

DIARY

Book 670

October 5-14, 1943

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HM Jr's statement before House and
Senate Committees on Internat. Stab.
and United Nations Bank

1

10/5/43. 2 ✓

When I appeared before your committees last April, I indicated that we in the Treasury are deeply concerned about the possibilities of international monetary disruption after the war. There is general agreement, I believe, that international currency stability is essential to reconstruction in the post-war period, and to the restoration and growth of private trade and finance. Furthermore, unless there is assurance of international cooperation to maintain stability of exchange rates, few countries will be prepared to reduce their restrictions on foreign exchange transactions and to give up the multiple currency devices and other discriminatory exchange practices that have hampered and restricted world trade.

- 2 -

With these problems in mind, the technical staff of the Treasury, in consultation with the technical men of the State Department, the Board of Governors of the Federal Reserve System, and of other departments and agencies, prepared a preliminary draft of a tentative proposal for an International Stabilization Fund in which the United Nations and the countries associated with them in this war would participate.

I want to emphasize that the International Stabilization Fund, tentatively proposed by the technical experts of this Government, is fundamentally an adaptation of the methods we have successfully used on a more limited scale with our own Exchange Stabilization Fund.

- 3 -

We have tried to adapt that experience to the broader and more difficult currency problems confronting the world during the post-war years. The International Stabilization Fund is an extension of the principle of the Tripartite Agreement that the responsibility for maintaining stability of exchange rates is international and that countries must cooperate to maintain stability of exchange.

The obligations a country assumes under this proposal are no more than a country voluntarily imposes on itself when it pursues a policy of exchange stability and refrains from resorting to discriminatory exchange practices.

- 4 -

Beyond that, there is only the duty of consulting and agreeing before altering exchange rates, an extension of the principle that we have embodied for years in our own stabilization agreements.

We have, as you know, recently published a revised draft of the tentative proposal in order to have the benefit of suggestions and criticisms of the public. This seems to me the democratic method of dealing with our problems. I want to express my appreciation for the interest and the help we have received from the public. We have had an enormous correspondence on the International Stabilization Fund with people from all walks of life.

- 5 -

We have held meetings with bankers, business men, and other interested groups, and these meetings are now going on and will continue. We have had many important suggestions from the public which will doubtless be included in any final draft of the proposal.

As you know, the draft proposal was sent to the Ministers of Finance of the United Nations and the countries associated with them for exploratory study by their experts. We have held technical conversations with the experts of more than thirty countries and we are continuing these discussions with the experts of some of the countries. These exploratory conversations have been unofficial and confined to the technical level.

- 6 -

No Government, including the United States, is committed to any of the tentative proposals for international monetary cooperation that have been presented by the experts.

A good deal of progress has been made but the technical discussions have not yet been completed. When the technical discussions have ended, and if there should be, in our opinion, sufficient agreement among the experts on the general principles which should constitute the basis for international monetary cooperation, I would like to come before your committees and consult with you.

- 7 -

No one familiar with these problems will regard an International Stabilization Fund as a solution to all the post-war international economic and financial problems. It is intended only to deal with the specific problem of foreign exchange stability and the elimination of disruptive exchange practices.

There are other international economic problems which are closely related to monetary problems, and which must be dealt with if we are to provide an environment in which a healthy post-war economy can grow and develop.

- 8 -

Measures for dealing with these problems are being carefully explored by the appropriate agencies of this and of other governments.

There is, however, another important international financial problem that will confront us in the post-war period which must be solved if we are to restore international trade and help maintain a high level of business activity. After the war there will be in many countries an unprecedented need for foreign capital. In the areas devastated by war, or plundered by the enemy, factories and mines, public utilities and railroads, docks and public works will have to be repaired or restored.

- 9 -

In all of the United Nations, industries now producing war goods will require capital for reconversion to peacetime production. And in many areas, a great deal of capital will be required for the sound development of their productive resources.

Much of the foreign capital needed for reconstruction and development will, we hope, be provided by private financial agencies. This is almost certain to be the case with short-period funds for financing foreign trade which will come from commercial banks, and industrial and commercial establishments. There is, however, likely to be an inadequate flow of private capital for long-term international investment.

- 10 -

Private capital will show a justified timidity in the years immediately following the war. It has suffered too many losses from war and depreciating currencies, from exchange restrictions and from defaults, to be willing to undertake the international investment that will be urgently needed after the war. I believe we must encourage and help private capital, and give it the assurance it requires to provide funds for international investment for constructive purposes.

