DIARY

Book 623

April 6 - 8, 1943

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April 6, 1943
9:10 a.m.

FINANCING

Present: Mr. Bell
Mr. Robbins
Mr. Buffington
Mr. Peabody
Miss Elliott
Mr. Gamble

H.M.JR: Mr. Bell?

MR. BELL: I have nothing.

H.M.JR: This is war finance. (Laughter)

MR. BELL: I don't believe I have anything.

H.M.JR: Wonderful.

MR. ROBBINS: There are a couple of points that I think we might check. Out of the group here, who would you like to be in New York on the evening that you talk, if anybody?

H.M.JR: Everybody. Everybody who wants to come.

MR. ROBBINS: I was asking from a very practical point of view. We want to be there pitching for you. On the other hand, if you want us or don't want us it would help us to make our plans.

H.M.JR: It is up to you.

MR. ROBBINS: All right, sir.

H.M.JR: I mean, I was fixing up - I asked for these tickets. It is not necessary; it is just extra wear and tear.

MR. ROBBINS: Did you invite Gamble or Graves?

H.M.JR: Gamble will be up. He will be up in advance.

MR. ROBBINS: I mean here, right now.

H.M.JR: Yes. But if you would let me know whether you are coming or not - your "Mrs." might want to come.

MR. ROBBINS: All right, sir.

H.M.JR: I mean, I would be delighted to have you come.

MR. ROBBINS: Other things being equal, I would be delighted to come.

H.M.JR: Do you want me to tell you to come? (Laughter)

MR. ROBBINS: No. I wanted to know how your mind was working on it, because we have a big campaign, and we will do what you think is right.

H.M.JR: No, I just - if on a personal basis you would like to come, fine.

MR. ROBBINS: That is definite; I would like to come on a personal basis.

H.M.JR: But if you are busy, my feelings won't be hurt.

MR. PEABODY: After that meeting last Monday, Mr. Secretary, I swore I would never leave Washington again. (Laughter)

H.M.JR: You should travel with me, that is the point. What I have said for him goes for you (Peabody) too.

MR. ROBBINS: I talked to Stuart about our closed circuit on Saturday and suggested it might help us and be a more effective meeting if we could do our broadcast from a local studio here and have the local workers there for a specific audience. I have done some of that sort of work before. We do it occasionally in my company, and we find that we are all a great deal more effective if we are right there in a typical meeting, if it is possible, to be in a typical meeting talking to several hundred other typical meetings. A foreign atmosphere to the meeting is more difficult in the first place, and I think it is less effective.

I wonder how you would react to the suggestion of going over to the studio and have the local people in and do it from that point.

MR. PEABODY: They are arranging to have them in anyway, I think. I am checking this up.

H.M.JR: What do you think about all these important decisions, Miss Elliott?

MISS ELLIOTT: I think it would be nice to have it here and have the people in.

MR. PEABODY: We can do it here or over there. It depends on how large a crowd - Mr. Rust, who is planning to arrange it, is planning to have them in.

MR. BELL: I doubt if the theater will hold them all.

MR. ROBBINS: If it is from a theater here and we could get two or three hundred people in there and they would be the local people, it would put the Secretary right intimately in contact with the local organization.

H.M.JR: I think it is O.K.

MR. ROBBINS: I think it would be a splendid thing.

H.M.JR: O.K.

MR. ROBBINS: You haven't any final answer on Mr. Wanders yet?

H.M.JR: No. I called you late.

MR. PEABODY: Yes, sir.

H.M.JR: Did you tell him? He will stay here until he hears from Mrs. Reid.

MR. ROBBINS: Silence is golden. (Laughter)

H.M.JR: Right. I had a very amusing conversation with her. She says, "Mr. Wanders is sitting at your desk with you."

I said, "I wouldn't do that."

She said, "I am scared of you."

I said, "He is here; we are going to keep him until we hear from you."

She said, "All right." So he stays here.

MR. PEABODY: We will put him to work.

(Mr. Gamble entered the conference.)

H.M.JR: Don't forget these two writers who are coming down today on the speech.

MR. PEABODY: They are due here at twelve o'clock, I understand.

MR. ROBBINS: I am becoming concerned about Boston, more by intuition than by fact perhaps. But I would like to sneak up there for a day, and I am going to try to make my plans, which I hope can be correlated with other things. If so, it probably will be quickly. It might even be on the midnight train tonight, if I could do it, and be back tomorrow night.

H.M.JR: How do some of these plans look that came in?

MR. ROBBINS: There is a pretty large volume of material. The arrangements that we made is that George's office is correlating the entire group, using Prenosil--

MR. BUFFINGTON: Capek. It will be done by noon today.

H.M.JR: So if I want to ask--

MR. BUFFINGTON: You can turn to the book and get A-2 and know everything. (Laughter)

MR. ROBBINS: We are going to have more vital statistics than any of us imagine. As a matter of fact, we are going to have so many statistics we are going to have to be careful we don't disrupt things by going over somebody's head out in the field if we want information. I still would prefer to get it through the straight-line channel.

H.M.JR: But the point on this thing is, I want to say, "All right, Boston - what did they send in on their report? What does it show?"

MR. ROBBINS: It will show their complete organization, their people, where they came from as related to the last drive, and where their geographical area is. That is pretty generally the pattern, and it seems to follow that pattern, but it is a tremendous mass of detail.

Then another point, Ted, we are still in search for a man here to do our local Washington department, Government Department work, and the name that has been suggested this morning is Joe Davies. I tried to get Nelson Rockefeller yesterday to head it up. He begged off on point of duty.

H.M.JR: You mean the ex-ambassador?

MR. ROBBINS: Yes.

H.M.JR: Is he out of the hospital? The last I saw he went up to Johns Hopkins.

MR. ROBBINS: I didn't know that.

H.M.JR: If he is out, he would be swell.

MR. ROBBINS: He would be fine. I think we could persuade him to do it.

H.M.JR: If he is out I think he would be glad to do it.

MR. ROBBINS: We are all disappointed that John can't do that.

H.M.JR: John has more things to do now than you can shake a stick at.

MR. ROBBINS: There is nothing, sir, except I would like to have a few minutes with you if I can.

H.M.JR: Is it as bad as that? (Laughter) All right, how many minutes?

MR. ROBBINS: Well, ten.

H.M.JR: It won't be this morning.

MR. BUFFINGTON: I have nothing.

MR. GAMBLE: Nothing.

MR. PEABODY: I would like to inquire about your convenience for the Sunday broadcast, Mr. Secretary. Your part of it can be done either in Washington or New York. You are going to be in New York Monday. I didn't know whether you plan to be in New York on Sunday or not.

MISS ELLIOTT: I was wondering about the reports on the pledges. Mr. Norris was in yesterday and we talked about it. He said they were getting theirs all set up ahead of time.

MR. ROBBINS: Louisville says they are going to underwrite the whole quota before noon the first day.

H.M.JR: I will not go to New York Sunday.

MR. PEABODY: All right, that is perfectly satisfactory. I just wanted to find out.

H.M.JR: I will be here Saturday, and I will be here Sunday. I was going up to New York late Monday afternoon. No trouble to have it piped in?

MR. PEABODY: Not the slightest.

H.M.JR: Who is writing the speech for Saturday?

MR. PEABODY: We are taking care of that. You will have that within the next couple of days.

H.M.JR: And the Sunday one?

MR. GAMBLE: I will give you a memo on all four appearances during the day, Mr. Secretary, so that you will know the score on all of them.

MR. PEABODY: That is all, sir.

H.M.JR: Miss Elliott?

MISS ELLIOTT: Nothing, sir.

MR. BELL: Ted, have you cleared with the Secretary that local appearance?

MR. GAMBLE: You are talking about the 26th?

MR. BELL: Yes.

MR. GAMBLE: That is the Hecht show late in the month, on the 26th of April.

H.M.JR: What kind of a show?

MR. GAMBLE: The "Saturday Evening Post" show here opens on the 26th. They would like to have you for a few minutes, too.

H.M.JR: To do what?

MR. GAMBLE: To visit a preview of the show at the Hecht Company. They want to bring down their own photographers and take pictures.

H.M.JR: I won't tie myself up for a thing like that. If I am here, I will do it.

MR. GAMBLE: I understand.

H.M.JR: I mean, it is too unimportant.

MR. BELL: They are attaching a great deal of importance to this first week of the thirty-week program of the "Saturday Evening Post," and they wanted you to appear the first night. They want it an invitation affair, and they want you to send out the invitations.

H.M.JR: Yes, and look at the "Saturday Evening Post's" article by - what's the name of this man? You know the man - Blair Moody's article of two weeks ago about myself. The "Saturday Evening Post" didn't even have the courtesy to show it to me. It was full of inaccuracies. It just pulls me down and has me the only fellow out of the whole group here in Washington who wasn't out to fight inflation right in the article. I wouldn't cross the street for them. I mean, if the "Saturday Evening Post" wants to talk to me - here is a thing of public relations. It isn't just me. You have read the article?

MISS ELLIOTT: Yes.

H.M.JR: Has anybody else read it? What was your reaction?

MR. PEABODY. I didn't like it; it was bad.

H.M.JR: Let them do something about it, and I will do something. Here is something that puts me up as the only man in Washington who won't go along on an anti-inflation program. They don't even say, "Mr. Morgenthau, is it right or isn't it right?" It is lousy public relations for the Treasury.

MR. ROBBINS: I haven't read the article.

H.M.JR: Read it.

MR. ROBBINS: Yes, I will.

H.M.JR: Then they say next week they are going to have my picture in an advertisement. Is my picture going to be in a paid ad?

MR. GAMBLE: They have some promotion for the month of May built around you and the President.

H.M.JR: But please, everybody in this room, never let my picture appear in a paid ad.

MR. GAMBLE: None of this advertising is paid for.

H.M.JR: Here was poor Wickard in "Time" magazine this week.

MR. PEABODY: Wasn't that wonderful? It was in a lot more than "Time" magazine.

H.M.JR: Please don't let me get in that company.

MR. PEABODY: These Curtis people - they are really editorials, that is what they are.

H.M.JR: But seriously, here is the "Saturday Evening Post" - it really does the Treasury an injury through deprecating me. Somebody ought to talk to them.

MR. GAMBLE: I will be glad to talk to them. As I told you yesterday, I will. But this is a very fine--

H.M.JR: This isn't the first one. This is about the third one they have done. It did me more harm - there were three articles they did in the "Saturday Evening Post."

April 6, 1943
9:23 a.m.

Operator: Go ahead.

HMJr: Hello.

J. A. McConnell: Hello, Mr. Morgenthau.

HMJr: Speaking.

M: McConnell.

HMJr: Yes.

M: Did Mr. Sheldon get a hold of you yesterday?

HMJr: Yes, he did.

M: Yeah, well, I was just checking in to tell you that you are in no violation. (Laughs)

HMJr: So - so I understood.

M: Yeah, and neither is anyone else, as I can get it.

HMJr: Well, that's good.

M: It's perfectly possible - in other words, we might have after allocating 70%....

HMJr: Yes.

M: ....and then there'd be some cancellations, we might have had stuff to offer additional, you see, and not be in violation.

HMJr: I think that's a little too high-pressure sales methods.

M: You mean on our part?

HMJr: Yes, sir.

M: Well, I can't get any evidence on that. Sheldon says he put no pressure on Mr. Hoose.

HMJr: Well, of course, Hoose says he did but....

M: Yeah, sure.

HMJr: And then when the pressure was put on Hoose, then he tried to make me the goat.

M: Uh huh. Well....

HMJr: But....

M: I - I'm - I don't know, sir. It might be that....

HMJr: Yes.

M: .....of course, you know your own affairs in there -- it might be that Hoose and your man were a little bit - sniping at each other a little too.

HMJr: Well, thank you very much for looking into it, and as long as we're all....

M: Set, yeah.

HMJr: ....in the clear....

M: I was - find nobody was in violation.

HMJr: As long as there's no Federal violations, I'm satisfied.

M: Yeah. Say, has anyone talked to you - reported to you about this corn refusing to move in the country?

HMJr: What was that?

M: Has anybody said anything to you about corn not moving in the country?

HMJr: The only thing I've seen are your letters.

M: Yeah. Well, it's - it's getting awfully serious. I - it's nothing probably that you're more than - have anything to do with, but if - if this corn ceiling isn't something done with it, we're going to be in a disaster here.

HMJr: Are you fellows down here working to help Bankhead?

M: Well, I - no, I'm not down here on that.

HMJr: Oh.

M: But - haven't anything to do with it.

HMJr: Yeah.

M: But, of course, the Bankhead bill would unfreeze it for a few days. But we're running into a tremendous overall shortage of feed. There's no question about that.

HMJr: No, I - unfortunately, I just don't have the time to - to think about those problems.

M: Yeah....

HMJr: But I was upset the other night.

M: Uh huh. Well....

HMJr: Well, thank you.

M: All right.

HMJr: Thank you very much.

April 6, 1943
9:29 a.m.

HMJr:	Hello.
Cong. Henry Steagall:	Hello, Mr. Secretary?
HMJr:	Yeah, how are you?
S:	Steagall. I'm pretty good. Are you all right?
HMJr:	I'm coming along.
S:	Well, fine. I just called you to save you the trouble of calling. I got onto the boys yesterday afternoon and been calling them ever since. I got all of them but four. We'll be with you.
HMJr:	Well, that's wonderful.
S:	Fine. I'll be seeing you.
HMJr:	I knew you could do it.
S:	Well, I haven't gotten them all yet, but I think it's all right.
HMJr:	Well, I....
S:	It worked out pretty well, I think.
HMJr:	I'm glad you tipped me off and that I could tip off the Speaker.
S:	Well, it'll - I don't know what in the devil Sam meant by that, fooling around like that anyhow.
HMJr:	Well, we're all busy, you know.
S:	Oh, I know that. All right. Be seeing you.
HMJr:	Thank you.
S:	Goodbye.

April 6, 1943
3:57 p.m.

HMJr: Hello.

Operator: Mr. Steagall is on a long distance call, and he sent word he'd call you in five minutes.

HMJr: All right. I'll be waiting.

Operator: All right.

HMJr: Just tell his office I'm waiting.

Operator: Right.

4:02 p.m.

HMJr: Hello.

Operator: Mr. Steagall. Go ahead.

HMJr: Hello.

Cong.Henry Steagall: Hello, Mr. Secretary.

HMJr: I'm sorry but I had....

S: That's all right. I'm in the same fix. I understand. I came in intending to call you, and they said you'd called me.

HMJr: Yeah, well....

S: I hated to have to walk out on the meeting this morning, but the truth is I was sick here yesterday all day....

HMJr: Oh.

S: ....with lumbago and something, and I took some medicine, and I stayed as long as I could. (Laughs)

HMJr: Oh.

S: That was a very interesting discussion. Let me tell you.

HMJr: Yeah.

S: I think I can dispense with your coming down here tomorrow and save you that annoyance.

HMJr: Wonderful.

S: Now let me just ask you this.

HMJr: Yeah.

S: Of course, you're for this bill and....

HMJr: Oh, yes.

S: ....would like to see it passed.

HMJr: Very much.

S: You just drop me a little note like that this afternoon....

HMJr: I can do that.

S: ....and saying that you are available if the committee desires....

HMJr: Yeah.

S: ....and be glad to come but that if - if it's only a desire to know your position about it, you are glad for the committee to know, or something like that, and I've already made peace with two fellows and I think I can get an agreement in the morning to close the hearing and report this bill out. I want to get rid of it.

HMJr: Well, I bumped into Wright Patman going out.

S: Did you?

HMJr: Yeah, and he said that you'd spoken to him, and - and as far as he was concerned if I'd write a little letter it would be all right with him.

HMJr: Ever so much obliged.

S: That's all right. Thank you. Goodbye.

April 6, 1943
5:26 p.m.

Operator: Go ahead.

Cong.Henry Steagall: Hello.

HMJr: Hello.

S: Hello. Listen....

HMJr: Yeah.

S: This is Steagall.

HMJr: Yes, Henry.

S: I'm calling you about a matter of nothing, but I'm taking your time to do it.

HMJr: Yes, sir.

S: When I left the room there today, the truth was I was going to the bathroom, and as I walked out a newspaper man spoke to me.

HMJr: Yes.

