by simply disappearing from sight, is now about to materialize. Soon, very soon, this well-equipped Seventh Army will strike. At this moment, there is such power poised as our adversaries have never seen and could never imagine. And it is power that counts. Power is the only thing that the Axis leaders can understand.

The reason I am telling you this tonight is because the job of developing and maintaining overwhelming power for the United Nations is largely your job. To create this power requires tireless effort on the Home Front. It means long hours in the factories and shops and offices everywhere in the country.

But it requires not only effort, but also money. To do the job with which we are faced, to supply our attacking forces with the machines of war, with ammunition, and transportation, and to maintain an army of six million men, takes staggering amounts of money.

- 2 -

The American people have shown a commendable willingness to supply this money. They have not stopped to reckon the cost of preserving civilization. They know there can be no economic justification for failing to save freedom.

Now the Government could get the money required in several ways. Our credit is the best in the world, and we could simply go to the banks and ask them for enough money to finance the war. Or we could print the money, as they do in some of the Axis countries. But if we took either of these two easy courses, we would be certain to lose the peace, whether or not we won the war. We would have an inflated economy, which would spread out for decades the period of reconstruction.

We can get the money for the war without risking our future only if we get it from the American people. For this reason, we are asking you to help us keep our books balanced to the greatest possible degree through your payment of taxes and through lending your Government money by buying War Bonds.

Tonight, we are launching a campaign to raise \$15 billion through this voluntary War Bond program.

Whole communities -- whole states -- are on a war-time alert, with people waiting in their homes for flying squadrons of special bond salesmen.

- 3 -

In these weeks to come, every home, every office, every factory -- even remote farms -- will be visited by War Bond salesmen. Every state in the forty-eight has its plans for parades, carnivals, and mass meetings. So eager are the armed forces to do everything in their power to help this drive that General Eisenhower has sent home thirteen hundred tons of captured enemy equipment, so that you, who are being asked to buy bonds, can see the kind of weapons that our weapons must destroy.

We can be sure that our enemies will watch this drive with the keenest interest. They know that success in this undertaking can and will materially shorten the war. They know that the more money the American people lend to their Government, the more powerful and relentless will be the American forces in the field. And finally, they know that only a united and determined America could possibly produce so large a sum of money on a voluntary basis as \$15 billion.

Last April, when we launched the Second War Loan Drive for \$18 billion, the radio stations of Germany, Japan, and Italy filled the air with jeers, pointing out that the drive was certain to fail, that Americans would never lend so much money to their Government. Then, when the Government not only

- 4 -

received what it asked for, but found that the people had subscribed an extra billion or so for good measure, the air became suddenly quiet. The overwhelming success of the Second War Loan Drive demonstrated to the huge disappointment and chagrin of Axis propagandists that the people of this Democracy stood firm behind their troops. The Axis leaders were forced to recognize that the American people meant to buy and build whatever equipment was necessary to get this war over and finished. The American people were determined to have victory no matter what the cost in dollars, or sacrifice.

The Third War Loan, which we are starting tonight, will also succeed.

It will succeed because, by this time, every man and woman in the United States recognizes the importance of generously financing the cost of the war. They know that good equipment and plenty of it, means less loss of life on the battlefield. They have seen what happened in Kiska when the Japs, cringing at the thought of meeting the power and force of American and Canadian troops, simply withdrew in the black of night, to parts unknown.

It is not likely that we can move into Berlin the way our troops marched into Kiska, without a living enemy in sight, because the last of the Luftwaffe will be there to ward off the final defeat; there will be guns blazing away in defiance.

- 5 -

But one thing is certain; the more bombs and shells that we can pour into Germany's war production and transportation centers, the weaker Germany's resistance will be, and the more American lives we shall be able to save.

It is the sum total of your War Bonds, translated into planes and gasoline and bombs and well-trained pilots, that the Axis nations fear above all things.

Therefore your bonds -- that extra hundred dollar bond that you are being asked to buy in the Third War Loan -- will help to crush the enemy into the unconditional surrender which will alone satisfy us in our just wrath.

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Last April, when we launched the Second War Loan Drive for \$13 billion, the radio stations of Germany, Japan, and Italy filled the air with jeers, pointing out that the drive was certain to fail, that Americans would never lend so much money to their Government. Then, when the Government not only

- 4 -

received what it asked for, but found that the people had subscribed an extra billion or so for good measure, the air became suddenly quiet. The overwhelming success of the Second War Loan Drive demonstrated to the huge disappointment and chagrin of Axis propagandists that the people of this Democracy stood firm behind their troops. The Axis leaders were forced to recognize that the American people meant to buy and build whatever equipment was necessary to get this war over and finished. The American people were determined to have victory no matter what the cost in dollars, or sacrifice.

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- 5 -

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Therefore your bonds -- that extra hundred dollar bond that you are being asked to buy in the Third War Loan -- will help to crush the enemy into the unconditional surrender which will alone satisfy us in our just wrath.

September 8, 1943

My dear Mr. President:

I thought you would be interested in the enclosed clippings from several small town newspapers. This advertisement of your Proclamation is appearing in literally thousands of newspapers all over the country, and I am confident it will be most helpful in the Third War Loan Drive. In only one town in Illinois did they raise the question that this might be political.

Sincerely yours,

(Signed) H. Mergenthaler, Jr.

The President,

The White House.

Recd. by S. L. Agent 4/15

THE WHITE HOUSE
WASHINGTON

September 8, 1943.

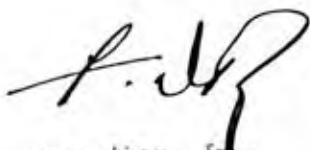
Dear Hen:

I am delighted to have that small replica of the full size poster to add to my collection. I think it is very well done.

When you say "I don't like bill boards", you are putting it mildly. However, I agree with you that if we must have them, they might as well serve a useful purpose.

With all good wishes,

Always sincerely,



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

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

September 8, 1943

to Mrs. Klotz

FROM Fred Smith *FS*

Mr. Tickton suggests the Secretary send this letter to General Meyers, because General Meyers supplied the Hamburg figures for us. Tickton says he has been especially helpful, and exceptionally careless about Army regulations in giving us what we want.

J. Smith

SEP 9 1943

My dear General:

I should like to take this opportunity to thank you for the cooperation given me by members of your staff in recent weeks. Captain Ohrbach and his associates were particularly helpful in providing me with some information I needed last Saturday. I should be pleased if you would convey to them my appreciation for their assistance.

Sincerely,

(Signed) H. Morgenthau, Jr.

Brig. General Bennett E. Meyers, U.S.A.
Assistant Chief of Air Staff,
Material, Maintenance, and Distribution,
Room 4-G 870 Pentagon Building,
Washington, D. C.

SGT:md
9/8/43

cc Zuckton

John Sullivan.

September 3, 1943

The Secretary.

On a chance that Guy Helvering may be made a judge
I wish you would make suggestions to me for a successor to
him. I think we ought to be thinking about it and be ready.
I think we also might speak to Guy about it. *Finished*

MEMORANDUM

SEP 8 - 1943

TO: Commissioner Helvering
FROM: Secretary Morgenthau

I have examined the attached material containing your comments with respect to a proposed plan for taxing increased income of individuals, submitted to you for comment by Mr. Stam. I understand that this material was submitted for examination on behalf of the President to ascertain whether disclosure thereof would be contrary to the public interest and that if not, you desire to submit the material to the Staff of the Joint Committee on Internal Revenue Taxation. As there is nothing therein disclosure of which would be contrary to the public interest, I am returning the material to you for such submission.

I understand further that you desire the comments of the technical people in the Treasury who had also been studying this plan. For your information, a copy of their comments is attached.

Attachments

(Initialed) H. M., Jr.

SSSurrey:hdr
9-8-43

MEMORANDUM

TO: Commissioner Helvering
FROM: Secretary Morgenthau

September 8, 1943

I have examined the attached material containing suggestions in the estate and gift tax fields for consideration in connection with the new revenue program. I understand that this material was submitted for examination on behalf of the President to ascertain whether disclosure thereof would be contrary to the public interest and that if not, you desire to submit the material to the Staff of the Joint Committee on Internal Revenue Taxation. As there is nothing therein disclosure of which would be contrary to the public interest, I am returning the material to you for such submission.

121 H. Morgenthau, Jr.

Attachment

002
SSSurrey:hdr
9-8-43

25

September 8, 1943

Dear Mr. Stam:

Your letter of September 4, 1943, has come as a surprise to me. I have been following with close interest the course of the discussion between your staff and the Treasury staff and I am convinced that as a result of the interchange of information and ideas between us we have made real progress in our mutual search for solutions to the vexed problems which face us.

Our files reveal that you have communicated to us numerous suggestions covering many facets of the revenue situation. These suggestions have been of considerable help in our studies. We have, in turn transmitted to you our ideas on the revenue situation and a very considerable body of information which we have developed in the course of our studies.

For example, within the last month and a half you served four formal requests upon the Treasury Department, including the Bureau of Internal Revenue, for a vast mass of material. In one request addressed to Mr. Paul, you directed that there be delivered to your office "Any suggested alternative plans already prepared by the Treasury Department in 1943 for raising additional revenue or combating inflation, together with accompanying schedules." Another request directed the Commissioner of Internal Revenue to furnish "Any alternative suggestions of your staff for raising additional revenue or combating inflation, with accompanying data and statistics." All four requests have been complied with.