In my opinion this is an international problem of prime importance and one that can be solved only by the cooperative action of the United Nations.

- 11 -

The technical staff of the Treasury, in cooperation with the technical men of the State Department, the Department of Commerce, the Board of Governors, the Office of Economic Operations and the Export-Import Bank have been studying the possibility of dealing with this problem through an international bank.

They are tentatively proposing the formation of a United Nations Bank for Reconstruction and Development. The principal function of the proposed Bank would be to guarantee loans made by private capital for sound and constructive purposes, when such loans are also guaranteed by a member Government. By assuming part of the risks the Bank would encourage private capital to resume its proper function of helping in the development of the world's resources.

- 12 -

If necessary, the Bank would participate with private capital in making loans that private financial agencies are otherwise unable to make. Where private capital is not available under reasonable conditions, the Bank could make loans for approved projects out of its own resources.

The proposed Bank is particularly designed to encourage and not to compete with private capital. The Bank itself would deal only with or through Governments, and would undertake no operations in any country without the approval of the Government. The capital of the Bank would be subscribed by the member countries, but only a small part of the capital would be called up at once.

- 13 -

A large part of the capital would be reserved, in the form of uncalled subscriptions, as a surety fund against securities guaranteed or issued by the Bank.

We have prepared a brief statement of the general principles that seem to the technical men who have been working on these problems to be the essentials of a sound plan for a Bank for Reconstruction and Development. We expect soon to have a more detailed outline which we propose to send to the experts of the various countries to serve as a basis for an exchange of views. This more detailed statement will, of course, be sent to all of you.

- 14 -

I want to assure you again that I shall always be available for discussion of both the Bank and Fund proposals. I know that some members of your committees are desirous of cooperating with us in studying these problems. Speaking for the Treasury, we would be very happy if an informal committee were formed which would consult with our technical men as frequently as feasible.

MEMORANDUM

October 5, 1943.

TO: The Secretary
 FROM: Mr. Sullivan

TWS

I am listing below the names of the members of the Senate Committees who were present at the Hearing this morning:

Banking and Currency

Robert F. Wagner of New York
 Alben W. Barkley of Kentucky
 Francis Maloney of Connecticut
 George L. Radcliffe of Maryland
 Abe Murdock of Utah
 Burnet R. Maybank of South Carolina
 John L. McClellan of Arkansas

John A. Danaher of Connecticut
 Robert A. Taft of Ohio
 John Thomas of Idaho
 Hugh A. Butler of Nebraska
 Arthur Capper of Kansas
 Joseph H. Ball of Minnesota
 C. Douglass Buck of Delaware

Foreign Relations

Tom Connally of Texas
 Walter F. George of Georgia
 Robert F. Wagner of New York
 Elbert D. Thomas of Utah
 James E. Murray of Montana
 Claude Pepper of Florida
 Theodore F. Green of Rhode Island
 Alben W. Barkley of Kentucky
 Joseph F. Guffey of Pennsylvania
 Bennett Champ Clark of Missouri
 James M. Tunnell of Delaware

Arthur Capper of Kansas
 Arthur H. Vandenberg of Michigan
 Wallace H. White, Jr., of Maine
 Henrik Shipstead of Minnesota
 Gerald P. Nye of North Dakota
 James J. Davis of Pennsylvania

Special Committee on Post-War Economic Policy and Planning

Chairman - Walter F. George of Georgia
 Alben W. Barkley of Kentucky
 Carl Hayden of Arizona
 Arthur H. Vandenberg of Michigan
 Warren Austin of Vermont
 Robert A. Taft of Ohio

Also present was Senator Millikin, Republican, of Colorado.

Democrats present: 17

Republicans present: 14

MEMORANDUM

October 5, 1943.

TO: The Secretary
 FROM: Mr. Sullivan

JS

I am listing below the names of the members of the House Committees who were present at the Hearing this afternoon:

Coinage, Weights, and Measures

Andrew L. Somers of New York
 Compton I. White of Idaho
 Dan R. McGehee of Mississippi
 Eugene Worley of Texas
 Louis J. Capozzoli of New York
 Harry Sauthoff of Wisconsin

Chauncey W. Reed of Illinois
 Hugh D. Scott, Jr., of Pennsylvania
 Ranulf Compton of Connecticut
 Frank L. Sundstrom of New Jersey