S: I didn't stop to talk to him. The fact was I saw Patman just ahead of me, and I wanted to speak to Patman, and I was trying to get to the bathroom, and I just paused a minute, and the man wanted to know about what was going on and so forth. I said, "Well, you know in a general way what's happening. They have a tentative plan. I think it has pos.. - fine possibilities worthy of serious study, but now I'm not in a position to discuss it. I haven't given enough thought to it, and it's all in - in a tentative form. It has not - we haven't gone into details."

HMJr: Yeah.

S: "Mr. Morgenthau will give a statement to the press about it...."

HMJr: Yeah.

S: "....and I think it has fine possibilities." I said, "I've had a crude idea for some time that we should try to make some use of this idle gold we have here...."

HMJr: Yeah.

S: "....which couldn't very well be done by us alone but would require the cooperation of other nations."

HMJr: Yeah.

S: Something just about like that and talking as I went through the room.

HMJr: Good heavens!

S: So....

HMJr: Yes.

S: ....there'll - this man's report says that I spoke of the plan as a crude plan. (Laughs)

HMJr: I saw that.

S: (Laughs) So I just wanted to tell you.

HMJr: Well, that's very nice of you to call.

S: It's not a matter of any importance....

HMJr: Well, I....

S: ....but it just shows you how easily you can get misquoted. Now if I'd have stopped and talked to that man, taking my time, he wouldn't have....

HMJr: Well, the moral of the story....

S: The man misunderstood me. He - he was - I know the man, and he didn't mean to misquote me, but he - I didn't take time to let him get it straight.

HMJr: Yeah.

S: I just thought I'd tell you that, because I wasn't going to say that was a crude plan.

HMJr: Well....

S: I said I had the crude idea - you remember what I said in the - in the meeting?

HMJr: Yeah.

S: That's what I said to him.

HMJr: Well, it's mighty nice of you to call me.

S: Well, I just wanted you to know that. I didn't make that statement.

HMJr: All right. I....

S: I just thought I'd tell you about it, because that little - it just sounded like I was trying to throw cold water on it, you know.

HMJr: Now - we're still going to get that letter up to you tonight.

S: Now that - you don't have to have it tonight. Let it come on down here in the morning.

HMJr: In the morning?

S: Do just as well.

HMJr: Well, that would help us out.

S: Just as well.

HMJr: What time do you get to your office? Nine?

S: We meet - we meet here at 10:30 and....

HMJr: Well, I'll get it up there before....

S: Oh, that's plenty of time.

HMJr: Thank you so much.

S: Fine. Goodbye.

HMJr: Thank you.

This memo is for Mrs. Klotz, but I wish you would please give a copy of it to Harry White because I want to speak to him about it, as this is the sort of thing that he ought to do for me.

Copy to Harry White.

22

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 6, 1943

TO Mrs. Klotz

FROM Secretary Morgenthau

At 6:30 last night I called up Sumner Welles and asked him to answer Winant's cable to me yesterday, informing Winant that we were giving out the stabilization plan for Wednesday morning's papers.

THE UNDER SECRETARY OF STATE
WASHINGTON

April 6, 1943

Dear Henry:

I am enclosing herewith a paraphrase of the message which I sent to the American Ambassador at London last night in accordance with your request.

Believe me

Yours very sincerely,

Sumner Welles

Enclosure

The Honorable
Henry Morgenthau, Jr.,
Secretary of the Treasury.

PARAPHRASE OF MESSAGE

FROM: UNDER SECRETARY OF STATE, WASHINGTON

TO: AMERICAN AMBASSADOR, LONDON

DATED: APRIL 5, 1943

With reference to the message which Secretary Morgenthau received from you this morning, he has asked me to inform you that, since the plan has been published in London, he will give to the press at a press conference which he is having tomorrow, Tuesday, April 6, at three p.m., for release in the morning papers of April 7, the text of the stabilization plan.

TELEGRAM SENT

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

April 6, 1943

8 p.m.

AMEMBASSY,

LONDON.

2144.

TO CASADAY FOR WINANT FROM SECRETARY OF THE TREASURY.

PART I.

On April 5 I appeared before the Senate Committees on Foreign Relations and Banking and Currency and the Special Committee on Post-war Economic Policy and Planning and on April 6 I appeared before the House Committees on Foreign Affairs, Banking and Currency and Coinage, Weights and Measures. I made a brief statement and outlined the Treasury draft proposal for an International Stabilization Fund. The exploratory character of the proposal was stressed. The statement was given to the Committee in executive session. The reaction of the Congressional committees appears to be very encouraging.

The statement follows:

(Quote full text of statement in clear).

PART II.

(Insert full text of preliminary draft outline of proposal for a United and Associated Nations Stabilization Fund).

HULL
(FL)

FD:FL:BM

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Wednesday, April 7, 1943.

Press Service
No. 36-3

Not to be used on radio before
8:00 p.m. EWT Tuesday, April 6,
1943.

The Treasury today made public a letter from Secretary Morgenthau to the Ministers of Finance of thirty-seven countries inviting them to send technical experts to Washington to discuss suggestions for an International Stabilization Fund of the United and Associated Nations. The text of the letter is as follows:

My dear Mr. Minister:

I am sending for your examination a preliminary draft of a Proposal for an International Stabilization Fund of the United and Associated Nations. This draft was prepared by the technical staff of the United States Treasury in consultation with the technical experts of other departments of this Government.

The document is sent to you not as an expression of the official views of this Government but rather as an indication of the views widely held by the technical experts of this Government. I hope you will examine the draft and submit it for critical study by the technical experts of your Ministry and your Government. After you and your experts have had opportunity to study it, you may wish to send one or more of your technical experts to Washington to give me your preliminary reaction to the draft proposal, and to discuss with our technical experts the feasibility of international monetary cooperation along the lines suggested therein, or along any other lines you may wish to suggest. We are informed that the technical experts of the British Government have also been studying the question and will doubtless make their views available.

It seems to me that the enclosed draft proposal points the way to an effective means of facilitating through cooperative action the maintenance of international monetary stability and the restoration and balanced growth of international trade. It is my hope that as a result of unofficial discussions involving no commitments, we may find a sufficient area of agreement to warrant proceeding on a more formal basis.

Very truly yours,

HENRY MORGENTHAU, JR.,

Secretary of the Treasury.

The countries to whose Finance Ministers the letters were addressed are the following:

Australia
Belgium
Brazil
Canada
China
Costa Rica
Cuba
Czechoslovakia
Dominican Republic
El Salvador
Ethiopia
Great Britain
Greece
Guatemala
Haiti
Honduras
India
Iraq
Luxembourg
Mexico
Netherlands
New Zealand
Nicaragua
Norway
Panama
Poland
South Africa, Union of
Union of Soviet Socialist Republics
Yugoslavia
Bolivia
Colombia
Chile
Ecuador
Paraguay
Peru
Uruguay
Venezuela

-oOo-

STRICTLY CONFIDENTIAL

MEMORANDUM

A Stabilization Fund
of the
United and Associated Nations

It is still too soon to know the precise form and magnitude of post-war monetary problems. But it is certain that we shall be confronted with the task of dealing with three inseparable monetary problems: to prevent the disruption of foreign exchanges, to avoid the collapse of some monetary systems, and to facilitate the restoration and balanced growth of international trade. Clearly, such a formidable task can be successfully handled only through international action.

The creation of instrumentalities adequate to deal with the inevitable post-war monetary problems should not be postponed until the end of hostilities. It would be ill-advised if not dangerous to leave ourselves unprepared at the end of the war for the difficult task of international monetary cooperation. We should begin now to devise an international monetary agency, for the task is certain to take many months at least. Specific and practical proposals must be formulated by the experts and must be carefully considered by the policy-shaping officials of the various countries. In each country acceptance of a definitive plan can follow only upon legislative or executive action. And even when a plan is finally adopted, much time will be consumed in gathering personnel and in establishing an organization before an international institution for monetary cooperation can begin effective work.

There is another important reason for initiating now concrete discussions of specific proposals. A plan for international monetary cooperation can be a factor in winning the war. It has been suggested, and with much cogency, that the task of assuring the defeat of the Axis powers would be made easier if the victims of aggression, actual and potential, could have greater assurance that a victory of the United Nations will not mean in the economic sphere a repetition of the exchange instability and monetary collapse that followed the last war. That assurance should be given now. The people in all of the United Nations must be encouraged to feel themselves on solid ground. They must be given to understand that a victory of the United Nations will not usher in another two decades of widespread economic disruption. The people must know that we at last recognize the fundamental truth that prosperity, like peace, is indivisible.

One of the appropriate agencies to deal with international economic and monetary problems would be an international stabilization fund with resources and powers adequate to the task of helping to achieve monetary stability and to facilitate the restoration and balanced growth of international trade. A proposal drafted by American technical experts is appended. The draft presents only the essential elements of an international stabilization fund. The provisions of the proposal are in every sense tentative, intended as a basis for discussion and exchange of views. Obviously, there are many details that have been omitted and that can be better formulated after there is agreement on the general principles.

It is recognized that an international stabilization fund is only one of the instrumentalities which may be needed in the field of international economic cooperation. Other agencies are also needed to provide capital for post-war reconstruction and development, to provide funds for rehabilitation and relief, and to promote stability in the prices of primary international commodities. There is a strong temptation to embrace within a single international agency the responsibility for dealing with these and other international economic problems. We believe, however, that international economic institutions can operate more effectively if they are not burdened with important but extraneous duties for which they have not been devised and for which they are unsuited. For example, the highly specialized nature of international monetary stabilization and the provision of long-term capital would seem to call for separate institutions each designed to deal with its distinct problems.

It should be emphasized that the appended draft deals only with an international stabilization fund. It is anticipated that there will also be submitted for consideration a preliminary draft of a proposal for an international agency whose function will be to provide capital for reconstruction and development. It is hoped that the appended draft will call forth from the experts of the United Nations, critical comment and constructive suggestions. It is our belief that a workable and acceptable plan can emerge only from the joint efforts of the United Nations.

Washington, D. C.
January, 1943.

STRICTLY CONFIDENTIAL

U.S. Treasury Department

Preliminary Draft Outline of
Proposal for a United and Associated Nations
Stabilization Fund

I. Purposes of the Fund

1. To stabilize the foreign exchange rates of the currencies of the United Nations and nations associated with them.

2. To shorten the periods and lessen the degree of disequilibrium in the international balance of payments of member countries.

3. To help create conditions under which the smooth flow of foreign trade and of productive capital among the member countries will be fostered.

4. To facilitate the effective utilization of the abnormal foreign balances accumulating in some countries as a consequence of the war situation.

5. To reduce the use of foreign exchange controls that interfere with world trade and the international flow of productive capital.

6. To help eliminate bilateral exchange clearing arrangements, multiple currency devices, and discriminatory foreign exchange practices.

II. Composition of the Fund

1. The Fund shall consist of gold, currencies of member countries, and securities of member governments.

2. Each of the member countries shall subscribe a specified amount which will be called its quota. The aggregate of quotas of the member countries shall be the equivalent of at least $5 billion.

The quota for each member country shall be determined by an agreed upon formula. The formula should give due weight to the important factors relevant to the determination of quotas, e.g., a country's holdings of gold and foreign exchange, the magnitude of the fluctuations in its balance of international payments, and its national income.

3. Each member country shall provide the Fund with 50 percent of its quota on or before the date set by the Board of Directors of the Fund on which the Fund's operations are to begin.

4. The initial payment of each member country (consisting of 50 percent of its quota) shall be 12.5 percent of its quota in gold, 12.5 percent in local currency, and 25 percent in its own (i.e., government) securities. However, any country having less than $300 million in gold need provide initially only 7.5 percent of its quota in gold, and any country having less than $100 million in gold need provide initially only 5 percent of its quota in gold, the contributions of local currency being increased correspondingly. A country may, at its option, substitute gold for its local currency or securities in meeting its quota requirement.

5. The member countries of the Fund may be called upon to make further provision toward meeting their quotas pro rata at such times, in such amounts, and in such form as the Board of Directors of the Fund may determine, provided that the proportion of gold called for shall not exceed the proportions indicated in II-4 above, and provided that a four-fifths vote of the Board shall be required for subsequent calls to meet quotas.

6. Any changes in the quotas of member countries shall be made only with the approval of a four-fifths vote of the Board.

III. Powers and Operations

The Fund shall have the following powers:

1. To buy, sell, and hold gold, currencies, bills of exchange, and government securities of member countries; to accept deposits and to earmark gold; to issue its own obligations, and to discount or offer them for sale in member countries; and to act as a clearing house for the settling of international movements of balances, bills of exchange, and gold.

   All member countries agree that all of the local currency holdings shall be free from any restrictions as to their use. This provision does not apply to abnormal war balances acquired in accordance with the provisions of III-9, below.

2. To fix the rates at which it will buy and sell one member's currency for another, and the rates in local currencies at which it will buy and sell gold. The guiding principle in the fixing of such rates shall be stability in exchange relationships. Changes in these rates shall be considered only when essential to

correction of a fundamental disequilibrium and be permitted only with the approval of four-fifths of member votes.

3. To sell to the Treasury of any member country (or stabilization fund or central bank acting as its agent) at a rate of exchange determined by the Fund, currency of any member country which the Fund holds, provided that:

   a. The foreign exchange demanded from the Fund is required to meet an adverse balance of payments on current account with the country whose currency is being demanded.

   b. The Fund's holdings of the currency of any member country shall not exceed during the first year of the operation of the Fund, the quota of that country; it shall not exceed during the first two years 150 percent of such quota; and thereafter it shall not exceed 200 percent of such quota; except that upon approval by four-fifths of the member votes, the Fund may purchase any local currency in excess of these limits, provided that at least one of the following two conditions is met:

      i. The country whose currency is being acquired by the Fund agrees to adopt and carry out measures recommended by the Fund designed to correct the disequilibrium in the country's balance of payments, or

      ii. It is believed that the balance of payments of the country whose currency is being acquired by the Fund will be such as to warrant the expectation that the excess currency holdings of the Fund can be disposed of within a reasonable time.

   c. When the Fund's net holdings of any local currency exceed the quota for that country, the country shall deposit with the Fund a special reserve in accordance with regulations prescribed by the Board of Directors. This provision does not apply to currencies acquired under III-9 below.

   d. When a member country is exhausting its quota more rapidly than is warranted in the judgment of the Board of Directors, the Board may place such conditions upon additional sales of foreign exchange to that country as it deems to be in the general interest of the Fund.

e. A charge at the rate of 1 percent per annum, payable in gold, shall be levied against any member country on the amount of its currency held by the Fund in excess of the quota of that country. Abnormal war balances acquired by the Fund (in accordance with III-9 below) shall not be included in the computed balance of local currency used as a basis for this charge.

f. When the Fund's holdings of the local currency of a member country exceed the quota of that country, upon request by the member country, the Fund shall resell to the member country the Fund's excess holdings of the currency of that country for gold or acceptable foreign exchange.

4. The right of a member country to purchase foreign exchange from the Fund with its local currency for the purpose of meeting an adverse balance of payments on current account is recognized only to the extent of its quota, subject to the limitation in III-3 above and III-7 below.

5. With the approval of four-fifths of the member votes, the Fund in exceptional circumstances may sell foreign exchange to a member country to facilitate transfer of capital, or repayment or adjustment of foreign debts, when in the judgment of the Board such a transfer is desirable from the point of view of the general international economic situation.

6. When the Fund's holdings of any particular currency drop below 15 percent of the quota of that country, and after the Fund has used for additional purchases of that currency,

(a) Gold in an amount equal to the country's contribution of gold to the Fund, and

(b) The country's obligations originally contributed,

the Fund has the authority and the duty to render to the country a report embodying an analysis of the causes of the depletion of its holdings of that currency, a forecast of the prospective balance of payments in the absence of special measures, and finally, recommendations designed to increase the Fund's holdings of that currency. The Board member of the country in question should be a member of the Fund committee appointed to draft the report. This report should be sent to all member countries and, if deemed desirable, made public.

Member countries agree that they will give immediate and careful attention to recommendations made by the Fund.