- 2 -

In addition, the Treasury has prepared numerous analyses at your request, and has held numerous and continuing conferences with you and members of your staff. At the present time the Treasury is engaged in making eight special studies pursuant to interchanges of ideas between the two staffs. This work on the part of my staff has been done without hesitation and with a keen appreciation of our mutual responsibilities in meeting the highly complex problems which face us.

Either in conference or in memoranda, we have discussed with you and transmitted to you suggestions and proposals with respect to a broad range of subjects. Some of these subjects are: Increase in individual income tax rates with accompanying relief features, individual excess profits tax, tax on increase in individual incomes, compulsory savings, refundable individual income tax, spendings tax, integration of the victory tax, sales tax, the earned income credit, the substitution of a credit against tax for the present personal exemption and credit for dependents, integration of the individual normal tax and surtax, changes in corporation normal tax, surtax, and excess profits tax rates, tax on small corporations, postwar reserves, capital stock tax, flat rate tax on income of certain presently-exempt corporations, limitations on the amounts of certain income tax deductions, miscellaneous excise tax changes and additions, changes in rates and exemptions for gift and estate taxes, administrative changes, simplification, plugging tax loopholes, elimination of individual income tax returns, and the mechanics of withholding.

Your letter implies that no affirmative suggestions for changes in, or additions to, the revenue laws have been made to you by the Treasury. I am sure you will find that the record is to the contrary. Just as you have extended to us the benefit of your ideas, so the Treasury has both in writing and in

- 3 -

conference advanced numerous suggestions to you and to members of your staff. We are still awaiting an expression of your reaction to many of these proposals. You have informed us that you have not as yet reached a decision on a number of these suggestions and that your reaction to others depends upon what might be done legislatively in the field of renegotiation of war contracts, so that you cannot express a view at this time.

In addition, you have not expressed your opinion on certain matters because you regard the decision as resting with the Committees. Correspondingly, Mr. Paul has not been in a position to give you decisions on such matters, or matters which are peculiarly the subject of presentation by the executive branch to the Committees for their consideration and decision.

I appreciate the aid which you have given us and assure you that my staff always has been and remains at your disposal for the free exchange of information and ideas. It is my sincere desire that our dealings with each other be on a plane of mutual trust and respect.

Sincerely yours,

W. A. Ruggenbach, Jr.

Secretary of the Treasury

Mr. Colin F. Stam
Chief of Staff
Joint Committee on Internal
Revenue Taxation
Washington, D. C.

BMBrodsky:hdr
9-8-43

[illegible]

Congress of the United States
JOINT COMMITTEE ON INTERNAL REVENUE TAXATION
Washington

Dear Mr. Secretary:

It is not our purpose to ascertain what proposals the Treasury will recommend to the Congress if you do not desire to have your staff discuss such proposals with us prior to the formal presentation of your program. However, I have been instructed by the Chairmen of both Committees to work with the Treasury officials and determine what proposals the Treasury staff and our staff could reach an agreement upon. For this reason, we have had several conferences with your Counsel, Mr. Paul, and his staff. Except for the benefit which we have received from criticisms of certain of our staff suggestions, these conference have not had any constructive results. This has been due chiefly to the hesitancy on the part of Mr. Paul and his staff to submit alternative proposals for discussion and to make decisions, so that we could arrive at definite conclusions.

2.

I assure you of our desire to cooperate with the Treasury Department, as far as possible, in the solution of these difficult fiscal problems.

Respectfully yours,


Colin F. Stam,
Chief of Staff.

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

MEMORANDUM

September 8, 1943.

TO: Mrs. Klotz
FROM: Mr. Sullivan



I am attaching hereto the letter from Senator
Walter F. George dated September 1, 1943, and reply thereto.

25

September 7, 1943

My dear Senator:

When I returned to Washington this morning, I found your letter of September 1. Inasmuch as we in the Treasury Department desire to cooperate with you and the Joint Committee to the fullest extent, I should like to acquaint you with the entire background of the matter mentioned in your letter.

The request made on July 14, 1943, to the Commissioner of Internal Revenue was for "Any alternative suggestions of your staff for raising additional revenue or combating inflation, with accompanying data and statistics." The Commissioner of Internal Revenue is, as you know, extremely busy with administrative problems arising out of the Current Tax Payment Act. Moreover, it has not been customary for him to make suggestions to the Congress of the nature requested by Mr. Stan. For these reasons, the Commissioner did not at that time have any suggestions to transmit. However, after such request was received, one of the divisions in the Bureau made some suggestions to the Commissioner with respect to additional excise taxes. These were in no way recommendations for legislation but merely suggestions for further consideration by the Treasury Department. The Commissioner considered these matters personally late in August. They were then sent to Mr. Stan on August 30 by Mr. D. V. Hall as Acting Secretary of the Treasury. Mr. Stan objected to their transmission by the Acting Secretary and sent us a letter, a copy of which is enclosed, to that effect. On September 3, the Secretary explained in a letter to Mr. Stan, a copy of which is also enclosed, the reasons for the manner of transmission chosen, and immediately directed the Commissioner to send the material directly to Mr. Stan. The Commissioner thereupon forwarded this material to Mr. Stan.

Thus, as the above record indicates, the Commissioner of Internal Revenue and the Treasury Department are attempting

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to cooperate with the Joint Committee in every possible fashion.

I am taking the liberty of writing to you at this length since I believe that in view of the difficult and important fiscal tasks that lie ahead of us, we should attempt to avoid any misunderstandings that might arise.

Sincerely yours,

(Signed) John L. Sullivan

Honorable Walter F. George
United States Senator
Vienna, Georgia

Enclosures

SSSurrey:hdr
9-7-43

JOHN W. KENNEDY, CLERK

W. B. ROSS, JR., CHAIRMAN

ROBERT M. LA FOLLETTE, JR., WIS.

ARTHUR H. VANDENBERG, MICH.

JAMES J. DAVIS, PA.

HENRY CABOT LODGE, JR., MASS.

JOSEPH A. DANAHY, CONN.

ROBERT A. TAFT, OHIO

JOHN THOMAS, IDAHO

HASH A. BUTLER, NEBR.

ELMER D. MILLIKIN, COLO.

WILLIAM B. KENNEDY, CLERK

United States Senate

COMMITTEE ON FINANCE

September 1, 1943
Vienna, Georgia

Hon. John. L. Sullivan

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Department copies of all material furnished to the Joint Committee on Internal Revenue Taxation. In view of the legislative history of the section I express the hope that the Treasury will cooperate with the Joint Committee on Internal Revenue Taxation. I can assure you that I have not sought and will not seek information for the purpose of divulging it but for the purpose of aiding the committee staff in work upon revenue legislation.

Sincerely yours,

Walter F. George
Ch-

25

September 8, 1943

My dear Senator:

You may be interested in the attached copies of a letter which I have received from Mr. Stam and my reply to him, together with a memorandum showing the record of the work which Mr. Stam's office and the Treasury have been doing together.

I hate to take up your time by writing to you about this matter. You have more important things to do, and so have I. I can assure you that everyone in the Treasury wants to help the Congress of the United States write an effective tax bill and I sincerely hope that any petty misunderstandings will not keep us from accomplishing the ultimate objective.

Sincerely yours,

W. H. Margenthau, Jr.

Secretary of the Treasury

*at by
Smith*

Honorable Walter F. George
United States Senator
Vienna, Georgia

Enclosures

BMBrodsky:hdr

9-8-43

Summary of Discussions and Exchange of
Information between the Chief of Staff
of the Joint Committee on Internal
Revenue Taxation and the Treasury Department

1. July 6 - Ways and Means Committee instructed its technical staff and the Treasury to study the problem of raising additional revenue, and to report their findings when the Committee begins consideration of new revenue legislation.
2. July 7 - Chairman Doughton, Mr. Stam, and Mr. Paul met to discuss the next tax bill.
3. July 14 - Conference between Judge Vinson, Mr. Stam, and Mr. Paul, and members of their staffs. Discussed individual excess-profits tax; tax on increases in individual incomes; increased individual tax rates with accompanying relief features; compulsory savings; transformation of personal exemption and credit for dependents from credit against income to credit against tax; sales tax; excises generally; corporate rate increases; plugging of tax loopholes; limitation on amounts of certain deductions.
4. July 14 - The following requests, pursuant to section 5012 of the Internal Revenue Code, were addressed by Mr. Stam to Mr. Paul:

(a) A request that there be furnished "Any suggested alternative plans already prepared by the Treasury Department in 1943 for raising additional revenue or combating inflation, together with accompanying schedules."

(b) A request that there be furnished 41 items of information and figures in connection with the individual income, corporation income, declared value excess profits, excess profits, and capital stock taxes, distributed by income classes,

- 2 -

showing actual data for 1940 and estimated data for 1941 and 1942. The requested information included such items as earned income credit, gross and net victory tax, credit for dependents, net operating loss deductions by corporations, etc.

(c) A request for the same information for 1943.