7. Whenever it becomes evident to the Board of Directors that the anticipated demand for any particular currency may soon exhaust the Fund's holdings of that currency, the Board of Directors of the Fund shall inform the member countries of the probable supply of this currency and of a proposed method for its equitable distribution, together with suggestions for helping to equate the anticipated demand and supply for the currency.

The Fund shall make every effort to increase the supply of the scarce currency by acquiring that currency from the foreign balances of member countries. The Fund may make special arrangements with any member country for the purpose of providing an emergency supply under appropriate conditions which are acceptable to both the Fund and the member country.

The privilege of any country to acquire an amount of other currencies equal to or in excess of its quota shall be limited by the necessity of assuring an appropriate distribution among the various members of any currency the supply of which is being exhausted. The Fund shall apportion its sales of such scarce currency. In such apportionment, it shall be guided by the principle of satisfying the most urgent needs from the point of view of the general international economic situation. It shall also consider the special needs and resources of the particular countries making the request for the scarce currency.

8. In order to promote the most effective use of the available and accumulating supply of foreign exchange resources of member countries, each member country agrees that it will offer to sell to the Fund, for its local currency or for foreign currencies which it needs, all foreign exchange and gold it acquires in excess of the amount it possessed immediately after joining the Fund. For the purpose of this provision, including computations, only free foreign exchange and gold are considered. The Fund may accept or reject the offer.

To help achieve this objective each member country agrees to discourage the unnecessary accumulation of foreign balances by its nationals. The Fund shall inform any member country when, in its opinion, any further growth of privately-held foreign balances appears unwarranted.

9. To buy from the governments of member countries, abnormal war balances held in other countries, provided all the following conditions are met:

   a. The abnormal war balances are in member countries and are reported as such (for the purpose of this provision) by the member government on date of its becoming a member.

   b. The country selling the abnormal war balances to the Fund agrees to transfer these balances to the Fund and to repurchase from the Fund 40 percent of them (at the same price) with gold or such free currencies as the Fund may wish to accept, at the rate of 2 percent of the transferred balances each year for 20 years beginning not later than 3 years after the date of transfer.

   c. The country in which the abnormal war balances are held agrees to the transfer to the Fund of the balances described in (b) above, and to repurchase from the Fund 40 percent of them (at the same price) with gold or such currencies as the Fund may wish to accept, at the rate of 2 percent of the transferred balances each year for 20 years beginning not later than 3 years after the date of transfer.

   d. A charge of 1 percent, payable in gold, shall be levied against the country selling its abnormal war balances and against the country in which the balances are held. In addition a charge of 1 percent, payable in gold, shall be levied annually against them on the amount of such balances remaining to be repurchased by each country.

   e. If the country selling abnormal war balances to the Fund asks for foreign exchange rather than local currency, the request will not be granted unless the country needs the foreign exchange for the purpose of meeting an adverse balance of payments not arising from the acquisition of gold, the accumulation of foreign balances, or other capital transactions.

   f. Either country may, at its option, increase the amount it repurchases annually. But, in the case of the country selling abnormal war balances to the Fund, not more than 2 percent per annum of the original sum taken over by the Fund shall become free, and only after 3 years shall have elapsed since the sale of the balances to the Fund.

g. The Fund has the privilege of disposing of any of its holdings of abnormal war balances as free funds after the 23 year period is passed, or sooner under the following conditions;

i. its holdings of the free funds of the country in which the balances are held fall below 15 percent of its quota; or

ii. the approval is obtained of the country in which the balances are held.

h. The country in which the abnormal war balances are held agrees not to impose any restrictions on the use of the installments of the 40 percent portion gradually repurchased by the country which sold the balances to the Fund.

i. The Fund agrees not to sell the abnormal war balances acquired under the above authority, except with the permission or at the request of the country in which the balances are being held. The Fund may invest these balances in ordinary or special government securities of that country. The Fund shall be free to sell such securities in any country provided that the approval of the issuing government is first obtained.

j. The Fund shall determine from time to time what shall be the maximum proportion of the abnormal war balances it will purchase under this provision.

Abnormal war balances acquired under this provision shall not be included in computing the amount of foreign exchange available to member countries under their quotas.

10. To buy and sell currencies of non-member countries, but shall not be authorized to hold such currencies beyond sixty days after date of purchase, except with the approval of four-fifths of the member votes.

11. To borrow the currency of any member country, provided four-fifths of the member votes approve the terms of such borrowing.

12. To sell member-country obligations owned by the Fund provided that the Board representative of the country in which the securities are to be sold approves.

To use its holdings to obtain rediscounts or advances from the central bank of any country whose currency the Fund requires.

13. To invest any of its currency holdings in government securities and prime commercial paper of the country of that currency provided four-fifths of the member votes approve, and provided further that the Board representative of the country in which the investment is to be made approves.

14. To lend to any member country its local currency from the Fund for one year or less up to 75 percent of the currency of that country held by the Fund, provided such loan is approved by four-fifths of the member votes.

15. To levy upon member countries a pro rata share of the expenses of operating the Fund, payable in local currency, not to exceed 1/10 percent per annum of the quota of each country. The levy may be made only to the extent that the earnings of the Fund are inadequate to meet its current expenses, and only with the approval of four-fifths of the member votes.

The Fund shall make a service charge of 1/4 percent or more on all exchange and gold transactions.

16. The Fund shall deal only with or through

a. The treasuries, stabilization funds, or fiscal agents of member governments;

b. The central banks, only with the consent of the member of the Board representing the country in question; and

c. Any international banks owned predominantly by member governments.

The Fund may, nevertheless, with the approval of the member of the Board representing the government of the country concerned, sell its own securities, or securities it holds, directly to the public or to institutions of member countries.

IV. Monetary Unit of the Fund

1. The monetary unit of the Fund shall be the Unitas (U̶N̶) consisting of 137 1/7 grains of fine gold (equivalent to $10 U.S.). The accounts of the Fund shall be kept and published in terms of Unitas.

2. The value of the currency of each member country shall be fixed by the Fund in terms of gold or Unitas and may not be altered by any member country without the approval of four-fifths of the member votes.

3. Deposits in terms of Unitas may be accepted by the Fund from member countries upon the delivery of gold to the Fund and shall be transferable and redeemable in gold or in the currency of any member country at the rate established by the Fund. The Fund shall maintain a 100 percent reserve in gold against all Unitas deposits.

4. No change in the value of the currencies of member countries shall be permitted to alter the value in gold or Unitas of the assets of the Fund. Thus if the Fund approves a reduction in the value of the currency of a member country (in terms of gold or Unitas) or if, in the opinion of the Board, the currency of a member country has depreciated to a significant extent, that country must deliver to the Fund when requested an amount of its local currency equal to the decreased value of that currency held by the Fund. Likewise, if the currency of a particular country should appreciate, the Fund must return to that country an amount (in the currency of that country) equal to the resulting increase in the gold or Unitas value of the Fund's holdings. The same provisions shall also apply to the government securities of member countries held by the Fund. However, this provision shall not apply to currencies acquired under III-9 (abnormal war balances).

V. Management

1. The administration of the Fund shall be vested in a Board of Directors. Each government shall appoint a director and an alternate, in a manner determined by it, who shall serve for a period of three years subject to the pleasure of their government. Directors and alternates may be reappointed.

   In all voting by the Board, the director or alternate of each member country shall be entitled to cast an agreed upon number of votes. The distribution of voting power shall be closely related to the quotas of member countries, although not in precise proportion to the quotas. An appropriate distribution of voting power would seem to be the following: Each country shall have 100 votes plus 1 vote for the equivalent of each 100,000 Unitas ($1 million) of its quota.

Notwithstanding the approved formula for distributing voting power, no country shall be entitled to cast more than one-fourth of the aggregate votes regardless of its quota. All decisions, except where specifically provided otherwise, shall be made by a majority of the member votes.

2. The Board of Directors shall select a Managing Director of the Fund and one or more assistants. The Managing Director shall become an ex officio member of the Board and shall be chief of the operating staff of the Fund. The Managing Director and the assistants shall hold office for two years, shall be eligible for reelection, and may be removed for cause at any time by the Board.

   The Managing Director of the Fund shall select the operating staff in accordance with regulations established by the Board of Directors. Members of the staff may be made available, upon request of member countries, for consultation in connection with international economic problems and policies.

3. The Board of Directors shall appoint from among its members an Executive Committee to consist of not less than eleven members. The Chairman of the Board shall be Chairman of the Executive Committee, and the Managing Director of the Fund shall be an ex officio member of the Executive Committee.

   The Executive Committee shall be continuously available at the head office of the Fund and shall exercise the authority delegated to it by the Board. In the absence of any member of the Executive Committee, his alternate shall act in his place. Members of the Executive Committee shall receive appropriate remuneration.

4. The Board of Directors may appoint such other committees as it finds necessary for the work of the Fund. It may also appoint advisory committees chosen wholly or partially from persons not employed by the Fund.

5. The Board of Directors may at any meeting, by a four-fifths vote, authorize any officers or committees of the Fund to exercise any specified powers of the Board. The Board may not delegate, except to the Executive Committee, any authority which can be exercised only by a four-fifths vote.

Delegated powers shall be exercised only until the next meeting of the Board, and in a manner consistent with the general policies and practices of the Board.

6. The Board of Directors may establish procedural regulations governing the operations of the Fund. The officers and committees of the Fund shall be bound by such regulations.

7. The Board of Directors shall hold an annual meeting and such other meetings as it may be desirable to convene. On request of member countries casting one-fourth of the votes, the chairman shall call a meeting of the Board for the purpose of considering any matters placed before it.

8. A country failing to meet its obligations to the Fund may be suspended provided a majority of the member votes so decides. While under suspension, the country shall be denied the privileges of membership but shall be subject to the same obligations as any other member of the Fund. At the end of two years the country shall be automatically dropped from membership unless it has been restored to good standing by a majority of the member votes.

Any country may withdraw from the Fund by giving notice, and its withdrawal will take effect two years from the date of such notice. During the interval between notice of withdrawal and the taking effect of the notice, such country shall be subject to the same obligations as any other member of the Fund.

A country which is dropped or which withdraws from membership shall have returned to it an amount in its own currency equal to its contributed quota, plus other obligations of the Fund to the country, and minus any sum owed by that country to the Fund. Any losses of the Fund may be deducted pro rata from the contributed quota to be returned to the country that has been dropped or has withdrawn from membership. The Fund shall have five years in which to liquidate its obligation to such a country. When any country is dropped or withdraws from the Fund, the rights of the Fund shall be fully safeguarded.

9. Net profits earned by the Fund shall be distributed in the following manner:

   a. 50 percent to reserves until the reserves are equal to 10 percent of the aggregate quotas of the Fund.

   b. 50 percent to be divided each year among the members in proportion to their quotas. Dividends distributed to each country shall be paid in its own currency or in Unitas at the discretion of the Fund.

VI. <u>Policies of Member Countries</u>

Each member country of the Fund undertakes the following:

1. To maintain by appropriate action exchange rates established by the Fund on the currencies of other countries, and not to alter exchange rates except with the consent of the Fund and only to the extent and in the direction approved by the Fund. Exchange rates of member countries may be permitted to fluctuate within a specified range fixed by the Fund.

2. To abandon, as soon as the member country decides that conditions permit, all restrictions and controls over foreign exchange transactions (other than those involving capital transfers) with other member countries, and not to impose any additional restrictions without the approval of the Fund.

   The Fund may make representations to member countries that conditions are favorable for the abandonment of restrictions and controls over foreign exchange transactions, and each member country shall give consideration to such representations.

3. To cooperate effectively with other member countries when such countries, with the approval of the Fund, adopt or continue controls for the purpose of regulating international movements of capital. Cooperation shall include, upon recommendation by the Fund, measures that can appropriately be taken:

   a. Not to accept or permit acquisition of deposits, securities, or investments by nationals of any member country imposing restrictions on the export of capital except with the permission of the Government of that country and the Fund;

b. To make available to the Fund or to the Government of any member country full information on all property in the form of deposits, securities and investments of the nationals of that member country; and

c. Such other measures as the Fund shall recommend.

4. Not to enter upon any new bilateral foreign exchange clearing arrangements, nor engage in multiple currency practices, except with the approval of the Fund.

5. To give consideration to the views of the Fund on any existing or proposed monetary or economic policy, the effect of which would be to bring about sooner or later a serious disequilibrium in the balance of payments of other countries.

6. To furnish the Fund with all information it needs for its operations and to furnish such reports as it may require in the form and at the times requested by the Fund.

7. To adopt appropriate legislation or decrees to carry out its undertakings to the Fund and to facilitate the activities of the Fund.

4/6/43

(Prepared by Press Relations for use of the Press)

The Stabilization of Exchange Rates: The purpose of the proposed Stabilization Fund is to stabilize the value of the currencies of member countries. The Fund would fix the rates at which it will buy and sell member currencies. Changes in exchange rates could be made only with the approval of the Fund and only to meet an extreme situation. Because changes in exchange rates would be the result of international consultation, competitive currency depreciation among the member countries would be prevented.

Resources of the Fund: To achieve this desired currency stability the Fund would, with adequate safeguards, meet the legitimate needs of member countries for foreign exchange for their current transactions. For this purpose, member countries would subscribe at least $5 billion, making initial payments of one-half of the subscription in the form of gold, currency and government securities. Each country's subscription would be based on a combination of such factors as its holdings of gold and foreign exchange, its national income, and changes in its balance of payments position.

Removal of Exchange Controls: With these provisions, the need for continuance of exchange control by individual countries would be almost entirely removed. No member country could adopt new exchange control measures except to curb undesirable capital movements and then only with the consent of the Fund. Multiple currency devices and bilateral exchange clearing arrangements would also be prohibited unless approved by the Fund. The Fund would make possible the liberation of blocked balances growing out of the war where immediate unblocking of such balances would cause serious domestic and international repercussions.

Powers of the Fund: The Fund would be given the power to buy and sell gold, currencies and, with their approval, securities of member countries. The Fund could also borrow local currency with the approval of the governments concerned. The Fund would deal only with the treasuries, central banks, or fiscal agents of member countries, and with international banks owned predominantly by member countries.

New International Unit: The proposal provides for an international gold monetary unit called the Unitas, equal in value to $10, in terms of which accounts of the Fund would be kept. The Fund would not issue Unitas coins or notes, but member countries could deposit gold with the Fund for a credit in Unitas, redeemable in gold, which could be transferred between member countries.

Management of the Fund: The Fund would be managed by a Board of Directors representing the member governments. Each country would have voting power related to its subscription to the Fund, but no country could have more than 25 percent of the total votes. In general, the decisions of the Board of Directors would be made by a majority vote except for certain important operations where a four-fifths vote would be necessary. The day-to-day operations would be carried on by a Managing Director and an Executive Committee appointed by the Board.

News Broadcast - 8:00 p.m.
April 6, 1943

Station WINX

The Secretary of the Treasury, Henry Morgenthau, Jr., announced tonight that the United States had suggested to other United Nations the creation of a gigantic fund of at least five billion dollars to cushion world currencies against the shock of postwar dislocations.

The plan, if adopted by a sufficient number of countries to make it effective, would constitute a new venture in world cooperation and would aid greatly in the maintenance of a permanent peace.

Chick Schwarz:
This is good work. How did you do it? HMJr

Let H. White read it.
HMJr

EARL GODWIN - 8:00 p.m.

Station WMAL

And then today word came that we are to have an international bank so filled with gold that it will save the pillars of the world from falling. Yes, sir, your Uncle Sam proposes to do something with that gold buried at Fort Knox. He proposes to take out two billion dollars and put it into a new banking business which will be the "super duper" banking business for the whole world.

Well, when I first heard of that I said, "Uh, huh, good-by gold." But the thought occurred to me that perhaps this is one way to make use of that gold.

The plan seems to be to have a total of five billion dollars in gold from all over. The nations which chip in to make the total will be the Board of Directors. No nation could have more than twenty-five percent of the voting strength. When it comes to important questions, the majority is to be eighty percent, so that with twenty-five percent in his pocket already Uncle Sam could always keep the rest of the vote down to seventy-five percent, five percent less than the needed majority. You can see that is a fine plan for us, if it works.

This is likely to arouse serious objections in Great Britain. A big world bank with your Uncle Sam holding the balance isn't going to sit well over there. It will be heard in the House of Commons tomorrow, I hear. But the feeling in Washington is if we really do contribute the largest quantity of gold, we certainly ought not to be deprived of our ability to save our shirts and eye teeth, if necessary.