5. July 14 - A request, pursuant to section 5012 of the Internal Revenue Code, addressed by Mr. Stam to the Commissioner of Internal Revenue, for "Any alternative suggestions of your staff for raising additional revenue or combating inflation, with accompanying data and statistics."
6. July 15 - Pursuant to Mr. Stam's request, a report was forwarded to him concerning redemptions of War Savings Bonds.
7. July 16 - Analysis forwarded to Mr. Stam relative to substitution of a credit against the individual income tax for the present system of personal exemptions and credit for dependents.
8. July 20 - In response to statutory request 3 (a) above, sent Mr. Stam suggestions relative to changes in corporation surtaxes and individual income taxes, a series of possible excise tax changes and additions, suggestions of rate increases and exemption decreases for estate and gift taxes, material relative to a Federal sales tax, and data relative to a spendings tax.
9. July 23 - In response to statutory requests 3 (b) and 3 (c) above, sent Mr. Stam the available data.
10. July 23 - Conference between Mr. Stam, Mr. Paul, and other Treasury representatives, at which possible revenue changes and additions were

- 3 -

discussed, particularly the question of integrating the victory tax.

11. July 27 - Conference between Mr. Stam, Mr. Paul, and other Treasury representatives, relative to the tax program. Discussed the victory tax; tax on increase in individual income; tax credit in lieu of income credit for personal exemption and credit for dependents.
12. July 28 - Conference between Mr. Stam, Mr. Paul, and other Treasury representatives, relative to the tax program. Discussed excise taxes; corporation tax rates; tax on increases in individual income.
13. July 29 - Conference between Mr. Stam and other members of his staff, and Mr. Paul and other Treasury representatives, relative to the tax program. Discussed corporation tax rates; postwar reserves; tax credit in lieu of income credit for personal exemption and credit for dependents.
14. July 30 - Treasury representatives appointed to work with representatives of Mr. Stam's staff as a subcommittee to consider a tax on increased individual incomes.
15. July 31 - Analysis of a possible alternative to mandatory joint returns sent to Mr. Stam by Mr. Paul.
16. August 4 - First meeting of the subcommittee on tax on increased individual incomes. Preliminary material already worked out by Mr. Stam's staff and the Treasury staff was discussed.
17. August 6 - Conference between Mr. Stam and members of his staff and Mr. Paul and other Treasury representatives. Discussed elimination of individual normal tax; transportation tax;

- 4 -

capital stock tax and a possible gross income tax as a substitute; earned income credit; elimination of returns; corporation taxes; administrative changes; postwar reserves.

18. August 9 - Second meeting of the subcommittee on tax on increased individual incomes. Treasury representatives advanced two formulae for Mr. Stam's representatives to discuss with him.
19. August 13 - Third meeting of the subcommittee on tax on increased individual incomes. Proposals advanced by representatives of both staffs.
20. August 20 - Conference between Messrs. Stam, Surrey, and Blough. Discussed tax on increased individual incomes; increase in individual tax rates with accompanying relief features; simplification; elimination of returns.
21. August 20 - Letter from Mr. Paul to Mr. Stam transmitting a suggested provision for relief of fixed incomes from increases in individual tax rates.
22. August 21 - Letter from Mr. Paul to Mr. Stam transmitting an analysis of Mr. Stam's suggested tax on increased individual incomes, combined with compulsory savings.
23. August 23 - Conference between Mr. Stam and Mr. Surrey. Discussed victory and sales taxes and technical provisions.
24. August 25-- Conference between Judge Vinson, Mr. Stam, and
25. August 26-- Mr. Paul. Discussed corporation tax rates; the earned income credit; personal exemptions; compulsory savings; sales tax; capital stock tax; flat-rate tax on income of certain presently-exempt corporations.

- 5 -

26. August 26 - Conference between Mr. Stam, Mr. Surrey, and Mr. Blough. Discussed tax on small corporations; corporate tax rates generally; postwar reserves; specific excise taxes; estate and gift taxes; sales tax; tax on increases in individual income; compulsory savings; integration of victory tax; lowering personal exemptions; increase in individual income tax rates; refundable individual income tax suggestion; mechanics of withholding.
27. August 27 - Letter from Mr. Paul to Mr. Stam transmitting data relative to: (a) allowance of dividend credit against the individual normal tax; (b) Treasury suggestion in connection with tax on increased individual incomes.
28. August 28 - Letter from Mr. Paul to Mr. Stam transmitting a study of a proposal for postwar reserves forwarded by Mr. Stam.
29. August 30 - In response to the statutory request (4 above), Bureau suggestions relative to new excises sent to Mr. Stam.

In addition to the foregoing, the Treasury is presently working on eight special studies for Mr. Stam.

September 8, 1943

Dear Judge Rosenman:

I am sending you herewith by special messenger some summary material describing a 1943 tax program to be discussed with the President.

The enclosed material has particular reference to a coordinated increase in social security and individual income taxes.

Sincerely yours,

Secretary of the Treasury

Honorable Samuel I. Rosenman
The White House
Washington, D. C.

REP:s



2 copies addressed in Paul's office

September 8, 1943

Dear Judge Vinson:

I am sending you herewith by special messenger some summary material describing a 1943 tax program to be discussed with the President.

The enclosed material has particular reference to a coordinated increase in social security and individual income taxes.

Sincerely yours,

Secretary of the Treasury

Honorable Fred M. Vinson
Director, Office of Economic
Stabilization
Federal Reserve Building
Washington, D. C.

REP:s



September 8, 1943

Dear Justice Byrnes:

I am sending you herewith by special messenger some summary material describing a 1943 tax program to be discussed with the President.

The enclosed material has particular reference to a coordinated increase in social security and individual income taxes.

Sincerely yours,

Secretary of the Treasury

Honorable James F. Byrnes
Director, Office of War
Mobilization
The White House
Washington, D. C.

REP:*

KH

PLAN FOR 1943 REVENUE BILL

1. Estimate of Increased Collections of Plan Integrating social security and Individual Rate Increases.
2. Summary description of Effect of program on individuals.
3. Effect of program on individuals.
4. Draft of statement to be made by President.

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Estimated increase of the revenue program
over the yield of the present law 1/

(In billions of dollars)

1. Social security contributions:

From employees and self-employed 3.71
From employers 1.65

Total social security 5.36 2/

2. Individual income tax:

Increase surtax rates. Retain present
exemptions. Repeal the Victory tax 3.26

3. Corporation income and excess profits taxes:

Increase combined normal and surtax rate
by 10 percentage points from present
40 percent to 50 percent 1.11

4. Estate and gift taxes:

Increase estate tax rates, reduce specific
exemption from \$60,000 to \$40,000, and
increase gift tax rates to 3/4 the new and
higher estate tax rates40

5. Excise taxes: 2.53

Total increase 12.66

Treasury Department
Division of Research and Statistics

September 7, 1943

- 1/ Estimates of the yield of individual income taxes, estate and gift taxes, customs, railroad unemployment insurance contributions, and employment taxes are at levels of income estimated for the calendar year 1944. Estimates of the yield of corporation income and excess profits taxes are at levels of income estimated for calendar year 1943. All other estimates are at levels of income estimated for fiscal year 1944. All estimates are preliminary and subject to revision.
- 2/ Over and above the increase in social security contributions scheduled for 1944.

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The Program as it Affects Individuals

Direct taxes on individuals are increased through a coordinated program of higher employee payroll taxes imposed to help finance expanded social security benefits, and higher individual income taxes adjusted to avoid a double increase in burdens for persons in low income brackets.

1. Employee payroll tax

- a. Rate is increased to 6 percent from the scheduled 2 percent for 1944 under present law (1943 rate is 1 percent) on the first \$3000 of wages.
- b. Coverage is extended to include practically all employees except employees of governments. (Self-employed must, and State and local employees may be covered for partial benefits and pay special rates of tax.)

2. Income tax

- a. Exemptions continue at \$500 for single person, \$1200 for married couples, \$350 for each dependent.
- b. Victory tax is repealed thus freeing from tax persons with incomes below the income tax exemption.
- c. Surtax rates are increased to absorb the loss of revenue from repeal of the Victory tax and to increase income tax yield by an additional \$3 billion. Income tax is not increased for married couples with dependents until income exceeds about \$3000. At higher levels tax increase is heavy. Normal tax rate of 6 percent is not changed.
- d. Pay-as-you-go continues without change, except for possible simplification.

The effect of the revenue program on individuals

Individuals are affected by two features of the revenue program: (1) payroll taxes, which are increased for 1944 from the rate of 2 percent scheduled under the present law to become effective in 1944 to 6 percent to take care of an increase in the present unemployment and old-age and survivors' benefits and to take care also of additional benefits for health, disability, and hospitalization; and (2) income taxes, which are increased for 1944 for all persons with approximately \$3,000 or more of net income.

1. Payroll taxes: Employees' contributions for social security are at present limited to old-age and survivors' insurance. The employee rate at present is 1 percent of wages and salaries up to \$3,000. This rate is under the present law scheduled to increase to 2 percent for 1944.

At present social security does not cover agricultural labor, domestic service, employees of non-profit organizations, the self-employed and government employees. The proposal is to extend the coverage to include these individuals.

Unemployment insurance is at present administered by the States. It is financed largely by employer contributions. In some States employees also make small contributions. The proposal is to federalize unemployment insurance and extend the benefits.

It is proposed also to extend the benefits for old-age and survivors' insurance and to add new benefits for disability, health and hospitalization.

In return for the new and higher benefits, it is proposed that employees contribute 6 percent of wages and salaries beginning with 1944 instead of the scheduled 2 percent. The proposed employee contribution will be matched by a 6 percent employer contribution instead of the present employer contribution of 5 percent -- 3 percent for unemployment and 2 percent for old-age and survivors' insurance.

Under the proposal social security contributions will be \$5.36 billion higher for 1944 than under the present law. Of this amount employees and self-employed will contribute \$3.71 billion and employers \$1.65 billion.

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2. Income tax: The present personal exemptions are \$500 for a single person, \$1,200 for a married couple, and \$350 for a dependent. No change in exemptions is proposed.

The present Victory tax applies to all individuals with gross incomes in excess of \$624. The gross rate is 5 percent. A credit against the tax is allowed, however, for war bond purchases and insurance premium payments, which has the effect of reducing the net tax to 3.75 percent for single persons and to 3 percent for married couples with no dependents, and of reducing this rate further by 0.1 percent for each dependent. The credit is limited, however, to \$500 for a single person and \$1,000 for a married couple. This limit has the effect of increasing the net rate as the income increases beyond the point where the limit applies. For very large incomes the net Victory tax approaches the gross rate of 5 percent. The present Victory tax complicates the income tax procedure and affords inadequate relief for dependents. The proposal is to eliminate the Victory tax and to increase the present surtax rates sufficiently to recoup the revenue. In general this involves increasing the surtax rates on the average by about 5.5 points.

No change is proposed in the normal tax rate of 6 percent.

The proposed surtax rates are higher than the present rates throughout the entire scale. The proposed starting rate is 18 percent applicable to the first \$500 of surtax net income instead of the present starting rate of 13 percent applicable to the first \$2,000 of surtax net income. Instead of the present first bracket which is \$2,000 wide, four \$500 brackets are proposed with rates ranging from the starting rate of 18 percent to 28 percent applicable to the last of the four \$500 blocks.

The proposed top surtax rate is 90 percent applicable to surtax net income in excess of \$90,000. The present rate at this level is 77 percent and the top rate under the present law is 82 percent applicable to surtax net income in excess of \$200,000.

The present income and net Victory tax is limited to an effective rate of 90 percent. No similar limit is proposed. The effective rate under the proposal can approach 96 percent for very large incomes.

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3. Comments on income and payroll taxes: In the proposed individual income tax account has been taken of the proposed increases in the social security contributions. The impact of these additional contributions is relatively greatest at the lower levels of income.

The proposed income tax rates will increase the revenue over and above the present income and Victory tax by \$3.26 billion. Nearly the entire amount of additional income tax is raised from taxpayers with incomes of more than \$3,000. The income tax itself is reduced below present income tax levels for some 13 million taxpayers with incomes of less than approximately \$3,000.

The income tax itself is lower under the proposal than under the combined present income and net Victory taxes for married couples and no dependents with incomes up to about \$2,000; for married couples and two dependents with incomes up to about \$3,000; and for married couples with more dependents up to somewhat higher amounts. For single persons the proposed income tax is higher than the present income tax throughout the scale.

The decreases in income tax under the proposal for married couples, and for others if they have dependents, are net decreases for such persons as may not be covered by the social security component of the program and for persons deriving income from sources other than salaries and wages, sources not subject to the proposed social security contribution rate of 8 percent. For persons with salaries and wages covered by social security, the relief from income tax is compensated in the immediate future by the additional contributions under the social security program. Ultimately the social security contributions are matched and more than matched by benefits. Under the proposal, therefore, the combined burden for income taxes and social security contributions will in the long run be lighter for covered persons with low incomes than the combined burden under the present income tax and the contributions scheduled for 1944.

Attached are (1) the proposed surtax rate schedule and (2) a burden table illustrating the effects of the proposed income tax and the proposed income tax in combination with the proposed social security contributions.

September 7, 1943

LS:ned - 9/7/43

Individual surtax rates under present law and under proposal

Surtax net income (thousands of dollars)		Present law <u>1/</u>	Proposal <u>2/</u>
Not over	.5	13%	18%
.5 -	1	13	20
1 -	1.5	13	22
1.5 -	2	13	28
2 -	4	16	36
4 -	6	20	39
6 -	8	24	45
8 -	10	28	49
10 -	12	32	51
12 -	14	36	57
14 -	16	40	61
16 -	18	43	64
18 -	20	46	67
20 -	22	49	69
22 -	26	52	72
26 -	32	55	76
32 -	38	58	79
38 -	44	61	81
44 -	50	63	83
50 -	60	66	85
60 -	70	69	87
70 -	80	72	88
80 -	90	75	89
90 -	100	77	90
100 -	150	79	90
150 -	200	81	90
Over	200	82	90
Normal tax rate		6	6

Treasury Department,
Division of Tax Research

September 7, 1943

1/ Exemptions: \$500, \$1,200, \$350.

2/ Exemptions as under present law. Assumes repeal of
Victory tax.

Examples of income taxes under present law and under proposal

Net income:	Income tax under present law			Income tax under proposal		
before :	Single	Married	Married	Single	Married	Married
personal :	person	couple no	couple two	person	couple no	couple two
exemptions:	dependents	dependents	dependents	dependents	dependents	dependents

Amounts of tax

1,000	\$ 107	\$ 15	\$ -	\$ 114	-	-
2,000	333	188	58	378	186	18
3,000	574	405	267	752	474	260
5,000	1,105	894	730	1,595	1,286	992
10,000	2,783	2,467	2,208	4,085	3,700	3,315

Effective rates

1,000	10.7%	1.5%	-	11.4%	-	-
2,000	16.7	9.4	2.9%	18.9	9.3%	0.9%
3,000	19.1	13.5	8.9	25.1	15.6	8.7
5,000	22.1	17.9	14.6	31.9	25.7	19.8
10,000	27.8	24.7	22.1	40.9	37.0	33.2

Net income:	Income tax under present law			Income tax under proposal		
before :	plus 2% social security			plus 6% social security		
personal :	Single	Married	Married	Single	Married	Married
exemptions:	person	couple-no	couple-two	person	couple-no	couple-two
	dependents	dependents	dependents	dependents	dependents	dependents

Amounts of tax

1,000	\$ 129	\$ 37	\$ 36	\$ 181	\$ 67	\$ 67
2,000	377	232	102	511	319	151
3,000	634	465	327	932	654	440
5,000	1,165	954	790	1,775	1,466	1,172
10,000	2,843	2,527	2,268	4,265	3,880	3,495

Effective rates

1,000	12.9%	3.7%	3.6%	18.1%	6.7%	6.7%
2,000	18.9	11.6	5.1	25.6	16.0	7.6
3,000	21.1	15.5	10.9	31.1	21.8	14.7
5,000	23.3	19.1	15.8	35.5	29.3	23.4
10,000	28.4	25.3	22.7	42.7	38.8	35.0

September 4, 1943

DRAFT OF STATEMENT BY THE PRESIDENT ON
SOCIAL SECURITY AND THE REVENUE PROGRAM

Two months ago, in my address of July 28th, I outlined the plans we are laying for the return to civilian life of millions of our men and women now in the armed services. I said that because they are making extraordinary sacrifices they are entitled to special consideration. They are entitled to receive mustering-out pay, benefits for education, rehabilitation, medical care and hospitalization. They are entitled to all the benefits under the present Social Security Act that they would have received had they continued their employment in private industry. They are entitled also to special unemployment insurance for the period between their discharge and their entrance into civilian employment. The disabled are further entitled to pensions.

To provide for the special problems of the members of the armed forces is but a part of our social security program. We must provide added security for those other millions of our men and women who are now employed in wartime production. Many of these workers are women who will wish to return to their homes when the victory

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is won. But 50 million workers, men and women, will continue to need permanent employment. They constitute our peacetime working force.

In 1935, at long last, we came to realize as a nation that the workers in a modern economy must be protected from failure of income. We adopted a system of unemployment compensation and old-age insurance, but we greatly limited the benefits and restricted the coverage. Not all of our working people are eligible to receive benefits from social security, and none are receiving adequate benefits.

In my Budget messages for the past several years I have recommended to the Congress an expansion of social security. For several years we have been discussing these recommendations. On March 10, 1943 I submitted to the Congress a comprehensive report of the National Resources Planning Board on security, work, and relief policies. Early this year Senator Wagner introduced a bill providing for the expansion of coverage, increased benefits for old-age and survivors' insurance and unemployment insurance, and new benefits for temporary disability, medical care, and hospitalization. An identical bill was introduced by Congressman Dingell in the

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House of Representatives. The Bills before Congress constitute an adequate basis for action. The time has come for the Congress to enact additional safeguards for the security and welfare of the average citizen.