Already they are planning something new in the way of international money which cannot be spent. It is called an International Stabilization Fund. It seems to me that is something like the springs in the old hay scale - you can't see them but they are working way down under.

Then we will hear of something called "Unitas." That is a ten-dollar credit always on the books but never in your pocket, sort of an invisible "wampum."

JOHN B. HUGHES - 10:00 p.m.
April 6, 1943

Station WOL

For the other item that affects post-war problems so directly, we turn to the field of finance. Secretary Morgenthau of the Treasury Department revealed today the proposal to be submitted to 37 nations, suggesting a conference for the discussion of a plan for stabilization of international currency. Ten nations have already responded to the suggestion, and Mr. Morgenthau said he thought the delay in hearing from others was due entirely to slowness of mails these days.

He said that this plan was designated is designed to revive world trade and prevent economic world depression. The proposal for stabilization authority to control the moneys of the world will produce a great deal of controversy, for it is a very important field of study and one very necessary for world peace.

The Secretary's proposal is for a combined contribution to make up the 5 billion dollars capital of the stabilization fund which is proposed. The quotas will be determined under a quota determined by the country's holding of gold and its foreign exchange, the magnitude of its capital, the balance of international payment, and its national income.

A suggested distribution of voting power on the governing board in which each country would have a representative and an alternate, calls for each nation to have 100 votes plus one vote for the equivalent of each million dollars of its capital quota.

The purposes of the fund, as outlined in the draft proposal, are to stabilize the value of currency by fixing rates at which it will buy and sell. Changes in exchange rate could be made only with the approval of the Fund and only to meet extreme situations. This is designed to prevent competitive currency depreciation among the nations, that artibrary fluctuation which has been controlled in the past to the detriment of international trade.

With these provisions, the need for continuance of exchange control by individual countries might be almost entirely removed. No member country could adopt a new exchange control measure except to curb undesirable capital movements, and then only with the consent of the general directors of the Fund on an international basis.

The Fund will be given power to buy and sell gold and currency, and with their approval, the securities of member countries. The Fund could also borrow local currency with the approval of the governments concerned. As previously disclosed, the accounts of the Fund will be kept in a new international monetary unit called Unitas. This would have a value of $10 in gold and would be merely a bookkeeping device.

Although no provision has been made for permitting the Axis into membership, Secretary Morgenthau said the door is not closed to them, but that it would be up to Congress to decide if and when they could qualify for member ship.

Well, now, there are two somewhat questionable factors in the picture of this international stabilization proposal, as it appears right now, at least factors which are questionable to some of those who watch these things. One is the fear that this suggestion might contribute to the development of international cartels which would establish a system of virtual economic feudalism with total control of production and allocation of resources, preventing any freedom of development through competitive production effort.

The other is the factor by which this country will be prominent in this plan, and the many proponents point out that the United States will exercise a certain amount of control power in the suggested structure of currency regulation.

The 13-page Morgenthau proposal makes a point of this fact. It says that by this structure it is suggested the United States would have a veto power over the decision of the international governing board and thus would be able to exercise a considerable control. This is comparable to the world power politics procedure. Thus they would insist thatwe, the United States, will play only if we can keep the score and write the rules. We can't achieve a stable peace on such terms as that.

However, the Morgenthau proposal has much value and it can be adjusted on specific suggestions if public opinion and the considered deliberations of those who are concerned with these things have their influence and have a free play in determining the exact form that any such suggestion might take.

News Broadcast - 11:00 p.m.

Station WTOP

Three hours ago the Treasury made public the American plan for stabilization of world currency after the war. It reveals that this country would exercise a veto power in the management of the postwar international currency fund.

Control of the fund, according to Mr. Morgenthau's disclosure, would be vested in an international board composed of the member governments. The voting strength of these various nations would be determined by the amounts they contributed to the fund; but no government could command more than twenty-five percent of the total.

In ordinary cases the board decisions would be taken by a simple majority vote, but important decisions would require a majority of eighty percent.

The United States proposes to contribute two billion dollars to the five billion dollars making up the fund. We would be entitled to twenty-five percent of the voting power and could prevent other nations from mustering more than seventy-five percent. In other words, even if all the nations voted against the decision taken by the United States, they would still be five percent short of the vote needed for control of the board rule.

It is believed this provision will rouse serious opposition in London where the British plan for postwar currency stabilization will be presented to the House of Commons tomorrow. But reports from Washington say they are going to insist on having the dominant voice in view of the large financial contributions this Government would make.

Mr. Morgenthau said tonight that gold would be the yardstick by which the proposed fund would be kept stable. All the participating nations would be required to contribute some gold to the fund.

With the Secretary of the Treasury as he outlined the plan was its principal author, Harry D. White. Both explained that the scheme would not be an international bank, would not loan money, and would not be a sort of world federal reserve bank system. Its essential goal is

44-K

to stabilize the currency values of the member countries. It would fix the rates at which it would buy and sell member currencies, and changes in foreign rates could be made only in an extreme situation.

The White plan will be further discussed in just a few moments by Quincy Howe.

Bill Jenkins - 11:00 p.m.

Station WMAL

Treasury offers plan designed to stabilize world currency after the war.

The plan offered by the Treasury is designed to stabilize world currency after the war to prevent a postwar economic collapse and revive world trade. If it works, it would bring security and peace, something the Allies failed to obtain at the close of the first world war.

Secretary Morgenthau revealed that the plan had been submitted to 37 nations, the United Nations. As they say in Hollywood, the Axis powers are "included out" for the present at least. Morgenthau says there are no provisions to permit Axis nations to membership now, but he adds that the doors are not closed and it is up to Congress to decide when Italy, Germany and Japan could qualify for membership. Every nation would be securing a vote in proportion of the $5,000,000,000 capital.

One suggestion is that every country would have one representative and an alternate on the governing board and thus, Morgenthau reveals, the United States would have a veto power on the huge fund by virtue of its substantial contribution, temporarily set at $2,000,000,000, and he

44-M

adds that Uncle Sam will not assume the role of "rich uncle" and at least two-thirds of the invited nations would have to participate to make it effective, and it should be put in effect as soon as possible. He says that replies have been received from about 10 of the 37 nations invited to Washington for meetings on the plan.

QUINCY HOWE - 11:10 p.m.
Station WTOP

Three hours ago Secretary of the Treasury Morgenthau gave the world a preview of America's postwar power and how we plan to use it. He released the text of a four-thousand-word draft proposal that has already been submitted to thirty-seven nations and that outlines a tentative plan for stabilizing the currencies of all the major powers by putting them all on a gold basis.

This plan calls for a five-billion-dollar stabilization fund, of which the United States would contribute two billion dollars. Because we put out much more money than any other country we have a veto power over the way the fund would be used. But, as Mr. Morgenthau points out, we not only have most of the gold in the world, we shall be the one country that will be able to export large amounts of farm products and industrial goods immediately after the war. And because the United States is already shipping more material abroad than any other country and because the dollar right now is by far the strongest currency on earth Mr. Morgenthau hopes that some such scheme as he proposes can be put into effect as soon as possible. Our Treasury's plan for stabilizing the currencies of the world on a gold basis does not mean that we or anybody else would underwrite a world bank. Its sole purpose is to stabilize the values of all the currencies in the world by fixing the rates at which these currencies can be exchanged.

Before the war the United States, Britain, and France entered into an agreement and set up a fund of this kind, and all that we are proposing now is that all the nations of the world should enter into a similar agreement to prevent the different currencies from getting out of line and to forestall wild postwar inflation.

Only members of the United Nations have been invited to underwrite the scheme, but the door would not be closed to admitting the Axis countries at some future time.

The United States holds some strong cards, and we can end up holding something more than the bag if we play those cards wisely and now. Also, if we play those cards wisely we can earn the gratitude and confidence of our fighting Allies, the support of the neutrals, and the respect of our enemies.

The British beat us to the gun by making public their plans for postwar currency stabilization over a week ago, but there is no reason why we can't get together, and substantially on our terms.

The British depend on world trade to a far greater extent than we do. The British also know that there can be no stabilization of currency, or anything else, unless the United States cooperates one hundred percent.

Many Britishers and many of our own people, too, have said that the future of the world depends largely on what the United States plans to do, but if we have such a big part to play in the postwar world, if we have such large responsibilities to fill, surely we should have a good deal to say about the way the postwar world operates. It would be presumptious to pass judgment on the details of such a far-reaching proposal only three hours after it has been released.

All that can be said now is that our currency stabilization plan, with its emphasis on the restoration of the gold standard, looks like an orthodox proposition, in terms, that is, of conservative financial practice. Perhaps it is too orthodox, but remember that the United States is the richest and most productive nation in the world, not just in gold but in the ability of our farms and factories to produce real wealth. That is why we have the greatest stake in the world stability and world order. That is also why we stand to lose more than any other people from a world-wide breakdown, especially when we are fighting a global war on the five continents and the seven seas.

The Treasury Department has made a bold beginning, but it is only a beginning, and we must follow through with the same boldness all the way to the end of the row. We have now to define some of the terms on which we are prepared to work with our Allies during and after the war.

Richard Harkness - 11:15 p.m.

Station WRC

Washington concluded its day this evening with an official announcement of the five-billion-dollar International Stabilization Banking Plan we discussed last night.

The formal announcement fails to include any French representatives in the list of countries invited to join this postwar financial program. And, while Secretary of the Treasury Morgenthau says no provision has been made for admitting the Axis, the door is definitely not closed to them. It will be up to Congress to decide if and when these Axis countries can qualify for membership.

Incidentally, the Treasury tells us how to make the sign for "Unitas," this new international currency which will be the equivalent for ten dollars in gold. You print "UN" in capital letters and then draw a horizontal bar through the middle.

News Broadcast - 12:00 Midnight
April 6, 1943

Station WINX

Secretary of the Treasury Henry Morgenthau, Jr., announced tonight that the United States had suggested to other United Nations the creation of a gigantic fund of five billion dollars to cushion world currencies against the shock of post-war dislocations.

The plan, if adopted by a sufficient number of countries to make it effective, would constitute a new venture in world cooperation and would aid greatly in the maintenance of a permanent peace.

News Broadcast 12:00 M.

Station WRC

Secretary of the Treasury Morgenthau has announced that the United States expects to participate in a proposed postwar fund. Voting strength of the nations, he said, would be fixed by stabilized currency. The United States would contribute a big share of the funds and would get twenty-five percent of the voting power. Since eighty percent would be needed to control decisions, this country would have, in effect, a veto power.

News Broadcast 12:00 M.

Station WRC

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NEWS - 12:00 MIDNIGHT

Station WMAL

Secretary of the Treasury Morgenthau reveals that the United States will have a veto power over the proposed postwar fund. National funds would be vested in the nations contributing to the fund and would be governed by the amount of money each country contributed. The United States, which would contribute a big share of the funds, would have twenty-five percent of the voting power. The majority is to be eighty percent, so that this country, with already twenty-five percent, could always keep the rest of the vote down to seventy-five percent.

News Broadcast - 6:00 a.m.
April 7, 1943

Station WMAL

The Treasury proposal for world currency stabilization has been sent to thirty-seven United Nations and their associates. They have been asked to send technical experts to Washington to talk it over with Treasury officials.

Secretary Morgenthau says he has not included France because he doesn't know how to deal with that nation at the present time.

He says it is up to Congress whether Axis nations will be permitted to participate after their defeat.

News Broadcast - 6:30 a.m.
April 7, 1943

Station WTOP

Plans for an economic conference were disclosed by Secretary of the Treasury Morgenthau, yesterday.

A fund of upwards to five billion dollars is designed to stabilize the currency of all nations.

Secretary Morgenthau appeared before closed sessions of both Houses and explained the tentative plans.

There will be representatives of thirty-seven nations invited to attend this conference.

Kenneth Banghart - 7:00 a.m.
April 7, 1943

Station WRC

Here in Washington more details have been revealed on the United States Treasury's suggestions for postwar world currency stabilization.

The suggested amount of the Fund is five billion dollars, of which the United States would contribute a very large percentage, possibly as much as forty percent, or two billion dollars.

This, as explained by Treasury Secretary Morgenthau, would give the United States a virtual veto power over other nations on the basis of voting strength.

Here is how it would work. The voting would be in proportion to the amount contributed, although no nation could have more than twenty-five percent of the total votes. It is proposed that certain important actions, such as permitting a member to alter its currency, require a four-fifths vote for passage.

News Flash - 7:15 a.m.
April 7, 1943

Station WRC

Secretary Morgenthau says the United States should contribute two million dollars to Fund for postwar world currency stabilization.

News Broadcast - 8:00 a.m.
April 7, 1943

Station WRC

(From London) And the stabilization of exchange rates has just been explained in a government White Paper. As predicted, it calls for an International Clearing Union, with member countries to use gold in buying an international currency to be called "bancor."

The British plan, offered as a preliminary to the forthcoming discussion of postwar monetary problems in Washington, is aimed, like the American plan, at freer international trade; but it would be more flexible, as the British said, than the American plan, in its own way less revolutionary. It speaks more of consultations and less of definite agreements.

One British financial newspaper points out today that the American plan cuts clean across the pre-war traditions of secrecy as between banker and customer.

News Broadcast - 8:10 a.m.
April 7, 1943

Station WRC

Mr. Morgenthau makes the number two spot in the news. Late yesterday he called in us newsmen to tell us all the details of that postwar currency stabilization plan of his, the same one that Me. Peterson was just telling you about from London, a plan that differs only in detail from the British plan set up by John Maynard Keynes.

Mr. Morgenthau makes it clear that he considers financial stabilization after the war as going to the very heart of the world peace problem. In other words, he asked, "What good is it going to do a businessman, say, in Savannah, Georgia, to sell somebody goods in France or Italy if that businessman in Georgia can't be sure exactly what French and Italian money is going to be worth when he gets it?"

The Treasury Secretary says that five billion dollars would be put into the pot by all the United Nations to start that stabilization fund. The United

States, having practically all the gold in the world, would put in two billion dollars; but we would have virtual veto power, in effect, since a four-fifths vote of the world organization would be necessary for major action, and we would have twenty-five percent of the total vote.

NEWS BROADCAST - 8:30 A.M.

Station WMAL

America would have veto power over any currency plans under the Treasury's proposal for a post-war stabilization fund. By contributing forty percent to the fund we would get twenty-five percent of the power. That would be enough to defeat any plans we didn't like, since eighty percent would be needed to control decisions.

Manuscript of News broadcast by Bill Jenkins on "~~State~~ senate Beer" proposal Apr 6, 1943. 44-D

Treasury offers plan designed to stabilize world currency after the war.

The plan offered by the Treasury is designed to stabilize world currency after the war to prevent a postwar economic collapse and revive world trade. If it works, it would bring security and peace, something the Allies failed to obtain at the close of the first world war.

Secretary Morgenthau revealed that the plan had been submitted to 37 nations, the United Nations. As they say in Hollywood, the Axis powers are "included out" for the present at least. Morgenthau says there are no provisions to permit Axis nations to membership now, but he adds that the doors are not closed and it is up to Congress to decide when Italy, Germany and Japan could qualify for membership. Every nation would be securing a vote in proportion of the $5,000,000,000 capital.

One suggestion is that every country would have one representative and an alternate on the governing board and thus, Morgenthau reveals, the United States would have a veto power on the huge fund by virtue of its substantial contribution, temporarily set at $2,000,000,000, and he adds that Uncle Sam will not assume the role of "rich uncle" and at least two-thirds of the invited nations would have to participate to make it effective, and it should be put in effect as soon as possible. He says that replies have been received from about 10 of the 37 nations invited to Washington for meetings on the plan.

NEWS BROADCAST - 8:00 A.M.

Station WTOP

Washington observers are awaiting with interest the British White Paper which is expected to be issued today. This paper will contain in detail the British policy for international monetary control. So far there has been little reaction to our Treasury plan for monetary stabilization. This country would put in the most money toward the stabilization fund, and would have a veto power on any action that might be taken.

MEMORANDUM

April 6, 1943.

TO: The Secretary

FROM: Mr. Sullivan

JLS

The following people were in attendance at the meeting in the office of the Foreign Affairs Committee of the House in the House side of the Capitol this morning:

FOREIGN AFFAIRS COMMITTEE

Sol Bloom, New York
Luther A. Johnson, Texas
Pete Jarman, Alabama
W. O. Burgin, North Carolina
Wirt Courtney, Tennessee
Herman P. Eberharter, Pennsylvania
Howard J. McMurray, Wisconsin
J. W. Fulbright, Arkansas
Mike Mansfield, Montana
Charles A. Eaton, New Jersey
Mrs. Edith N. Rogers, Massachusetts
Robert B. Chiperfield, Illinois
John M. Vorys, Ohio
Foster Stearns, New Hampshire
Bartel J. Jonkman, Michigan
Mrs. Frances P. Bolton, Ohio
Charles L. Gerlach, Pennsylvania
Andrew C. Schiffler, West Virginia

COINAGE, WEIGHTS, AND MEASURES COMMITTEE

Andrew L. Somers, New York
John J. Cochran, Missouri
Compton I. White, Idaho
Dan R. McGehee, Mississippi
Harry Sauthoff, Wisconsin
Louis J. Capozzoli, New York
Chauncey W. Reed, Illinois
August H. Andresen, Minnesota
Hugh D. Scott, Jr., Pennsylvania
Richard P. Gale, Minnesota
Joseph C. Baldwin, New York

BANKING AND CURRENCY COMMITTEE

Henry B. Steagall, Alabama
Brent Spence, Kentucky
Thomas F. Ford, California
Paul Brown, Georgia
Wright Patman, Texas
William B. Barry, New York
A. S. Mike Monroney, Oklahoma
John H. Folger, North Carolina
H. Streett Baldwin, Maryland
Brooks Hays, Arkansas
LaVern R. Dilweg, Wisconsin
Roger C. Slaughter, Missouri
Maurice J. Sullivan, Nevada
Merlin Hull, Wisconsin
Jesse P. Wolcott, Michigan
Charles L. Gifford, Massachusetts
Fred L. Crawford, Michigan
Ralph A. Gamble, New York
Robert W. Kean, New Jersey
Jessie Sumner, Illinois
Frederick C. Smith, Ohio
Thomas Rolph, California
Henry O. Talle, Iowa
B. J. Monkiewicz, Connecticut
John C. Kunkel, Pennsylvania

Accompanying you were Mr. Harry White and myself. Mr. Boyd Crawford, Clerk of the Foreign Affairs Committee, and Miss Roach, Clerk of the Coinage, Weights, and Measures Committee, were also present.

FROM: MR. SCHWARZ'S OFFICE

TO: The Secretary

Raymond Swing says that he will try hard to be at the conference this afternoon, that it is a bad hour for him but that if he can possibly finish his work in time, he will make it. He is quite interested in the subject, he says. After talking with Herbert Gaston, I have also invited especially Drew Pearson, Ernest Lindley and Eric Sevareid and will send copy to Quincy Howe, John Gunther and others in New York.

@ 4/6

April 6, 1943

My dear Mr. Chairman:

Reference is made to H. R. 1699, a bill to amend Section 12b and Section 19 of the Federal Reserve Act during the continuance of the war and for six months after the cessation of hostilities, which is similar to S. 700 which passed the Senate and is also before your Committee for consideration.

This bill, if enacted, will provide that during the continuance of the war and for six months after cessation of hostilities any balance payable to the United States by any insured bank, whether represented by a deposit account or otherwise, arising solely as a result of subscriptions made by or through such insured bank for Government securities issued under authority of the Second Liberty Bond Act, as amended, shall be excluded from the definition of "deposit" for the purpose of determining the assessment base for Federal Deposit Insurance purposes, and also that such deposits shall not be subject to the reserve requirements of Section 19 of the Federal Reserve Act.

The Treasury favors the enactment of this bill and I recommend it for the favorable consideration of your Committee. The bill will enable the Treasury to conduct its war financing program with a minimum of disturbance to the banking structure of the country. As you know, we are now raising funds through large periodic war loan drives in lieu of more frequent issues. Under this practice huge sums of money are paid over to the Treasury and through the facilities of Treasury war loan accounts with banking institutions, these funds are left on deposit in the local communities in the interim between financing drives and are withdrawn from day to day as they are required to meet cash expenditures.

Because of the relatively short time these funds remain on deposit in banking institutions, and the fact that they are required to be secured one hundred per cent by the deposit of eligible collateral, many banks have been reluctant to accept such deposits, especially when they are required to pay the Federal Deposit Insurance Corporation insurance assessment and maintain reserves. In order to encourage such banks to maintain these funds on deposit until they are needed for Treasury expenditures the pending bill would waive the Federal Deposit Insurance assessment and reserve requirements for the duration of the war and six months thereafter. The bill is an emergency war measure and is designed to facilitate our war financing.

I am glad to say that Chairman Crowley of the Federal Deposit Insurance Corporation and Chairman Eccles of the Board of Governors of the Federal Reserve System have joined the Treasury in support of this bill.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Henry B. Steagall,
Chairman,
Committee on Banking and Currency,
House of Representatives,
Washington, D. C.

DWB:WLE

78TH CONGRESS
1ST SESSION

H. R. 1699

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 4, 1943

Mr. STEAGALL introduced the following bill; which was referred to the Committee on Banking and Currency

A BILL

To amend section 12B and section 19 of the Federal Reserve Act during the continuance of the war and for six months after the cessation of hostilities.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the second sentence of paragraph (1) of subsection (h) of section 12B of the Federal Reserve Act (U. S. C., title 12, sec. 264 (h) (1)), as amended, is hereby further amended by substituting a colon for the period at the end thereof and adding the following: "*And provided further,* That during the continuance of the present war and for six months after cessation of hostilities any balance payable to the United States by any insured bank, whether represented by a deposit account or otherwise, arising solely as a result of subscriptions made by or through such insured bank for United States Government securities issued under authority of the Second Liberty Bond Act, as amended, shall be excluded from the definition of 'deposit' for the purpose of determining the assessment base."

SEC. 2. That the last sentence of section 19 of the Federal Reserve Act (U. S. C., title 12, sec. 462a–1) be amended by substituting a colon for the period at the end thereof and by adding the following: "*Provided,* That during the continuance of the present war and for six months after its termination no deposit payable to the United States by any member bank arising solely as the result of subscriptions made by or through such member bank for United States Government securities issued under authority of the Second Liberty Bond Act, as amended, shall be subject to the reserve requirements of this section."

FEDERAL RESERVE OPERATIONS IN GOVERNMENT SECURITIES

Page 2

Column A shows Federal Reserve operations in millions of dollars as follows:

Marketable issues:
Market purchases 1/ .... +
Market sales 1/ .... -
Direct purchases from Treasury +d
Maturities .... -m

Special one-day certificates 2/:
Net increase .... +d
Net decrease .... -d

Column B shows price changes in 32nds for all securities except certificates. For certificates, Column B shows yield changes in decimals.

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Last Week

Description	Index	Monday Mar. 29 A	B	Tuesday 30 A	B	Wednesday 31 A	B	Thursday Apr. 1 A	B	Friday 2 A	B	Saturday 3 A	B	Full Week A	B
I. Summary															
Marketable issues:															
Market purchases		+206.9		+403.5		+169.0		+88.6		+100.0		+160.4		+1128.3	
Market sales		-73.8		-35.6		-221.7		-83.2		-141.4		-62.1		-615.8	
Direct purchases from Treasury															
Maturities						-104.0								-104.0	
Special one-day certificates:															
Net change		-480.0		-4200.0		-464.0		-840.0						-4384.0	
Total net increase (+) or decrease (-)		+53.1		+167.9		-280.7		-32.7		-41.4		+98.2		+24.5	
Wednesday report of total portfolio						5919.1									
II. Taxable securities															
Bills - all issues combined															
Market purchases		+206.9		+360.6		+162.0		+56.7		+51.9		+156.6		+994.6	
Market sales		-60.7		-21.6		-211.6		-77.3		-138.5		-61.1		-570.9	
Maturities						-104.0								-104.0	
Total net increase (+) or decrease (-)		+146.2		+339.0		-153.6		-20.6		-86.6		+95.4		+319.8	
Certificates															
.65% C - 5-1 43	C 1														
7/8 B - 8-1 43	C 2			+21.8		+3.0				+7.8				+32.6	
7/8 D - 11-1 43	C 3			+4.0		+3.5		+12.7	+.01%	+16.6	-.01%	+2.8		+40.8	
7/8 E - 12-1 43	C 4				+.01%		+.01%								+.02%
7/8 A - 2-1 44	C 5						+.01%				+.01%				+.02%
Special one-day certificates		-480.0		-4200.0		-464.0		-840.0						-4384.0	
Treasury notes															
3/4% B - 9-15 44	N 1						-1								-1
1-1/4 C - 3-15 45	N 2				-1										-1
3/4 B - 12-15 45	N 3														
1 A - 3-15 46	N 4								-1						-1
1-1/2 B - 12-15 46	N 5										-1				-1
Treasury bonds															
2% - 3-15 48-50	B 1						-1								-1
1-3/4 - 6-15 48	B 2				-1						+1				
2 - 6-15 49-51	B 3														
2 - 9-15 49-51	B 4														
2 - 12-15 49-51	B 5						-1		+1						
2 - 3-15 50-52	B 6										+1		+1		+2
2 - 12-15 51-55	B 7										+1				+1
2-1/2 - 3-15 52-54	B 8				+1		+1		+1		+1	-1.0	+2	-1.0	+5
2-1/[illegible] - 6-15 [illegible]-55	B 9						+1		+1		+2				+4
2-1/[illegible] - 3-15 [illegible]	B 10		+1				+1		+2		+3		+1		+8
2-1/2 - 6-15 62-67	B 11						-1								-1
2-1/2 - 12-15 63-68	B 12		+1				-1								
2-1/2 - 9-15 67-72	B 13				-1										-1
Guaranteed securities															
CCC 1-1/[illegible] G - 2-15 45	G 1						-1								-1
RFC 1-1/8 T - 7-15 43	G 2		-1							+10.0				+10.0	-1
RFC 1 W - 4-15 44	G 3														
All taxable securities															
Marketable issues:															
Market purchases		+206.9		+366.4		+166.5		+69.4		+68.3		+158.6		+1078.0	
Market sales		-60.7		-21.6		-211.6		-77.3		-136.5		-62.1		-571.9	
Direct purchases from Treasury															
Maturities						-104.0								-104.0	
Special one-day certificates:															
Net change		-480.0		-4200.0		-464.0		-840.0						-4384.0	
Total net increase (+) or decrease (-)		+66.2		+164.8		-211.1		-47.9		-50.2		+96.4		+18.2	

This Week

Description	Index	Monday Apr. 5 A	B	Tuesday 6 A	B	Wednesday 7 A	B	Thursday 8 A	B	Friday 9 A	B	Saturday 10 A	B	Full Week A	B
I. Summary															
Marketable issues:															
Market purchases		+367.4		+467.2											
Market sales		-96.8		-31.9											
Direct purchases from Treasury															
Maturities															
Special one-day certificates:															
Net change															
Total net increase (+) or decrease (-)		+270.6		+435.3											
Wednesday report of total portfolio															
II. Taxable securities															
Bills - all issues combined															
Market purchases		+337.1		+383.2											
Market sales		-95.8		-31.9											
Maturities															
Total net increase (+) or decrease (-)		+241.3		+351.3											
Certificates															
.65% C - 5-1 43	C 1														
7/8 B - 8-1 43	C 2	+1.8		+1.9											
7/8 D - 11-1 43	C 3	+6.8		+13.0	+.01%										
7/8 E - 12-1 43	C 4	+8.2	+.01%	+56.4	+.01%										
7/8 A - 2-1 44	C 5				+.02%										
Special one-day certificates															
Treasury notes															
3/4% B - 9-15 44	N 1				-1										
1-1/4 C - 3-15 45	N 2				-1										
3/4 B - 12-15 45	N 3				-1										
1 A - 3-15 46	N 4				-1										
1-1/2 B - 12-15 46	N 5														
Treasury bonds															
2% - 3-15 48-50	B 1														
1-3/4 - 6-15 48	B 2				-2										
2 - 6-15 49-51	B 3														
2 - 9-15 49-51	B 4				-1										
2 - 12-15 49-51	B 5				-1										
2 - 3-15 50-52	B 6				-1										
2 - 12-15 51-55	B 7				-1										
2-1/2 - 3-15 52-54	B 8	-1.0	+1		-1										
2-1/[illegible] - 6-15 [illegible]-55	B 9				-2										
2-1/[illegible] - 3-15 [illegible]	B 10		+2		-1										
2-1/2 - 6-15 62-67	B 11														
2-1/2 - 12-15 63-68	B 12														
2-1/2 - 9-15 67-72	B 13														
Guaranteed securities															
CCC 1-1/[illegible] G - 2-15 45	G 1														
RFC 1-1/8 T - 7-15 43	G 2														
RFC 1 W - 4-15 44	G 3		-1												
All taxable securities															
Marketable issues:															
Market purchases		+353.9		+494.5											
Market sales		-96.6		-31.9											
Direct purchases from Treasury															
Maturities															
Special one-day certificates:															
Net change															
Total net increase (+) or decrease (-)		+257.3		+462.6											

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

r Original figures revised.

* Less than $50,000.

1/ Purchases and sales recorded as of day of transaction and not day of delivery. Transactions after 4 o'clock are included in the next day.
2/ Transactions are entered as of the day following that to which they apply, since data are not available until the following morning.
Note: Data are rounded and may not add to the totals.

FEDERAL RESERVE OPERATIONS IN GOVERNMENT SECURITIES

Page 2

Column A shows Federal Reserve operations in millions of dollars as follows:

Market purchases 1/.......... +
Market sales 1/.............. -
Maturities................... -M

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STRICTLY CONFIDENTIAL

Last Week: Monday Mar. 29 A	B	Tuesday 30 A	B	Wednesday 31 A	B	Thursday Apr. 1 A	B	Friday 2 A	B	Saturday 3 A	B	Full Week A	B	Index	Description	This Week: Monday Apr. 5 A	B	Tuesday 6 A	B	Wednesday 7 A	B	Thursday 8 A	B	Friday 9 A	B	Saturday 10 A	B	Full Week A	B
															III. Tax-exempt securities														
															Treasury notes														
					-1								-1	N 101	1-1/8% A - 6-15 43														
											-1		-1	N 102	1 C - 9-15 43														
			-1			-3.9						-3.9	-1	N 103	1-1/8 B - 12-15 43														
			-1						-1				-2	N 104	1 B - 3-15 44														
					-1								-1	N 105	3/4 A - 6-15 44														
			-1			-.4						-.4	-1	N 106	1 C - 9-15 44														
					-1								-1	N 107	3/4 A - 3-15 45														
															Treasury bonds														
		+.5							-2			+.5	-2	B 101	3-3/8% - 6-15 43-47	+.6													
		+1.8				+10.5		+3.5	-2	+1.2		+17.0	-2	B 102	3-1/4 - 10-15 43-45	+11.4		+11.7											
		+14.8	-2	+.5		+8.6		+8.2		+.6		+32.6	-2	B 103	3-1/4 - 4-15 44-46	+1.5		+1.0											
	-1		-2		-1		-1		-1				-6	B 104	4 - 12-15 44-54		+1		+1										
			-2				-2						-4	B 105	2-3/4 - 9-15 45-47														
			-2		-1		-1						-4	B 106	2-1/2 - 12-15				+1										
	-1		-1		-1		-2		-1				-6	B 107	3-3/4 - 3-15 46-56		-1												
			-1				-1		-1				-3	B 108	3 - 6-15 46-48														
			-1				-1		-1				-3	B 109	3-1/8 - 6-15 46-49														
			-1				-1		-1				-3	B 110	4-1/4 - 10-15 47-52														
			-2				-1						-3	B 111	2 - 12-15 47														
			-1						-1				-2	B 112	2-3/4 - 3-15 48-51		-1												
					-1								-1	B 113	2-1/2 - 9-15 48				-1										
														B 114	2 - 12-15 48-50														
					+1				+1		+1		+3	B 115	3-1/8 - 12-15 49-52														
-.8	+1	-.5	+1		+1		+1		+2			-1.3	+6	B 116	2-1/2 - 12-15 49-53		+1		-1										
-3.3		-2.6	+1	-.4	+1		+1		+2		+1	-6.3	+6	B 117	2-1/2 - 9-15 50-52		+1		-1										
-.2	+1		+1	-2.0	+1		+1	-.8	+3			-3.0	+7	B 118	2-3/4 - 6-15 51-54		+1		-1										
			+2	-1.2			+1		+3			-1.2	+6	B 119	3 - 9-15 51-55		+1												
-2.5		-4.0	+2	-3.0			+1		+3		+1	-9.5	+7	B 120	2-1/4 - 12-15 51-53		+3												
-.8		-2.7	+2				+1		+2		+1	-3.5	+6	B 121	2 - 6-15 53-55		+3												
	+1		+2		+1		+2		+2		+2		+10	B 122	2-1/4 - 6-15 54-56		+2												
-2.3	+1	-.8	+3	-2.5	+1		+3	-1.6	+3		+3	-7.2	+14	B 123	2-7/8 - 3-15 55-60		+4		-2										
-1.4	+2	-1.7	+2		+1		+3	-.5	+3		+3	-3.6	+13	B 124	2-3/4 - 9-15 56-59		+5		-3										
	+1		+3	-.5	+2		+2		+3		+3	-.5	+14	B 125	2-3/4 - 6-15 58-63		+4		-2										
-1.8	+1	-1.7	+3	-.5	+1		+3		+3		+3	-4.0	+14	B 126	2-3/4 - 12-15 60-65		+3		-2										
															Guaranteed securities														
									-1				-1	G 101	CCC 3/4% F - 5-1 43														
			-1				-1		-1				-3	G 102	FFMC /4 - 3- 44-64														
			-2										-2	G 103	FFMC 3 - 5-15 44-49														
									-2				-2	G 104	HOLC 3 A - 5-1 44-52														
					-1		-1						-2	G 105	HOLC 1-1/2 M - 6-1 45-47														
					-1								-1	G 106	FHA 1-3/8 - 2-1 44														
															All tax-exempt securities														
		+17.1		+.5		+19.2		+11.7		+1.6		+50.2			Market purchases	+13.5		+12.7											
-13.1		-14.0		-10.1		-3.9		-2.8				-44.0			Market sales														
															Maturities														
-13.1		+3.1		-9.6		+15.2		+8.8		+1.6		+6.3			Total net increase (+) or decrease (-)	+13.5		+12.7											

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

r Original figures revised.