The additional benefits will substantially increase the cost of social security. This cost can be met best by increasing the present payroll contributions of both employee and employer. The workers and their employers will gladly pay now for economic security. The immediate impact on the workers of the additional contributions is, however, the same as the impact of additional individual income taxes. An adequate schedule of increased income taxes based on the sound principle of ability to pay cannot be devised without taking into account the necessary payroll taxes to provide a sound social security program. The two problems are one and must be considered together.

I have, therefore, instructed the Secretary of the Treasury to take the pressing need for increased social security benefits and contributions into account in designing the tax recommendations to be presented to the Congress. We propose to leave room for additional social security contributions by restricting the individual

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income tax increases, for the most part, to incomes above the level where the social security contributions take a fixed proportion of total income.

The proposed transition to a higher level of social security benefits can be accomplished most easily at this time. Income payments to individuals are high. The supply of consumers' goods is short. Increased social security contributions from wage earners now, in addition to serving the main purpose of providing more adequately for their future security, will help to restrain the inflationary forces making for higher living costs. The higher payroll taxes will benefit our working people now by holding down the cost of living and later by protecting them from the hazards of unemployment, incapacitating illness, and impoverishment in old age.

Amounts of tax for 1944 under present individual income tax law and 2 percent payroll tax and under income tax Schedule M-2 and 6% payroll tax

Single person - no dependents

Personal exemption - \$500

Net income before personal exemption 1/	Individual income taxes 2/			Employee payroll taxes 2/			Combined individual income and payroll taxes 2/		
	Present law 3/	Schedule M-2 4/	Increase	Present law (2%)	6%	Increase	Present income tax 3/ and 2% payroll tax	Schedule M-2 4/ and 6% payroll tax	Increase
\$ 600	\$ 17	\$ 20	\$ 3	\$ 13	\$ 40	\$ 27	\$ 30	\$ 60	\$ 30
700	40	44	4	16	47	31	56	90	34
800	62	67	5	18	53	35	80	121	41
900	85	91	6	20	60	40	105	151	46
1,000	107	114	7	22	67	45	129	181	52
1,100	130	139	9	24	73	49	154	213	59
1,200	153	165	12	27	80	53	180	245	65
1,500	220	241	21	33	100	67	253	341	88
1,600	243	268	25	36	107	71	279	375	96
2,000	333	378	45	44	133	89	377	511	134
2,500	446	545	99	56	167	111	502	712	210
3,000	574	752	178	60	180	120	634	932	298
4,000	829	1,166	337	60	180	120	889	1,346	457
5,000	1,105	1,595	490	60	180	120	1,165	1,775	610
6,000	1,401	2,039	638	60	180	120	1,461	2,219	758
8,000	2,052	3,017	965	60	180	120	2,112	3,197	1,085
10,000	2,783	4,085	1,302	60	180	120	2,843	4,265	1,422
12,500	3,802	5,485	1,683	60	180	120	3,862	5,665	1,803
15,000	4,968	7,071	2,103	60	180	120	5,028	7,251	2,223
20,000	7,626	10,571	2,945	60	180	120	7,686	10,751	3,065
25,000	10,644	14,386	3,742	60	180	120	10,704	14,500	3,796
30,000	14,058	18,691	4,633	60	180	120	14,118	18,871	4,753
40,000	21,001	27,766	6,765	60	180	120	21,061	27,946	6,885
50,000	28,665	37,556	8,891	60	180	120	28,725	37,736	9,011
100,000	44,863	58,556	13,693	60	180	120	44,923	58,736	13,813
1,000,000	899,500 5/	946,556	47,056	60	180	120	899,560 5/	946,736	47,176
5,000,000	4,499,500 5/	4,786,556	287,056	60	180	120	4,499,560 5/	4,786,736	287,176

Treasury Department, Division of Tax Research

September 6, 1943

- 1/ Maximum earned income credit assumed.
- 2/ For purpose of Victory tax and payroll taxes, gross income (wages) assumed to be ten-ninths of net income.
- 3/ Includes Victory tax.
- 4/ Assumes repeal of the Victory tax.
- 5/ Taking into account maximum effective rate limitation of 90 percent.

Effective rates of tax for 1944 under present individual income tax law and 2 percent payroll tax and under income tax Schedule M-2 and 6% payroll tax.

Single person - no dependents

Personal exemption - \$500

Net income before personal exemption 1/	Individual income taxes 2/			Employee payroll taxes 2/			Combined individual income and payroll taxes 2/		
	Present law 3/	Schedule M-2 4/	Increase	Present law (2%)	6%	Increase	Present income tax 3/ and 2% payroll tax	Schedule M-2 4/ and 6% payroll tax	Increase
\$ 600	2.8%	3.4%	0.6%	2.2%	6.7%	4.5%	5.1%	10.1%	5.0%
700	5.7	6.3	0.6	2.2	6.7	4.5	7.9	12.9	5.0
800	7.8	8.4	0.6	2.2	6.7	4.5	10.0	15.1	5.1
900	9.4	10.1	0.7	2.2	6.7	4.5	11.7	16.7	5.0
1,000	10.7	11.4	0.7	2.2	6.7	4.5	12.9	18.1	5.2
1,100	11.8	12.7	0.9	2.2	6.7	4.5	14.0	19.3	5.3
1,200	12.8	13.7	0.9	2.2	6.7	4.5	15.0	20.4	5.4
1,500	14.7	16.1	1.4	2.2	6.7	4.5	16.9	22.7	5.8
1,600	15.2	16.8	1.6	2.2	6.7	4.5	17.4	23.4	6.0
2,000	16.7	18.9	2.2	2.2	6.7	4.5	18.9	25.6	6.7
2,500	17.8	21.8	4.0	2.2	6.7	4.5	20.1	28.5	8.4
3,000	19.1	25.1	6.0	2.0	6.0	4.0	21.1	31.1	10.0
4,000	20.7	29.2	8.5	1.5	4.5	3.0	22.2	33.7	11.5
5,000	22.1	31.9	9.8	1.2	3.6	2.4	23.3	35.5	12.2
6,000	23.4	34.0	10.6	1.0	3.0	2.0	24.4	37.0	12.6
8,000	25.7	37.7	12.0	0.8	2.3	1.5	26.4	40.0	13.6
10,000	27.8	40.9	13.1	0.6	1.8	1.2	28.4	42.7	14.3
12,500	30.4	43.9	13.5	0.5	1.4	0.9	30.9	45.3	14.4
15,000	33.1	47.1	14.0	0.4	1.2	0.8	33.5	48.3	14.8
20,000	38.1	52.9	14.8	0.3	0.9	0.6	38.4	53.8	15.4
25,000	42.6	57.5	14.9	0.2	0.7	0.5	42.8	58.3	15.5
50,000	56.1	71.4	15.3	0.1	0.4	0.3	56.2	71.7	15.5
75,000	64.0	78.4	14.4	0.1	0.2	0.1	64.1	78.6	14.5
100,000	69.7	82.6	12.9	0.1	0.2	0.1	69.7	82.7	13.0
500,000	88.4	93.3	4.9	5/	5/	5/	88.4	93.3	4.9
1,000,000	90.0 6/	94.7	4.7	5/	5/	5/	90.0 6/	94.7	4.7
5,000,000	90.0 5/	95.7	5.7	5/	5/	5/	90.0 5/	95.7	5.7

Treasury Department, Division of Tax Research

September 6, 1943

- 1/ Maximum earned income credit assumed.
- 2/ For purpose of Victory tax and payroll taxes, gross income (wages) assumed to be ten-ninths of net income.
- 3/ Includes Victory tax.
- 4/ Assumes repeal of the Victory tax.
- 5/ Less than 0.05 percent.
- 6/ Taking into account maximum effective rate limitation of 90 percent.

Amounts of tax for 1944 under present individual income tax law and 2 percent payroll tax and under income tax Schedule M-2 and 6% payroll tax.

Married person - two dependents

Person exemption \$1,200; credit for dependents, \$700

Net income before personal exemption 1/	Individual income taxes 2/			Employee payroll taxes 2/			Combined individual income and payroll taxes 2/		
	Present law 3/	Schedule M-2 4/	Increase	Present law (2%)	6%	Increase	Present income tax 3/ and 2% payroll tax	Schedule M-2 4/ and 6% payroll tax	Increase
\$ 1,500	\$ 29	\$ -	\$ -29	\$ 33	\$ 100	\$ 67	\$ 62	\$ 100	\$ 38
1,900	42	-	-42	42	127	85	84	127	43
2,000	58	18	-40	44	133	89	102	151	49
2,308	116	82	-34	51	153	102	167	236	69
2,400	138	106	-32	53	160	107	191	266	75
2,500	159	131	-28	56	167	111	215	298	83
2,700	202	182	-20	60	180	120	262	362	100
3,000	267	260	-7	60	180	120	327	440	113
4,000	485	578	93	60	180	120	545	758	213
5,000	730	992	262	60	180	120	790	1,172	382
6,000	979	1,409	430	60	180	120	1,039	1,589	550
8,000	1,553	2,303	750	60	180	120	1,613	2,483	870
10,000	2,208	3,315	1,107	60	180	120	2,268	3,495	1,227
12,500	3,144	4,687	1,543	60	180	120	3,204	4,867	1,663
15,000	4,207	6,169	1,962	60	180	120	4,267	6,349	2,082
20,000	6,693	9,549	2,856	60	180	120	6,753	9,729	2,976
25,000	9,574	13,294	3,720	60	180	120	9,634	13,474	3,840
50,000	26,392	34,445	8,053	60	180	120	26,452	34,625	8,173
75,000	46,209	57,450	11,241	60	180	120	46,269	57,630	11,361
100,000	67,803	81,212	13,409	60	180	120	67,863	81,392	13,529
500,000	439,931	465,212	25,281	60	180	120	439,991	465,392	25,401
1,000,000	898,800 5/	945,212	46,412	60	180	120	898,860 5/	945,392	46,532
5,000,000	4,498,800 5/	4,785,212	286,412	60	180	120	4,498,860 5/	4,785,392	286,532

Treasury Department, Division of Tax Research

September 6, 1943

- 1/ Maximum earned income credit assumed
- 2/ For purpose of Victory tax and payroll taxes, gross income (wages) assumed to be ten-ninths of net income.
- 3/ Includes Victory tax.
- 4/ Assumes repeal of the Victory tax.
- 5/ Taking into account maximum effective rate limitation of 90 percent.