* Less than $50,000.

1/ Purchases and sales recorded as of day of transaction and not day of delivery. Transactions after 4 o'clock are included in the next day.

Note: Data are rounded and may not add to the totals.

4/6/43

Material prepared by Lindow and used at HM,Jr's luncheon discussion with Smith, Albee and Lindow and which formed basis of the Carnegie Hall speech.

Rough Draft of Some Material for Secretary's Speech

I. Introduction: No mystery about war financing
II. The Development of United States Savings Bonds
III. How We Financed the First War Year
IV. Plans for This Year
V. Sales Promotion (no notes included)
VI. Other notes

I. Introduction

There is no mystery about war financing. There are many problems and many questions, however, and I want to take this opportunity to clarify the situation for you.

People often ask: How can we finance this war? or, is there enough money to pay for this war? The answer to these questions is simple.

When we produce munitions or peacetime goods or anything else, we likewise produce income. For every dollar of production there is a dollar of income. This income may find its way into the hands of individuals, into corporation profits or reserves, or it may be turned over to the Government as taxes. The important thing to remember is that somebody gets a dollar of income for every dollar of goods which is produced.

The problems of war finance arise mainly with respect to the whereabouts of this income. If individuals and businesses receive more income after taxes than there are things for them to buy, then excess funds arise. At the same time the Government will necessarily be receiving less in taxes than it is spending. It boils down to the fact that the Government deficit is matched by the combined surplus of everybody else.

What is done with this surplus is the inflation problem. This excess money should be saved rather than used to bid up prices. Ideally it should be invested to a very large extent in Government securities to close the circuit between the matching deficit of the Government and the surplus of everyone else.

For the calendar year 1943, the Treasury is expected to have a deficit of about $70 billions. At the same time individuals and corporations will acquire a total amount of new accumulations of almost $70 billions. This magnitude will be reduced if new taxes are levied. To be on the safe side we should make our plans now on the assumption that the deficit will actually be as large as $70 billions and later on we can adjust them on the occasion of the receipt of new tax funds. I want to give you a brief sketch of how we expect to finance this huge deficit in 1943, but first of all I want to tell you something about the development of our program for the sale of War savings bonds and of how we actually financed the first year of the war.

II. The Development of United States Savings Bonds

1. First Phase (March 1, 1935 to May 1, 1941)

United States savings bonds were first offered for sale on March 1, 1935. They were originally offered to encourage thrift and small savings, and to give the people a greater stake in their Government by obtaining as wide as possible a distribution of its securities among them.

For this new departure in popularizing public debt obligations, a special type of security was provided. United States savings bonds are discount securities offered at 75 to mature in 10 years at 100. This increment in value over a period of 10 years is equivalent to 2.9 percent interest per annum compounded semiannually. They are registered and nontransferable. By this device, holders are protected from the risks of market price fluctuations which frequently discourage the investment of small savings in securities, even though the securities are as safe as Government bonds are. In order to provide holders with a means of realizing on their bonds in an emergency, savings bonds are redeemable, prior to maturity, at fixed redemption values. In order to provide an incentive to owners to hold their bonds to maturity, redemption values prior to maturity are set to provide smaller yields than if held to maturity.

Appropriate steps were taken in this period to bring the offering of United States savings bonds to the attention of the people, but their sale was not pushed intensively. Sales of United States savings bonds increased gradually during this phase, rising from a monthly average of $16 millions in 1935 to one of $93 millions in 1940, as shown in Table I.*

In order to confine savings bonds to their primary function as a People's Bond, sales were limited, on and after April 1, 1940, to natural persons.

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* The average sales of $126 millions shown on the table for the first four months of 1941 (which appear to be nearly as large as those achieved for Series E bonds by the more intensive selling methods used during the remainder of the year), were caused by the rush during January and February "to get in under the wire", occasioned by the elimination of tax exemption on all United States securities sold after February 28, 1941.

2. Second Phase (May 1, 1941 to December 7, 1941)

The development of the defense program in the early months of 1941 increased greatly the Government's need for funds; and the rapid approach of the industrial production of the country to capacity threatened to create a problem of excess purchasing power with its attendant inflationary consequences. It thus became increasingly important to secure a greater and more widespread participation in the debt being incurred for the defense of the country.

It was decided, therefore, to initiate a more intensive campaign for the sale of United States savings bonds in order to accomplish the triple objective of raising additional funds for the Government, broadening public participation in the defense program, and helping to check the threat of inflation. With this in view, the Defense Savings Staff was created on March 19, 1941, to promote the sale of savings bonds.

On May 1, 1941, the amount of the "regular type" of savings bonds which could be purchased by any one person in any one year was reduced from $10,000 to $5,000. These bonds were known thereafter as "Series E". Two new series (Series F and Series G) were introduced on May 1, 1941.

The sale of Series E bonds is confined to natural persons while all persons and corporations other than commercial banks are permitted to purchase bonds of Series F and G. The sales of Series F and G bonds were limited originally to $50,000 a year for the two series combined for any one purchaser in any one year, but this figure was later increased to $100,000. Series F bonds are similar in character to the "E bonds" except that their appreciation (from 74 to 100 in 12 years) is equivalent to only 2.5 percent interest. The Series G bonds pay interest currently at the rate of 2.5 percent.

Sales of Series E bonds -- the popular bond -- averaged $115 millions a month during the seven months of the second phase; and total sales of all savings bonds averaged $287 millions per month. This was no inconsiderable performance in view of the lack of a common cause to unite the people behind the program such as our actual involvement in the war subsequently provided.

Sales month by month are shown on Table I.

3. Third Phase (December 7, 1941 to April 12, 1943)

Pearl Harbor provided the impetus needed for a spontaneous increase in the popular support given the War savings program. The public responded spontaneously. Total sales of United States savings bonds jumped from $233 millions in November to $529 millions in December. Sales of Series E bonds increased threefold.

The popular response was further increased in the months that followed by more intensive sales efforts; and total sales of United States savings bonds during the 16 months (through March 1943) of our participation in the war, averaged $797 millions as compared with the $287 millions of the second phase. It is estimated that up to the present time a total of 50 million persons have participated in the purchase of United States savings bonds.

Shortly after Pearl Harbor, the payroll savings plan got under way. This is a plan further to widen the distribution of United States savings bonds, and to make it easier for people to buy bonds by making periodic deductions from their pay. From small beginnings in December 1941, when 700,000 workers had $5 millions deducted from their pay, the plan has grown until, in February 1943, the plan embraced more than 25 millions, whose pay deductions amounted to $360 millions. Additional evidence of the support which the payroll savings plan has received will be found in the fact that payroll deductions have increased from 4.1 percent of the pay of the persons participating to 8.7 percent. The progress of the payroll savings plan is shown in Table II.

Table I

Sales and Redemptions of United States Savings Bonds

	Sales*				Redemptions
	A - E	F	G	All series	All series
	(Millions of dollars)				
I. March 1, 1935 - May 1, 1941 (Monthly averages)					
1935 (10 months)	16**	-	-	16	1
1936	28	-	-	28	2
1937	45**	-	-	45	4
1938	46	-	-	46	6
1939	72	-	-	72	8
1940	93	-	-	93	11
1941 (4 months)	126	-	-	126	13
II. May 1, 1941 - December 1, 1941					
May 1941	101	38	211	350	14
June	103	29	183	315	15
July	145	27	169	342	18
August	118	20	128	266	13
September	105	18	109	232	14
October	123	23	125	271	14
November	109	19	105	233	13
III. December 1, 1941 - April 1, 1943					
December 1941	341	33	154	529	16
January 1942	667	78	316	1,061	15
February	398	52	253	703	16
March	336	41	179	558	22
April	327	40	164	531	21
May	422	42	170	634	22
June	433	41	160	634	23
July	508	74	319	901	26
August	454	52	191	697	32
September	510	61	184	755	34
October	665	61	210	935	40
November	542	45	148	735	43
December	726	66	222	1,014	55
January 1943	815	77	348	1,240	63
February	634	48	205	887	76
March	720	-	-	944	132e

* Sales through April 1941 include purchase price plus accrued interest; thereafter purchase price only.

** Sales for 1935 are somewhat understated and those for 1937 somewhat overstated due to a change in accounting methods.

e Estimated.

Table II

Estimated Participation in Payroll Savings Plans
for War Savings Bonds

	Number of firms with plans 1/	Persons in firms and Government agencies with plans		
		Firms	Government agencies	Total
	(Units)	(Millions)		
December, 1941	9,939	3.2	-	3.2
January, 1942	17,513	9.9	.6	10.5
February	34,480	14.2	.9	15.1
March	50,120	16.7	1.4	18.0
April	71,686	19.2	1.5	20.7
May	90,418	20.5	1.5	22.0
June	108,099	21.3	1.5	22.8
July	121,893	22.0	2.5	24.6
August	136,892	22.8	2.8	25.6
September	144,561	23.2	3.4	26.6
October	153,105	24.5	3.6	28.1
November	158,609	25.3	3.6	28.8
December	167,813	25.7	3.8	29.5
January, 1943	176,527r	26.9r	3.4r	30.3r
February	177,183r	27.0	3.5	30.5

Month	Persons actually participating in payroll savings plans				Aggregate amount deducted by participants	Deductions as percentage of pay of persons actually participating
	Firms	Government agencies	Armed forces	Total		
	(Millions)				(Millions of dollars)	(Percent)
December, 1941	.7	-	*	.7	5	4.1
January, 1942	3.7	.1	*	3.8	28	4.5
February	7.2	.4	*	7.6	58	4.8
March	9.0	.6	*	9.6	78	4.9
April	10.9	.7	*	11.6	96	4.9
May	13.2	.7	*	13.9	126	5.3
June	15.0	1.0	*	16.0	153	5.8
July	16.5	1.5	*	18.0	205	6.5
August	16.7	1.8	1.0	19.5	230	7.1
September	17.6	2.1	1.7	21.4	265	7.5
October	18.6	2.4	2.0	23.0	307	7.8
November	19.1	2.6	2.5	24.2	335	8.3
December	19.6	2.7	2.7	25.0	360	8.5
January, 1943	20.6r	2.2r	2.9r	25.7r	375	8.7
February	20.2	2.4	3.1	25.7	360	8.7

1/ Excludes Government agencies.
* Not available.
NOTE: All figures in millions are rounded to the nearest million, and will not necessarily add to totals.

III. How We Financed the First War Year

This increase in the rate of War bond sales during 1942 ran considerably behind the increase in the deficit. This is not surprising since the rate of expenditures in 1942 was vastly higher than in 1941; and total borrowings in 1942 amounted to $48 billions, approximately four times the amount in 1941. How did we raise this $48 billions in 1942?

Borrowing operations aggregating $48 billions in one calendar year were, of course, unprecedented in the history of Treasury financing. This figure is almost twice as large as the total borrowing for the entire World War I. To raise such a large amount smoothly and without dislocation to the economy it was necessary to turn to the banks for a large part of our requirements. When the year ended we had raised about $25 billions from non-banking sources but had relied on the banks for the remaining $23 billions. Frankly, I would have been happier if we could have raised more from non-banking sources and thus cut down the amount of required borrowing from banks, but the time was short and the need was great. We had to raise the money and we did our best. The average interest cost on our 1942 borrowings was at the lowest rate in history.

Bank borrowing is generally thought of as inflationary borrowing. It should be noted that the entire $23 billions of bank borrowing last year was not all inflationary, however. Part of this borrowing was offset by reductions in bank loans and investments resulting from contraction of civilian parts of the economy. Another part was offset by savings and accumulations on the part of individuals and businesses who preferred to save in commercial banks rather than invest directly in securities. Finally, in December we raised approximately $7 billions from banks in order to build up our cash balance so that we could postpone the next financing drive to April. This money was not spent last year although it was borrowed last year.

It is interesting to analyze the $25 billions of funds received from non-banking sources. About $10 billions came from individuals, partnerships, and personal trust accounts, and about $8 billions from corporations other than savings banks and insurance companies. The remainder came from insurance companies, governmental investment accounts and mutual savings banks, which as savings institutions are included in the non-banking group.

(For figures see Table III attached)

IV. Plans for This Year

Last December we conducted the first of a series of war loan drives. Our goal was $9 billions and we surpassed it by about $4 billions. More than half of these funds came from non-banking sources.

This year we are planning to conduct a series of drives beginning with the second war loan this month. We also expect to increase the participation in the payroll savings plan during the year and raise the average deduction under that plan. That work will go on independently of the periodic drives.

The drive this month is for $13 billions with at least $8 billions from non-banking sources. Later drives will probably be for higher aggregate amounts with even larger proportions from non-banking investors.

Let me tell you something about the tentative schedule we have set down for ourselves for the year. First of all let's divide the $70 billions deficit for the year into three financing periods of four months each. The deficit estimated for the first period comes out to about $21 billions, for the second period, $26 billions, and for the third period, $23 billions. Sales of the continuing types of securities such as savings bonds and tax notes will, of course, go on month by month throughout the year. In addition, our present plans call for a drive during the last month in each period to make up the remainder of the funds which will be required.

If our deficit is going to run to $20 odd billions in each financing period this year, then current savings and accumulations by individuals and businesses will also run to about this same magnitude. For each period, we have analyzed such current accumulations and classified the funds by investor groups.

In the case of personal savings, for example, we know that people will put a certain amount into life insurance, into savings bank deposits and into the payment of debts. We can also estimate the amount of personal savings which will be left in the hands of individuals and which may be said to be available for investment in Federal securities. Of this reservoir available for Federal securities in the last six months of 1942, we found that slightly less than half was actually placed in Federal securities. (The remainder went largely into currency and commercial bank deposits.) As a tentative program for this year, we set our sights so that this percentage would be increased in each of the three financing periods, reaching 75 percent in the last four months of this year.

Then we also made estimates as to the amount of securities which might be absorbed by insurance companies and mutual savings banks as a result of the new funds flowing to them and other funds which would probably be released during the year.