Effective rates of tax for 1944 under present individual income tax law and 2 percent payroll tax and under income tax Schedule M-2 and 6% payroll tax.

Married person - two dependents

Personal exemption \$1,200; credit for dependents, \$700

Net income before personal exemption 1/	Individual income taxes 2/			Employee payroll taxes 2/			Combined individual income and payroll taxes 2/		
	Present	Schedule M-2 4/	Increase	Present law (2%)	6%	Increase	Present income tax 3/ and 2% payroll tax	Schedule M-2 4/ and 6% payroll tax	Increase
	law 3/								
\$ 1,500	1.9%	-	- 1.9%	2.2%	6.7%	4.5%	4.2%	6.7%	2.5%
1,900	2.2	-	- 2.2	2.2	6.7	4.5	4.4	6.7	2.3
2,000	2.9	0.9%	- 2.0	2.2	6.7	4.5	5.1	7.6	2.5
2,300	5.0	3.6	- 1.4	2.2	6.7	4.5	7.3	10.2	2.9
2,400	5.8	4.4	- 1.4	2.2	6.7	4.5	8.0	11.1	3.1
2,500	6.4	5.2	- 1.2	2.2	6.7	4.5	8.6	11.9	3.3
2,700	7.5	6.7	- 0.8	2.2	6.7	4.5	9.7	13.4	3.7
3,000	8.9	8.7	- 0.2	2.0	6.0	4.0	10.9	14.7	3.8
4,000	12.1	14.5	2.4	1.5	4.5	3.0	13.6	19.0	5.4
5,000	14.6	19.8	5.2	1.2	3.6	2.4	15.8	23.4	7.6
6,000	16.3	23.5	7.2	1.0	3.0	2.0	17.3	26.5	9.2
8,000	19.4	28.8	9.4	0.8	2.3	1.5	20.2	31.0	10.8
10,000	22.1	33.2	11.1	0.6	1.8	1.2	22.7	35.0	12.3
12,500	25.2	37.5	12.3	0.5	1.4	0.9	25.6	38.9	13.3
15,000	28.0	41.1	13.1	0.4	1.2	0.8	28.4	42.3	13.9
20,000	33.5	47.7	14.2	0.3	0.9	0.6	33.8	48.6	14.8
25,000	38.3	53.2	14.9	0.2	0.7	0.5	38.5	53.9	15.4
50,000	52.8	68.9	16.1	0.1	0.4	0.3	52.9	69.3	16.4
75,000	61.6	76.6	15.0	0.1	0.2	0.1	61.7	76.8	15.1
100,000	67.8	81.2	13.4	0.1	0.2	0.1	67.9	81.4	13.5
500,000	88.0	93.0	5.0	5/	5/	5/	88.0	93.1	5.1
1,000,000	89.9 6/	94.5	4.6	5/	5/	5/	89.9 6/	94.5	4.6
5,000,000	90.0 6/	95.7	5.7	5/	5/	5/	90.0 6/	95.7	5.7

Treasury Department, Division of Tax Research

September 6, 1943

- 1/ Maximum earned income credit assumed.
- 2/ For purpose of Victory tax and payroll taxes, gross income (wages) assumed to be ten-ninths of net income.
- 3/ Includes Victory tax.
- 4/ Assumes repeal of the Victory tax.
- 5/ Less than 0.05 percent.
- 6/ Taking into account maximum effective rate limitation of 90 percent.

Amounts of tax for 1944 under present individual income tax law and 2 percent payroll tax and under income tax Schedule M-2 and 6% payroll tax.

Married person - no dependents

Personal exemption - \$1,200

Net income before personal exemption 1/	Individual income taxes 2/			Employee payroll taxes 2/			Combined individual income and payroll taxes 2/		
	Present law 3/	Schedule M-2 4/	Increase	Present law (2%)	6%	Increase	Present income tax 3/ and 2% payroll tax	Schedule M-2 4/ and 6% payroll tax	Increase
\$ 1,000	\$ 15	-	\$ - 15	\$ 22	\$ 67	\$ 45	\$ 37	\$ 67	\$ 30
1,200	21	-	- 21	27	80	53	48	80	32
1,500	79	\$ 63	- 16	33	100	67	112	163	51
1,600	101	86	- 15	36	107	71	137	193	56
1,700	123	110	- 13	38	113	75	161	223	60
1,800	144	135	- 9	40	120	80	184	255	71
1,900	166	161	- 5	42	127	85	208	287	79
2,000	188	186	- 2	44	133	89	232	319	87
2,100	210	211	1	47	140	93	256	351	95
2,200	231	237	6	49	147	98	280	383	103
2,300	253	264	11	51	153	102	304	418	114
2,400	275	292	17	53	160	107	328	452	124
2,500	297	319	22	56	167	111	353	486	133
3,000	405	474	69	60	180	120	465	654	189
4,000	647	872	225	60	180	120	707	1,052	345
5,000	894	1,286	392	60	180	120	954	1,466	512
6,000	1,173	1,724	551	60	180	120	1,233	1,904	671
8,000	1,780	2,660	880	60	180	120	1,840	2,840	1,000
10,000	2,467	3,700	1,233	60	180	120	2,527	3,880	1,353
12,500	3,437	5,086	1,649	60	180	120	3,497	5,266	1,769
15,000	4,533	6,610	2,077	60	180	120	4,593	6,790	2,197
20,000	7,100	10,060	2,960	60	180	120	7,160	10,240	3,080
25,000	10,035	13,840	3,805	60	180	120	10,095	14,020	3,925
50,000	27,075	35,068	7,993	60	180	120	27,135	35,248	8,113
75,000	46,955	58,108	11,153	60	180	120	47,015	58,288	11,273
100,000	68,584	81,884	13,300	60	180	120	68,644	82,064	13,420
500,000	440,747	465,884	25,137	60	180	120	440,807	466,064	25,257
1,000,000	899,000 5/	945,884	46,884	60	180	120	899,060 5/	946,064	47,004
5,000,000	4,499,000 5/	4,785,884	286,884	60	180	120	4,499,060 5/	4,786,064	287,004

Treasury Department, Division of Tax Research

September 4, 1943

- 1/ Maximum earned income credit assumed.
- 2/ For purpose of Victory tax and payroll taxes, gross income (wages) assumed to be ten-ninths of net income.
- 3/ Includes Victory tax.
- 4/ Assumes repeal of the Victory tax.
- 5/ Taking into account maximum effective rate limitation of 90 percent.

Effective rates of tax for 1944 under present individual income tax law and 2 percent payroll tax and under income tax Schedule M-2 and 6% payroll tax.