For corporations other than banks and insurance companies, we made a similar analysis. In the last six months of 1942, slightly less than three-fourths of the newly available accumulations of such corporations was invested in Government securities. For this year, we assumed that this percentage could be increased in each of the financing periods, reaching 85 percent in the last four months.

We also made estimates of the amount of savings going into Governmental investment accounts and of the amounts of securities which might be absorbed by these accounts.

Adding together the scheduled sales to each of these non-banking investor groups provided us with a total for each of the three financing periods of the year. The remainder of our requirements we will naturally have to fill by going to the commercial banks.

The tentative schedule for the year calls for total borrowing from non-banking sources of $48 billions and $22 billions from banking sources. The total borrowing from banks for the year would thus be held to approximately the same figure as in 1942 although the amount of total borrowing required will be much higher. This means that the tentative program would call for financing the entire increase in the deficit this year over last year from non-banking sources.

In order to sell $48 billions of securities outside of the banks this year, the schedule calls for selling a total of $25 billions to individuals, partnerships and personal trust accounts. If we expect to sell $25 billions of securities to individuals, it will be necessary to adopt a widespread campaign to reach all income groups. It is estimated that something like 44 million people will receive net incomes this year of $1,000 or more. More than 42 million are expected to receive between $1,000 and $5,000, and less than 2 million will receive more than $5,000. And of the $117 billions of income which we estimate will go to the people getting more than $1,000 a year, $96 billions or almost three-quarters will go to the income groups between $1,000 and $5,000.

IV. - 3

It is obvious from these figures that every person receiving income above the barest subsistence level will have to be reached in our campaigns if we are to succeed in our goal of raising $25 billions from the sale of securities to individuals this year.

(For figures, see Tables IV and V attached.)

A TENTATIVE SCHEDULE FOR 1943

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Table IV

Comparison by Investor Groups of Current Savings and Accumulations
Received and Federal Securities Absorbed, By Four months Periods,
Calendar Year 1943

(In billions of dollars)

Source of funds and investor group	January-April			May-August			September-December			Total for year		
	Savings received	Securities absorbed	Percent	Savings received	Securities absorbed	Percent	Savings received	Securities absorbed	Percent	Savings received	Securities absorbed	Percent
A. Nonbanking sources:												
1. Personal savings:												
a. Insurance companies....	.8	1.1		.8	1.1		.9	1.1		2.5	3.3	
b. Mutual savings banks...	.4	.5		.4	.5		.7	.8		1.5	1.8	
c. Recipients of debt repayment............	1.1	-		1.0	-		.6	-		2.7	-	
d. Individuals 1/.........	9.6	5.3	55%	14.7	9.6	65%	13.8	10.4	75%	38.1	25.3	66%
e. Total.................	11.9	6.9		16.9	11.2		16.0	12.3		44.8	30.4	
2. Corporate accumulations:												
a. Recipients of debt repayment.............	.6	-		1.0	-		1.3	-		2.9	-	
b. Corporations 2/........	5.6	4.2	75%	5.6	4.5	80%	5.2	4.4	85%	16.4	13.1	80%
c. Total.................	6.2	4.2		6.6	4.5		6.5	4.4		19.3	13.1	
3. Accumulations in Governmental funds:												
a. Federal 3/............	.6	1.0		1.3	1.5		1.2	1.4		3.1	3.9	
b. State and local 4/.....	-	.2		-	.1		-	.2		-	.5	
c. Total.................	.6	1.2		1.3	1.6		1.2	1.6		3.1	4.4	
4. Total for nonbanking sources..................	18.7	12.3		24.6	17.3		23.7	18.3		67.2	47.9	
B. Banking sources............		8.9			8.5			5.4			22.8	
C. Total borrowing............		21.2			25.8			23.7			70.7	

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March 1, 1943.

1/ Individuals, partnerships and personal trust accounts.
2/ Corporations other than banks and insurance companies.
3/ Federal agencies and trust funds.
4/ State and local Governments, their agencies, sinking and trust funds.

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Table V.

Analysis of Personal Incomes by Size Classes

Calendar Year 1943

	Total	Distribution by net income groups				
		0-$1,000	$1,000-3,000	$3,000-5,000	$ 5,000-10,000	$10,000 and over
I. Number of income recipients 1/						
Millions of persons..................	63	19.6	37.1	5.2	1.1	.4
II. Aggregates (in billions of dollars)						
Gross incomes (total income payments).	132	14.9	72.7	23.3	8.9	12.4
Less: Personal taxes 2/............	13	.6	4.8	2.3	1.4	4.2
Equals disposable incomes............	119	14.4	67.9	21.0	7.5	8.2
Less: Consumer spendings..........	74 3/					
Equals personal savings..............	45 3/					

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

Note: Figures are rounded and do not necessarily add to totals.
1/ Excluding individuals under 18 required to report incomes as part of their parents' returns.
2/ State and local as well as Federal.
3/ Distribution by income groups not estimated.

VI. <u>Other notes</u>

The Secretary asked that the following items be worked into the speech:

(a) 96 cents of every dollar we raise in taxes or by borrowing goes for the war effort.

(b) The cost of collecting $100 of taxes was only 57 cents in the last fiscal year. There have been steady reductions each year from the high cost of $2.17 per $100 in the fiscal year 1932.

(See Table attached)

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Table III

Comparison by Investor Groups of Current Savings and Accumulations Received and Federal Securities Absorbed, By Semi-annual Periods, July 1941 - December 1942
(In billions of dollars)

Source of funds and investor group	July - December 1941 Savings received	Securities absorbed	Percent	January - June 1942 Savings received	Securities absorbed	Percent	July - December 1942 Savings received	Securities absorbed	Percent
A. Nonbanking sources:									
1. Personal savings:									
a. Insurance companies..	1.1	1.0		1.1	.9		1.2	2.1	
b. Mutual savings banks.	-.2	.3		-.3	.2		.3	.7	
c. Recipients of debt repayment...........	-.4	-		1.4	-		1.4	-	
d. Individuals 1/.......	5.6	2.5	45%	7.5	4.4	59%	12.4	5.8	47%
e. Total................	6.1	3.8		9.7	5.5		15.3	8.6	
2. Corporate accumulations:									
a. Corporations 2/......	-.7	2.4	-	1.9	1.0	53%	9.5	6.8	72%
3. Accumulations in Governmental funds:									
a. Federal 3/...........	1.0	1.0		1.0	1.1		1.3	1.6	
b. State and local 4/...	.2	.1		.1	.1		-	.2	
c. Total................	1.2	1.1		1.1	1.2		1.3	1.8	
4. Total for nonbanking sources................	6.6	7.3		12.7	7.7		26.1	17.2	
B. Banking sources..........		1.7			5.0			17.9	
C. Total for all sources.....		9.0			12.7			35.1	

Office of the Secretary of the Treasury, Division of Research and Statistics. March 1, 1943.

1/ Individuals, partnerships and personal trust accounts.
2/ Corporations other than banks and insurance companies.
3/ Federal agencies and trust funds.
4/ State and local Governments, their agencies, sinking and trust funds.

Prepared by Messrs. Smith and Albee.

Draft I

4-6-43 71

Tonight I'm going to talk about something you might not expect the Treasury Department to discuss. I'm going to talk about the Second Front.

The Second Front is no military secret. We all know that, just over the horizon, we of the United Nations are piling up the thunder-clouds of the greatest attack in history. We are massing for that attack, now. The planning, the patient preparation, the bitter time when we had to take blows without returning them, because we weren't ready - all of that is past. Now we're ready to deal a few blows ourselves; and they'll be blows, I can promise you, that will rock Nazi Germany to its rotten, bloodstained foundations!

As the Secretary of your Treasury I've been given the job of seeing to it that money is available to pay for this great military offensive and others to follow. This is why we are launching the Second War Loan tonight -- to raise at least 13 billion dollars before the end of this month to buy the materials and implements of war. We must buy shells today for the big guns that will be roaring tomorrow and the day after. I'm here tonight to tell you that your help is needed. The need is real, urgent, and pressing. Ten percent is no longer enough. Even workers in the payroll savings plan we are asking Everyone to buy extra bonds this month.

In our private lives none of us has to do any bookkeeping with billion-dollar figures. I know they're confusing.

~~There have been times when they've been very confusing to me, I can tell you.~~

But except for the size of the figures ~~of the figures involved the job of financing a war is not much different from financing a household. It's as simple as this:~~ there is no mystery about it; The Government of the United States is buying the best equipment ever furnished to any army. It is paying not only for equipment that reaches the fighting fronts but for equipment that never gets there. For every ship that's sunk we must build two new ships - for every cargo that's lost we must send out two new cargoes. And that costs money. Where are we going to get it?

There are three possible ways of getting the money. We could raise it through taxes. We could borrow it from the banks, or we can borrow it from the people - from you.

Raising all of the money through taxes is not the best way, because it's difficult to tax people equitable in war-time - almost impossible, we have found, to be fair about it. Some families are making more money than usual, but if we gear taxes to __them__ we hurt the man in his regular job - the job he's always had. And, if we gear taxes so we don't hurt that fellow, __then__ we don't get a fair amount from the families that are earning more money, or have more breadwinners.

We could, on the other hand, borrow from the banks. Our credit is excellent. But for a variety of reasons this is undesirable. One very important reason is that, if this is a people's war, as we firmly believe it is, than all of the people ought to finance it.

And I know that you feel the same way about it, because 5 sixths of all the people who are earning money today have bought bonds.

And, as the Secretary of your Treasury I'm ~~happy~~ proud to report that 96 percent of every dollar which comes into the Treasury, through war bonds, taxes, or anything else, is spent for war purposes. When you buy an eighteen dollar and seventy-five cent bond, eighteen dollars go immediately into guns and planes and equipment. The 75 cents goes for interest and the regular expenditures of the Government.

The actual cost of selling the bonds is negligible. This is due to the patriotic cooperation we have had from so many of you.

First, the Treasury must thank management and labor. Together they made a success of selling bonds, through the Payroll Savings plan, under which 30 million working people now regularly invest a national average of nearly 9 percent of their wages and salaries. A great army of other good Americans, too, has helped to sell bonds. Business firms large and small have given us, free of charge, millions of dollars' worth of advertising space and radio time, as the Telephone Company is doing here tonight. The advertising men of America have contributed their best talent, at no cost. The Treasury is deeply in the debt of stage and screen people who have given days and weeks of their time to bond-selling. All of these volunteers writers have helped us to place bonds in your hands far more economically than would otherwise have been possible. ~~Actually they have contributed many millions of dollars in time, space, and talent. God bless them.~~

You can feel every confidence in your Treasury as the United Nations go on the offensive. We have the situation in hand. We know where we're going. We know how much money our armed forces will need. During this month, April, as I said before, we must raise for them, 13 billion dollars. They must have 21 billion dollars in the first 4 months of this year, 26 during the second 4 months, 23 in the final period of the year;

a total of 70 billions. We can afford it. Our national income will be nearly twice that amount.

We know how much money we must raise, and where we'll get it. It will come from all of us. It will pour in especially, as it's already pouring in, from men + women who are making good money in ship-yards and plane factories and on tank production lines, from women who used to call themselves housewives but who are working today at lathes and drill-presses in the great war plants. These are the Americans who are buying bonds in vast totals a millionaire, or even all of the millionaires combined, could never hope to equal. And they'll buy more of them this year - this year when 10 percent is no longer enough. The boys at the front- are all counting on them. They give their lives - you lend your money.

All of us will buy bonds because all of us know that this is our war and that we must win it, if not this year then next year or the year after. We must win it so that renegade nations with a bloody philosophy out of the dark ages of mankind's past will never again be able to raise a traitorous hand against neighbors wanting only to live in peace and friendly good will. An hour ago I passed through a railroad station. Standing at the iron gates, saying goodbye, were boys in uniform with their girls, their wives - young couples come to the heart-breaking minute when there were no more words; when all they could do was stand with their hands clenched so tightly together that they hurt. And as I passed them I thought of all the other Americans whose lives have been torn into ragged bits - young architects and engineers dragged away from their studies; school girls working in factories; farmers sending their wives and youngsters out to work in the fields because they can't get hired hands; business men losing what they've spent twenty years creating because of necessary curtailments.

By what right do the Germans, the Japanese, blight our lives, shatter our homes, whirl away our sons to drown five thousand miles from home in a scum of oil at sea, or bleed and cough out their lives in a muddy, filthy ditch? Who do they think they are? - - - We know only too well who they think they are! They're the Herrenvolk, the Master Race, put here on earth to enslave the rest of us and crack the whip over our bare backs while we do their dirty chores! - they and their great armies; their great armies of sneaks and bullies that jump on weak, helpless nations when they aren't looking! Germany in particular! Germany which at least pretends to be civilized! Three times within the memory of living men, black Germany with her Kaisers and Fuehrers has tried to conquer the rest of the world. We say: "Never again!" We'll show them who we are. We'll show them great armies, Russian and Chinese, British and American. And we'll show them this year!

Remember: They give their lives, - you lend your money! Buy bonds now as you've never bought them before!

Draft of War Loan Speech

Morgenthau
4-6-43

Historians in years to come, reflecting on the course of American affairs, and attempting to discover in the hurly-burly of the present the key to a broader and deeper understanding of the times in which we are now living, may well look back to 1943 as the most fateful year of the war, and perhaps a turning point in American history. The importance of 1943 will rest only in part on the huge, unparalleled sums that the Government must raise to finance this most costly of wars, and which provide the occasion for our meeting here tonight. It will rest only in part on the great military offensive to which all of us look forward with such high hope and confidence.

The importance of 1943 -- unless I am greatly mistaken -- will rest, above all, on the kind of adjustment we Americans make to the cruel necessities of total war. This year will

...Magers 3d draft, but first draft submitted to Sec'y provide the test whether the American people, adhering to their democratic institutions and practices, can provide by voluntary action the sums of money required to finance this war in the great measure that is required. The results of this experiment -- for that is exactly what it is -- will determine for years to come the course of American history.

Your Government has the utmost faith in the intelligence, wisdom, and patriotism of the American people. Your Government is confident that the results of this democratic experiment will provide a demonstration to the world for all time to come of the superiority of the voluntary way over those employed in other lands.

This year, I repeat, will provide the test. For it is in this year that the full impact of the war is going to be felt for the first time in every American home. Until now, the war, realistically speaking, has left us largely unaffected. Certainly, we have endured none of the privations, none of the heartache and tragedy, that has been visited on the unhappy peoples of Europe and Asia. We have not experienced -- and pray God, may we never experience -- the frightful terror that strikes from the sky and the horrible monster who desecrates the home. Our sacrifices have been of a trifling order. We have been asked to give up pleasure driving so that our gallant fighting men, and our Allies, obtain the precious fuel so vital to mechanical warfare; to limit our consumption of coffee to one cup a day to conserve valuable shipping space; to do a lot of little things that, far from being real sacrifices, will undoubtedly contribute to our strength, health, and general well-being. That, at any rate, has been the record up to the present.

3

Meanwhile, our cities have remained safe, our homes snug, and our wealth secure. In many ways we are better off now than we ever were before. Our physical productivity is unimpaired; in fact, it is double what it was in 1939. The earnings of our people are at an all-time high. Our standard of living in 1942 was practically that of 1941, when it reached an all-time high. The savings of the people were never greater.

It would be reckless fancy to suppose that in 1943 -- and until such time as the war ends -- life will be as rich for us as it has been in the past. Month by month, and day by day, our accustomed habits of living are already being offered up on the altar of wartime sacrifice. Of a trifling nature to begin with, these sacrifices will undoubtedly make deep inroads in established ways of living before this year is out. If our manpower were inexhaustible, it would be unnecessary perhaps to make drastic readjustments to wartime conditions of living. But our manpower is not inexhaustible; in fact, the insistent and imperative demands of military and industrial mobilization, have already cut appreciably into the number of men who in former times catered to our every whim and wish. The luxuries, the conveniences, even some of the necessities, to which we have long been accustomed, are going by the board. The good life is making way for the hard life.

In spite of its novelty, this new way of life -- this hard way of life -- strikes no terror, I am confident, in the hearts of our people. The overwhelming majority of our people, I am convinced, are ready, willing, and eager to demonstrate to the men and women of the armed forces, to the teeming millions of our Allies who are enduring the tortures of a living hell at this very moment, that we are with them in fact as well as in spirit in this crusade to blot out barbarism and lay the basis for a better world.

Only by the exercise of voluntary, self-imposed, self-control -- by every American putting aside in the form of savings more, far more, than he has ever done before -- can we in America, who have chosen the voluntary way of financing the war, provide our Government with the dollars it so desperately requires to carry on to ultimate victory.

To keep faith with the millions in our own armed forces, and in the forces of our heroic Allies, who are looking to us to supply them with the materials they need in ever-increasing crescendo, we must save, save more, and then save still more. Only by so doing can we justify to ourselves -- and to the world -- the faith we have in our ability to overcome the nation's greatest crisis with the stoutest weapons a democracy can possess -- the voluntary self-imposed sacrifices of a free, enlightened, and patriotic people.

It has been said time and again -- and it cannot be repeated too often -- that this is a people's war. If this expression has meaning, it is simply that this war will determine the future destiny of the common man -- it will determine whether he is to live out his three score and ten in freedom, with opportunity to improve life for himself and his loved ones, or whether he is to be a slave in that totalitarian ant-heap upon which the Fuehrer, the Duce, and Tojo have set their black hearts.

To win this war, the people -- all the people -- will have to put their shoulders to the wheel. War on so unexampled a scale cannot be an enterprise of the few; it must be an undertaking of the many. Only the people -- all the people -- can finance this total war.

Equally important, if this people's war is to result in a people's peace, then every American, whatever his walk in life, must be a shareholder in his Government by investing in War Bonds to the limit of his ability. This is our surest guarantee that democracy will never be mortgaged to a small and privileged class.

In this Second War Loan Drive which is being opened here tonight, we have set as our goal 13 billion dollars to be raised in the next few weeks. This is the greatest financial operation in all of history. Our success in achieving the goal will not be measured alone by our ability to raise the money. The true measure of success will be the extent to which this money comes from the savings of individual men and women.

Our dollars today are called to the service of their country. They must put off the civilian dress of peace and put on the uniform of war. We can no more tolerate idle dollars -- we can no more tolerate spendthrift dollars -- than we can tolerate idle men. We must be partners rather than competitors of our Government in its fight for life. It is high time we say to our money as we have begun to say to our men, "Work or Fight."

April is an auspicious month in which to carry on this Second War Loan Drive. It is the anniversary of Bataan, and of the minute men of Concord and Lexington. One sure way every man, woman and child can keep faith with these honored dead and with those who are giving their lives today is to provide the material and financial means which they need to win the final victory. The bonds you buy are not only a means toward this great end -- they are tangible symbols of everything this nation has been, of everything it is, and everything it aspires to be. Buy them without stint and in so doing swell the mighty chorus which says to our enemies our only terms for ending this struggle are unconditional surrender.

-oOo-

D-3

April 6, 1943.

Dear Mr. Johnson:

Thanks for your telegram of April 3rd. I want you to know that the Treasury Department appreciates the wholehearted support of the United Press in the Second War Loan drive.

Sincerely yours,

F. H. Morgenthau Jr

Mr. Earl J. Johnson,
General News Manager,
United Press Associations,
New York, New York.

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NEW YORK APR 3 1943 1202P

HON HENRY MORGENTHAU JR

SECRETARY OF THE TREASURY WASH D C

Connection Second War Loan drive I have asked Lyle C. Wilson our Washington Manager to assign special staff to work with Mr. Callahan and others in your department in giving this campaign widest possible publicity designed accomplish purpose namely sell thirteen billion dollars worth of Government securities; also have circularized all domestic bureaus of United Press instructing them cooperate fully with regional Treasury representatives and see that campaign gets preferential treatment on all United Press wires. Regards

Earl J Johnson General News Manager
United Press Associations

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE APR - 6 1943

TO Secretary Morgenthau

FROM Randolph Paul

For some months Foreign Funds Control has raised with State individual applications for licenses to utilize blocked Finnish funds within the United States for servicing the dollar obligations of the Finnish Government and political subdivisions thereof.

You will be interested in the following quotation from State's letter of March 31, 1943, in which approval was requested of transfers involving approximately $250,000 from Finnish blocked funds for the servicing of such obligations:

> "The pride which the Finnish people has taken in Finland's debt record and credit standing in the United States is a matter of universal knowledge. Action by this Government forcing default of a Finnish loan by declining to license the use of Finnish funds in this country to pay interest coupons would therefore be interpreted as a political action, the sums involved in each application being small. The Department of State does not feel that it is advantageous to produce such an effect at the present moment in the absence of financial grounds such as might make necessary a general refusal to license payments for Finnish debt services in this country."

The applications in question have been approved.

R. E. P.

APR 6 1943

Honorable Herbert H. Lehman,
Director, Foreign Relief and
Rehabilitation Operations,
Department of State,
Washington, D. C.

Dear Mr. Lehman:

Receipt is acknowledged of your letter of March 25, 1943, enclosing a communication dated March 17, 1943, from Mr. James G. Vail, Foreign Service Secretary, American Friends Service Committee, Philadelphia, Pennsylvania, relative to the offer of the Committee to donate twenty-five tons of new and used clothing and bedding for distribution to needy civilians in French North Africa.

In accordance with your recommendation and pursuant to the provisions of the Second War Powers Act, 1942, this donation has been accepted as will be noted in the enclosed copy of letter to Mr. Vail.

You indicate that this gift is undoubtedly typical of many gifts of property which will be received by your office from time to time in the future, and request blanket authority to accept on behalf of the Secretary of the Treasury gifts of food, clothing, ambulances, field kitchens, and other supplies and equipment.

In accordance with your request and pursuant to the provisions of the Second War Powers Act, 1942, you are authorized to receive on behalf of the United States such supplies and equipment offered to your organization for use in connection with the relief and rehabilitation of areas liberated from the Axis.

In view of the requirements of the Second War Powers Act, 1942, for the submission of a report by the Secretary of the Treasury to Congress of donations accepted under that Act, it is requested that you furnish the Treasury, from time to time, with details of the articles accepted and their approximate value. Formal acceptance can be based upon the reports received from you.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Enclosure

LLC:GFR:fcg:4/3/43

Photo file in Diary

File to Thompson

DEPARTMENT OF STATE
WASHINGTON

March 25, 1943

My dear Mr. Secretary:

Enclosed herewith is a letter, dated March 17, 1943, from the American Friends Service Committee in Philadelphia offering to this office twenty-five tons of new and used clothing and bedding for distribution to needy civilians in French North Africa. I would like to recommend your acceptance of this gift under Title XI of the Second War Powers Act and to request that you notify me of your decision as soon as possible so that, in event of acceptance, members of my office may make the necessary shipping arrangements.

With respect to the suggestion in the letter that this clothing be consigned to Mr. Heath, the representative of the American Friends Service Committee in Casablanca, I am writing to inform the Committee that such consignment would be inadvisable as an administrative matter but that the representatives of this office in North Africa will be notified of the Committee's gift and of Mr. Heath's interest in its distribution.

This gift is undoubtedly typical of many gifts of property which will be received by this office from time to time in the future. Accordingly, I would like to request that you confer on me blanket authority to accept on your

behalf

The Honorable
Henry Morgenthau, Jr.,
Secretary of the Treasury.

behalf gifts of food, clothing, ambulances, field kitchens and other supplies and equipment offered to this office for use in connection with the relief and rehabilitation of areas liberated from the Axis.

Sincerely yours,

Herbert H. Lehman

Herbert H. Lehman
Director, Foreign Relief and
Rehabilitation Operations

Enclosure:
Letter from American Friends
Service Committee, March 17, 1943.

missing -

Rec'd. 3/27
5.25

wrong letter
sent

COPY

AMERICAN FRIENDS SERVICE COMMITTEE

20 South Twelfth Street

Philadelphia Pennsylvania

March 18, 1943.

The Honorable Herbert H. Lehman
Office of Relief and Rehabilitation Operations
Department of State
Washington, D. C.

My dear Governor Lehman:

Pursuant to conversations between Clarence E. Pickett, the Executive Secretary of the American Friends Service Committee, and Mr. Hugh Jackson of your staff, we are pleased to send you herewith a check for five thousand dollars, drawn to the Treasury of the United States and earmarked for your use in behalf of refugees in French North Africa.

We have recently purchased for Mr. Leslie O. Heath, your director of refugee services in French North Africa, one million francs, and are advising him today by cable to put this sum also at your disposal, making our total contribution twenty-five thousand dollars.

We are gratified to have this opportunity to be of service to refugees in French North Africa through your good offices.

Yours sincerely,

(Signed) JAMES G. VAIL

Foreign Service Secretary

JGV:EW
Enclosure

APR 6 1943

Mr. James G. Vail,
Foreign Service Secretary,
American Friends Service Committee,
20 South 12th Street,
Philadelphia, Pennsylvania.

Dear Mr. Vail:

Advice has been received from Honorable Herbert H. Lehman, Director, Foreign Relief and Rehabilitation Operations, Department of State, relative to the offer of the American Friends Service Committee to donate twenty-five tons of new and used clothing and bedding for distribution to needy civilians in French North Africa.

Pursuant to the provisions of the Second War Powers Act, 1942, the Secretary of the Treasury, on behalf of the United States, hereby accepts this donation. A copy of this letter is being sent to Mr. Lehman who indicates that the necessary shipping arrangements will be made by members of his office.

The generosity evidenced by this donation is deeply appreciated.

Very truly yours,

H. Morgenthau,Jr.

Secretary of the Treasury.

Copy in Diary

Copy to Thompson

4-1-43
LLC-vb

TO: Miss Chauncey

Mr. Milton saw the Secretary today. HMJr asked additional time to consider the matter and discuss with me.
I think no other answer is needed.

FROM: MR. GASTON
WG
4/8/43

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON, D. C.

April 6, 1943

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

My dear Mr. Secretary:

In accordance with your suggestion during our telephone conversation Friday, March 26, I got in touch with Assistant Secretary Gaston early last week, and asked him to arrange for a further interview on the subject of the use of your Diary in the projected publication on the history of Lend Lease. I have had no word from him in the matter. Therefore I must assume that it remains your view that, because of my solely technical connection with the Bureau of the Budget, you would not desire me to see the portions of your Diary pertaining to the gestation and birth of the Lend-Lease Act.

So far as I myself am concerned, I appreciate your expressions of personal confidence in the undertaking which I have made not to communicate aught of the Diary material, except such as you are willing to have communicated. I shall say no more about my sense of personal loss at not having the opportunity to work with this fascinating and important source material upon Lend-Lease.

The purpose of this letter, however, is to urge upon you two alternate courses of procedure, because I feel that the true story of Lend-Lease is of such immense importance to the understanding of our war effort, that some appropriate method must be found as a result of which the basic truth will be made available to the public through an official publication of the Government of the United States.

The alternative methods are:

1. That you appoint an able and understanding person of your present Treasury staff, who has the background and experience to enable him to make discriminating selection, quotation and digest of the Lend-Lease portions of your Diary. That then, after a prior scrutiny by Mr. Gaston, you yourself would look over the resultant body of material, make what excisions or changes you desire, and that then the approved portions of the material should be transmitted to me.

I would make this material the framework for the story in its entirety. Additionally, I would submit to you the manuscript as a whole, for your comments as to the whole of it, and for your editorial treatment of whatever portions of it quoted from or describe your Diary reference or otherwise pertain to you and your role. The manuscript, moreover, would not be submitted to the Director, or the administrative staff of the Bureau of the Budget, if you should so desire.

Let me add that I have not communicated to Director Smith or any of the other Bureau of the Budget officials any word either of our conversation Thursday afternoon, or of your telephone communication Friday morning.

2. In the event that this first method seems to you still under the ban, let me urge that you employ some historian, with a fiscal background, and an appropriate sense of dramatic values, to write the history of Lend-Lease, for official publication under the imprint of the Treasury Department. As possible persons to undertake such a task, I would like to suggest two men:

Marquis James, who as you know, did a good deal of work for Bernard M. Baruch, on the fiscal and other World War I phases of the latter's career; and who just recently has published a book about the 150 year record of the Insurance Company of North America, which I have read and have found extremely interesting, and which gave me a sense of Mark's grasp of financial and fiscal understanding that I had not known that he possessed. James is a delightful person, has a high and deserved reputation as a historian, and I am sure could do a magnificent job along this line.

Dr. Jacob Viner, who I imagine is still consulting actively for the Treasury. I know that his general sympathy with the point of view of your administration of the Treasury is very great.

There seems to me so great a need for a good official treatment of the history of Lend-Lease that I have felt compelled to urge these views upon you.

Faithfully yours,

George Fort Milton

George Fort Milton,
Administrative Consultant

COPY

THE WHITE HOUSE

WASHINGTON

MAR 4 1942

My dear Mr. Smith:

I am very much interested in the steps that you have been taking to keep a current record of war administration. I suggest that you carry this program further by covering the field more intensively, drawing on whatever scholarly talent may be necessary.

I wonder if it wouldn't be desirable to appoint a committee on records of war administration, to be composed of representatives of appropriate learned societies and perhaps two or three agencies of the Government which might be interested in such a program.

The present program strengthened in this manner might be helpful to the work of the Bureau of the Budget in planning current improvements in administration in addition to its main objective of preserving for those who come after us an accurate and objective account of our present experience. I hope that officials in war agencies will bear in mind the importance of systematic records, and to the extent commensurate with their heavy duties, cooperate in this undertaking.

Very truly yours,

(signed) FRANKLIN D. ROOSEVELT

Honorable Harold D. Smith
Director
Bureau of the Budget

Office Memorandum No. 56

May 27, 1942

BUREAU OF THE BUDGET

TO: All Staff Members

FROM: F. J. Lawton

SUBJECT: Establishment of an Advisory Committee on Records of War Administration

Since last fall, Dr. E. Pendleton Herring has carried on the project of the Budget Bureau concerned with compiling the history of administrative developments in the war program. This work has involved (1) the stimulation of the maintenance of adequate records by Federal departments and agencies of their own administrative developments in connection with the defense program and the war, and (2) the analysis of administrative history of the emergency program as it appears in Bureau memoranda and documents and in the records kept by other agencies. This work unit has been located in the War Organization Section, of which Mr. Bernard L. Gladieux is the Chief.

On March 4, 1942, the President wrote the Director that he was very much interested in the steps taken to keep a current record of war administration, and he requested that the work be expanded and that a Committee on Records of War Administration be appointed to draw on the guidance and advice of scholars and officials interested in this phase of public administration. The Director of the Bureau of the Budget has appointed the following persons to this Committee:

(1) Dr. Waldo Leland, Chairman
Director, American Council of Learned Societies

(2) Professor William Anderson
Chairman of the Committee on Public Administration, Social Science Research Council

(3) Mr. Louis Brownlow, Director
Public Administration Clearing House

(4) Honorable Solon J. Buck
Archivist of the United States

(5) Honorable Archibald MacLeish
Librarian of Congress

(6) Professor Arthur Schlesinger
Professor of History, Harvard University

(7) Mr. Donald Young
Research Secretary, Social Science Research Council

Dr. Herring will serve as Executive Secretary for the Committee and Chief of the expanded research staff which is being assembled. This staff will have as its objective the assembly and analysis of the administrative developments in each of the major fields of war administration exclusive of the strictly military, e.g. war supply, price and rationing, manpower and labor, international economic, fiscal, etc. A principal feature of the project will be the more active encouragement of individual agencies to keep a complete story of their own administrative changes.

This research staff will nominally remain as a unit within the Administrative Management Division; while it will carry on its activities in close collaboration with the work of that Division on the war program, it will function in a virtually independent fashion.

The staff under Dr. Herring will consist of eight or ten persons inclusive of Mr. Venneman and Miss Crost who have been working on the project for several months. The additional staff members who have been employed to date are: Jesse Burkhead, Kenneth Hechler, Laurence Radway, Avery Leiserson, V. O. Key, and Earl Latham.

All staff of the Bureau are requested to cooperate with Dr. Herring in collecting the information desired; the materials being assembled are confidential in character so that no material need be withheld from the staff of this Committee.

F. J. LAWTON
Administrative Assistant