Married person - no dependents
Personal exemption - \$1,200

Net income before personal exemption 1/	Individual income taxes 2/			Employee payroll taxes 2/			Combined individual income and payroll taxes 2/		
	Present law 3/	Schedule M-2 4/	Increase	Present law (2%)	6%	Increase	Present income tax 3/ and 2% payroll tax	Schedule M-2 4/ and 6% payroll tax	Increase
\$ 1,000	1.5%	-	- 1.5%	2.2%	6.7%	4.5%	3.7%	6.7%	3.0%
1,200	1.8	-	- 1.8	2.2	6.7	4.5	4.0	6.7	2.7
1,500	5.3	4.2%	- 1.1	2.2	6.7	4.5	7.5	10.9	3.4
1,600	6.3	5.4	- 0.9	2.2	6.7	4.5	8.5	12.1	3.6
1,700	7.2	6.5	- 0.7	2.2	6.7	4.5	9.4	13.1	3.7
1,800	8.0	7.5	- 0.5	2.2	6.7	4.5	10.2	14.2	4.0
1,900	8.7	8.5	- 0.2	2.2	6.7	4.5	11.0	15.1	4.1
2,000	9.4	9.3	- 0.1	2.2	6.7	4.5	11.6	16.0	4.4
2,100	10.0	10.1	0.1	2.2	6.7	4.5	12.2	16.7	4.5
2,200	10.5	10.8	0.3	2.2	6.7	4.5	12.7	17.4	4.7
2,300	11.0	11.5	0.5	2.2	6.7	4.5	13.2	18.2	5.0
2,400	11.5	12.2	0.7	2.2	6.7	4.5	13.7	18.8	5.1
2,500	11.9	12.8	0.9	2.2	6.7	4.5	14.1	19.4	5.3
3,000	13.5	15.8	2.3	2.0	6.0	4.0	15.5	21.8	6.3
4,000	16.2	21.8	5.6	1.5	4.5	3.0	17.7	26.3	8.6
5,000	17.9	25.7	7.8	1.2	3.6	2.4	19.1	29.3	10.2
6,000	19.6	28.7	9.1	1.0	3.0	2.0	20.6	31.7	11.1
8,000	22.3	33.3	11.0	0.8	2.3	1.5	23.0	35.5	12.5
10,000	24.7	37.0	12.3	0.6	1.8	1.2	25.3	38.8	13.5
12,500	27.5	40.7	13.2	0.5	1.4	0.9	28.0	42.1	14.1
15,000	30.2	44.1	13.9	0.4	1.2	0.8	30.6	45.3	14.7
20,000	35.5	50.3	14.8	0.3	0.9	0.6	35.8	51.2	15.4
25,000	40.1	55.4	15.3	0.2	0.7	0.5	40.4	56.1	15.7
50,000	54.2	70.1	15.9	0.1	0.4	0.3	54.3	70.5	16.2
75,000	62.6	77.5	14.9	0.1	0.2	0.1	62.7	77.7	15.0
100,000	68.6	81.9	13.3	0.1	0.2	0.1	68.6	82.1	13.5
500,000	88.1	93.2	5.1	5/	5/	5/	88.2	93.2	5.0
1,000,000	89.9 6/	94.6	4.7	5/	5/	5/	89.9 6/	94.6	4.7
5,000,000	90.0 5/	95.7	5.7	5/	5/	5/	90.0 5/	95.7	5.7

Treasury Department, Division of Tax Research

September 4, 1943

- 1/ Maximum earned income credit assumed.
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- 4/ Assumes repeal of the Victory tax.
- 5/ Less than 0.05 percent
- 6/ Taking into account maximum effective rate limitation of 90 percent.

SEP 8 1943

Dear Cordell:

In the past, there have been proposals to levy excise taxes on coffee, tea and cocoa and to increase the existing excise on sugar. Such proposals may be made again in connection with the 1943 tax program.

In view of the State Department's interests in these commodities I should like to have an expression of your views respecting the desirability of levying such excises.

Sincerely,

(Signed) Henry

Honorable Cordell Hall
Secretary of State
Washington, D. C.

MF:td
9/3/43

25

September 8, 1943.

Dear Sir Clive:

It was with great regret that I learned you are leaving Washington, and I am also sorry that I have been able to see so little of you during your stay here.

As you know, since the setting up of Lend-Lease I have had practically nothing to do with foreign purchases, other than those that cleared through the Treasury Procurement. I can assure you that I have not lost my interest in the whole situation, and that I too remember with the greatest pleasure my contacts with Arthur Purvis, whom I shall always warmly remember.

It was good of you to speak so courteously of what I was able to do during that association. Your Government owes you a debt of gratitude for the excellent way in which you have represented it here. I wish you the best of luck in your next endeavor, and hope that you may be able to call before you leave Washington, in order that I may express my good wishes in person.

Sincerely,

(Signed) H. Morgenthau, Jr.

Sir Clive Baillieu,
British Raw Materials Mission,
1800 K Street, N.W.,
Washington, D. C.

GEK/dba

By Messenger

September 8, 1943

My dear Mr. Baillieu:

I am sorry to learn that you are leaving, and that during your stay here I had seen very little of you, but as you know since the setting up of Lend-Lease I have had practically nothing to do with foreign purchases other than those that cleared through Treasury Procurement.

Your Government owes you a debt of gratitude for the excellent way in which you have represented them here. I hope that you will be able to call before you leave -----

Appreciates the kind thoughts expressed in his letter. Wishing him the best of luck in his next endeavor.

Sincerely yours,



BRITISH RAW MATERIALS MISSION

September 6th, 1943

Personal

Dear Mr. Morgenthau,

You may have seen the enclosed notice.

Before I leave these shores I should like to call and bid you farewell. I recall our first meeting through our dear friend Arthur Purvis.

I know something of what the allied cause owes to your courage and prevision. With many other Britishers I am grateful for the help you gave when it was sorely needed. And I am looking forward, after final victory, to our countrymen setting the seal on such labours by firmly laying the foundation of an enduring peace.

Yours sincerely,

Clive Baillieu
(Clive Baillieu)

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

OFFICE NOTICE (R.M.M.) NO. 53
August 20, 1943

BRITISH RAW MATERIALS MISSION

The following is the text of an announcement made by H.M. Government in London today relative to the resignation of Sir Clive Baillieu as Head of the Mission and U.K. Member of the Combined Raw Materials Board:-

"Sir Clive Baillieu is resigning from his position as British member of the Combined Raw Materials Board and Head of the British Raw Materials Mission in Washington, in order to return to England to assume the office of Deputy President of the Federation of British Industries with a view to assuming the Presidency at a later date if members in a general meeting accept the recommendation of the Council that he should be nominated for that office.

"Sir Clive Baillieu has held his present position with high distinction since the two bodies on which he served were first set up, having previously done valuable work as head of the British Purchasing Commission in Washington. His Majesty's Government have accepted his resignation with great regret."

The Federation of British Industries has issued the following statement:-

"The Grand Council of the Federation of British Industries today approved the appointment of Sir Clive Baillieu, K.B.E., C.M.G., as Deputy President of the Federation of British Industries and decided to recommend to the next general meeting of the Federation, which will take place in the spring of 1944, his nomination as President. As stated in the official announcement issued today, Sir Clive Baillieu is resigning from his position as British member of the Combined Raw Materials Board and Head of the British Raw Materials Mission in Washington, in order to be free to undertake this responsibility. Before proceeding to the United States on behalf of His Majesty's Government he was one of the original business members of the Export Council upon which his services to industry were of the greatest value."

Sir Clive expects to leave Washington towards the end of September.

G. ARCHER
Secretary-General

"SECRET"

WAR DEPARTMENT

WASHINGTON, D. C.

SEP 8 1943

AUTH: O. of Fis. Dir.

INITIALS: *YRU*

DATE: 4 Sep 9 43

The Honorable

The Secretary of Treasury

Dear Mr. Secretary:

With reference to your letter of August 31, and inclosures, your understanding in regard to the procedure described in the second paragraph of your letter is hereby confirmed. Instructions have already been issued to make this procedure effective. Accordingly, the War Department will transmit to the Treasury Department copies of all notices received from the Allied Military Financial Agency and from disbursing officers of the army having to do with the transfer of Allied military lira, and will in each case authorize the Treasurer of the United States to charge the official checking account of the disbursing officer receiving the lira, with the dollar equivalent.

In regard to the reports desired by the Treasury Department from the Allied Military Financial Agency, as enumerated in the third, fourth and fifth paragraphs of your letter, the War Department will request the Combined Chiefs of Staff to direct the Commander in Chief, Allied Forces, North African Theater of Operations, to arrange for the rendering of these reports to fill the needs of the Treasury Department for such data. It will likewise be requested that the first report from the Allied Military Financial Agency cover the month of August, 1943.

Sincerely yours,

Henry L. Stimson

SECRETARY OF WAR.

This document contains information affecting the national defense of the United States within the meaning of the Espionage Act, 50 U. S. C., 31 and 32, as amended. Its transmission or the revelation of its contents in any manner to an unauthorized person is prohibited by law.

"SECRET"

September 8, 1943

My dear Mr. President:

I am sending you herewith a memorandum in regard to a proposed loan to The Netherlands Government.

I showed this memorandum to Cordell Hull, and he told me over the telephone that he personally was in sympathy with the contents of the memorandum, but he felt that this was a responsibility which belonged to the Treasury.

Sincerely yours,

(Signed) H. Mergenthau, Jr.

The President,

The White House.

7/8/43-

MEMORANDUM FOR THE PRESIDENT

The Netherlands Government has made a request that this Government commit itself to a loan of \$300 million to be obtained from the R.F.C. and to be secured by the pledge of privately owned securities in this country belonging to nationals in the Netherlands. It is our understanding that this loan has been requested by the Netherlands Government for the purpose of financing postwar purchases and not for meeting its war expenditures which are amply provided for under Lend-Lease arrangements.

Since making the request for the loan the Dutch Finance Minister has, I understand, informed Secretary Jones that they would be satisfied with our commitment to make the loan after the war subject to whatever conditions we would wish to impose with respect to its availability and its use. Mr. Jones feels that there would be no harm in such a qualified commitment and it would be of some assistance to the Dutch Government and is inclined to favor making such a commitment. I am appending his memorandum on the subject.

It seems to me, however, that it would be unwise to make even a limited commitment at this time for the following reasons:

1. The financial resources of the Netherlands Government are substantial and entirely adequate to meet the contemplated payments on postwar orders they may wish to place. According to its own memorandum, the Netherlands already holds in the names of the Government and the Central Banks large resources in the form of gold, dollar balances and foreign exchange, amounting in all to more than \$1,050 million of which more than \$900 million is in the form of gold and dollars. This is in addition to the privately owned Netherlands assets held in this country. In view of the fact that the total budgeted expenditure of the Netherlands Government for 1943 -- including military and naval expenditures -- is only \$65 million, it is obvious that the resources available to the Netherlands Government are very large without additional borrowing and without touching privately held funds in this country of Netherlands nationals.

- 2 -

The Netherlands Government can acquire any needed part of the gold and foreign exchange reserves of the Central Banks of the Netherlands and the Netherlands Empire in return for national currency. We are cognizant of the reluctance of the Netherlands Government to use the gold and foreign exchange reserves of the Central Banks of the Netherlands and the Netherlands Empire. However, we call attention to the fact that other United Nations have acquired and used the gold and foreign exchange reserves of their central banks.

2. Even if it were apparent that the Netherlands Government will need financial aid in the immediate postwar period it seems to us undesirable to make a commitment with respect to such loans at this time. The loan made to the British Government by the R.F.C. was for the purpose of meeting war expenditures.

The commitment requested by the Netherlands is for postwar purchases. Such a commitment would establish an undesirable precedent and would be likely to call forth similar requests for large sums on the part of other United Nations. It would be extremely difficult to deny such governments, lacking the resources of the Netherlands Government, loans to enable them to make postwar purchases. For the United States to begin now a large scale program of loans or commitments for loans for the postwar period would represent a departure from our present policy which is likely to meet with serious public criticism. You would probably want to present the question to Congress before making any commitments on postwar loans.

This Government will be in a much better position to make a satisfactory decision as to the volume and distribution of foreign loans when we have a clearer idea as to the world's needs for American products and of our ability to produce for export in the immediate postwar period. Pending the development of an over-all program on postwar credits for reconstruction and development, it would seem inappropriate for this Government to embark upon a policy of making loans to foreign governments for postwar purposes.

3. If the need for dollar credits by the Netherlands Government should become manifest in the postwar period, such a loan should be secured directly from American investors rather than from this Government. The credit position of the Netherlands Government is so strong that there can be little doubt of its ability to secure a loan from private investors on reasonable terms after the war. The investing community in this country would be likely to resent a policy under which this Government would compete with private investors in making loans to countries whose high credit standing assures them access to our capital markets on favorable terms.

HDW:EMB:OAS:ff 8/30/43

(Signed) Henry Morgenthau, Jr.



THE SECRETARY OF COMMERCE
WASHINGTON

August 24, 1943

Dear Henry:

With further reference to the Netherlands' application for a loan, I beg to enclose a memorandum which I have prepared on the subject, which seems to me to be much preferable to a negative answer or a deferment.

Sincerely,


Secretary of Commerce

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





THE SECRETARY OF COMMERCE
WASHINGTON

August 24, 1943

MEMORANDUM RE NETHERLANDS LOAN APPLICATION:

When Mr. Van den Broek, Minister of Finance of the Netherlands, first spoke to me about a loan for post-war reconstruction, he stated that his Government wanted to be in a position to place orders for some raw materials and equipment so that when the war is over, and materials can be made available, they would be in a position to proceed with their reconstruction problems without delay.

He stated that they wanted a loan of \$300,000,000, payable in installments over a period of 15 years, and at a satisfactory rate of interest — say 3%; that investments in our own country, acceptable to us, would be pledged as collateral; that it was to be a strictly business transaction; and that, pending such time as title to the securities is determined to our entire satisfaction, their gold in this country could be pledged. He stated that they would need particularly railroad materials and equipment, motive power, etc.

I gave Mr. Van den Broek a copy of our loan agreement with the British under which we loaned them \$425,000,000. He would like a loan for the Netherlands on approximately the same basis and terms.

I appreciate that our own resources will be heavily drawn upon in the further prosecution of the war, and that means and methods of financing post-war reconstruction in the war-torn countries cannot now be definitely determined. However, the more of us that are ready immediately to get at the job when the war is over, the better.



The Dutch will have not only their homeland to rebuild, but their territorial possessions that are also occupied by the Axis.

I think we can admit that the best way to help people and governments, is to help them to help themselves. If we can help the Netherlands to do their job, they can — and I am sure will — help others that might properly or customarily look to them.

My thought as to what we might say to Mr. Van den Broek at this time is that, assuming we will be in a position to make his country a loan, and that no general plan by all governments to finance reconstruction is adopted from which the Netherlands would get the credit needed, we would make them a loan on acceptable U.S. investments. A condition of the loan would be that we have the right to require that all or any part of the proceeds of our loan shall be expended in our own country, and generally in cooperation with us in post-war reconstruction.

While such a commitment would be clearly a conditional one, it would say to them that we will make them a loan if we are in a position to do so, other demands upon our Treasury considered, provided other sources of credit are not available to them.

I would expect the loan to be set up on a basis which, at our option, could be passed along to private investors — generally along the lines that the RFC has made and sold loans throughout our own depression-recovery period, when credit was not otherwise available on fair terms.

I have discussed the matter at length with Finance Minister Van den Broek, and he recognizes the necessity for our making the commitment conditioned upon future circumstances that may be beyond our control.

He also feels very strongly that because of the cordial relationships long existing between our two peoples and the fact that the Dutch have long been substantial investors in our country, we would want to be of every possible assistance to them in their reconstruction work. There is, of course, no question about that.

Incidentally, our steel mills and other manufacturers will need all of the orders they can get if we are to provide employment for our returning soldiers and others now engaged in war work. To the extent that this can be done through sound loans such as this, the easier it will be on our own Treasury.

A condition of the commitment should be that orders placed by the Dutch would not conflict with our war production or with our post-war plans, and that before placing any orders the appropriate authority of our Government would be consulted by them.

A handwritten signature in cursive script, appearing to read "Jimmy Doolittle", with a long horizontal flourish extending to the right.

Treasury Department
Division of Monetary Research

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Date September 8, 1943 19

To: Secretary Morgenthau

From: Mr. White

You may be interested in the enclosed cable from Chungking indicating that Dr. Kung has refused to accept K. P. Chen's resignation from his position as Chairman of the Stabilization Board. Chen has told Dr. Kung that he will carry on until a successor is named.

W

PARAPHRASE OF TELEGRAM FROM CHUNGKING

DATED: September 2, 1943, 2 p.m.

NO: 1624

With reference to Embassy's telegram no. 1550, August 24, the following is strictly confidential.

I am informed by the Chairman of the Stabilization Board that his resignation has not been accepted. He said that he expects to continue in the position for some time, having again told Dr. Kung that he would carry on until a successor is named. He also said that discussion of the question of revision continues. He himself, he estimated, was strongly opposing revision, including any revision whereby foreign members of the Board would be eliminated. Mention that the "Board has no power" occurred several times in his remarks.

Embassy is repeating the foregoing to Calcutta for Adler's information.

Please inform the Treasury.

ATCHESON

NOT TO BE RE-TRANSMITTED

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 297

Information received up to 10 A.M., 8th September, 1943.

1. NAVAL

Early this morning three M.T.B's attacked 5 enemy tank landing craft between FECAMP and ST. VALERY. 1 torpedo hit was scored. Our ships sustained no casualties or damage. One of H.M. Submarines sank a 400 ton cargo ship on 27th August in Southern ADRIATIC. Another of H.M. Submarines sank a 3,000 ton armed cargo ship on 23th off Eastern CORSICA.

2. MILITARY

ITALY. No further report received.

RUSSIA. No reports received other than official communiques.

3. AIR OPERATIONS

WESTERN FRONT. 6th/7th. MUNICH. 1,011 tons dropped including 237 4,000 lb. H.E. and 450 tons of incendiaries. Moderate cloud over the town which caused scattered bombing in early stages but an improved concentration was achieved later. Two major fires developed emitting smoke columns to 15,000 feet with numerous smaller fires covering wide area. Moderate A/A fire, many searchlights co-operating with very active fighters, two of which were destroyed.

7th. A total of 162 Fortresses dropped 281 tons on an aircraft works at BRUSSELS and 116 tons on WATTEN with 'fair to good' results. 20 Liberators attacked a convoy off TEXEL. All the bombers returned. One escorting fighter missing. Enemy casualties 2, 0, 4. 100 escorted medium bombers dropped a total of 134 tons at ST. POL railway centre and ST. OMER airfield. Typhoons bombed airfields at ABBEVILLE and POIX where 4 aircraft were destroyed on the ground and locomotive sheds at ST. OMER.

7th/8th. Aircraft despatched - Intruders 13, anti-shipping 9 (one E-boat sunk, one damaged).

SOUTHERN ITALY. 5th/6th. Wellingtons dropped 86 tons on the railway centre at VILLA LITERNO near NAPLES.

6th. A total of 42 Fortresses attacked objectives in the same area. Neapolitan airfields at CAPUA and GRAZZANISE were attacked by 112 escorted Mitchells and 111 escorted Marauders respectively. Enemy casualties 9, 4, 6. Allied - 3 missing.

TUNISIA. 6th. About 100 enemy aircraft attacked BIZERTE. No damage to shipping is reported. Beaufighters destroyed four and anti-aircraft three.