Banking and Currency

Henry B. Steagall of Alabama
 Brent Spence of Kentucky
 Thomas F. Ford of California
 Paul Brown of Georgia
 William B. Barry of New York
 A.S. Mike Monroney of Oklahoma
 John H. Folger of North Carolina
 H. Streett Baldwin of Maryland
 Brooks Hays of Arkansas
 LaVern R. Dilweg of Wisconsin
 Roger C. Slaughter of Missouri
 Maurice J. Sullivan of Nevada
 Merlin Hull of Wisconsin

Jesse P. Wolcott of Michigan
 Fred L. Crawford of Michigan
 Robert W. Kean of New Jersey
 Jessie Sumner of Illinois
 Frederick C. Smith of Ohio
 John C. Kunkel of Pennsylvania
 Thomas Rolph of California
 Henry O. Talle of Iowa

Foreign Affairs

Sol Bloom of New York
 James P. Richards of South Carolina
 W. O. Burgin of North Carolina
 Herman P. Eberharter of Pennsylvania
 Thomas S. Gordon of Illinois
 Howard J. McMurray of Wisconsin

Edith Nourse Rogers of Massachusetts
 Robert B. Shipperfield of Illinois
 John M. Vorys of Ohio
 Karl E. Mundt of South Dakota
 Bartel J. Jonkman of Michigan
 Frances P. Bolton of Ohio

Congressman Dewey of Illinois also present.

Total present: 47

HOUSE COMMITTEES

Coinage, Weights, and Measures

Andrew L. Somers, of New York
 John J. Cochran, of Missouri
 Compton I. White, of Idaho
 Dan R. McGehee, of Mississippi
 Eugene Worley, of Texas
 John Lesinski, of Michigan
 Louis J. Capozzoli, of New York
 Augustine B. Kelley, of Pennsylvania
 William L. Dawson, of Illinois
 Harry Sauthorr, of Wisconsin

Chauncey W. Reed, of Illinois
 August H. Andresen, of Minnesota
 Hugh D. Scott, Jr., of Pennsylvania
 Richard P. Gale, of Minnesota
 William H. Stevenson, of Wisconsin
 Joseph Clark Baldwin, of New York
 Ramulf Compton, of Connecticut
 Frank L. Sundstrom, of New Jersey
 Homer A. Ramey, of Ohio

Banking and Currency

Henry B. Steagall, of Alabama
 Brent Spence, of Kentucky
 Thomas F. Ford, of California
 Paul Brown, of Georgia
 Wright Patman, of Texas
 William B. Barry, of New York
 A.S. Mike Monroney, of Oklahoma
 James A. Wright, of Pennsylvania
 John H. Folger, of North Carolina
 H. Streett Baldwin, of Maryland
 Brooks Hays, of Arkansas
 LaVern R. Dilweg, of Wisconsin
 Roger C. Slaughter, of Missouri
 Maurice J. Sullivan, of Nevada
 Merlin Hull, of Wisconsin

Jesse P. Wolcott, of Michigan
 Charles L. Gifford, of Massachusetts
 Fred L. Crawford, of Michigan
 Ralph A. Gamble, of New York
 Robert W. Kean, of New Jersey
 Jessie Sumner, of Illinois
 Frederick C. Smith, of Ohio
 John C. Kunkel, of Pennsylvania
 Thomas Rolph, of California
 Henry O. Talle, of Iowa
 B. J. Monkiewicz, of Connecticut

Foreign Affairs

Sol Bloom, of New York
 Luther A. Johnson, of Texas
 John Kee, of West Virginia
 James P. Richards, of South Carolina
 Joseph L. Pfeifer, of New York
 Pete Jarman, of Alabama
 W. O. Burgin, of North Carolina
 Wirt Courtney, of Tennessee
 Herman P. Eberharter, of Pennsylvania
 Thomas S. Gordon, of Illinois
 Howard J. McMurray, of Wisconsin
 Will Rogers, Jr., of California
 J. William Fulbright, of Arkansas
 Mike Mansfield, of Montana

Charles A. Eaton, of New Jersey
 Edith Nourse Rogers, of Mass.
 Robert B. Shipperfield, of Illinois
 John M. Vorys, of Ohio
 Foster Stearns, of New Hampshire
 Karl E. Mundt, of South Dakota
 Bartel J. Jonkman, of Michigan
 Frances P. Bolton, of Ohio
 James W. Wadsworth, of New York
 Charles L. Gerlach, of Pennsylvania
 Andrew C. Schiffler, of West Virginia

BRITISH EMBASSY,
WASHINGTON, D.C.
October 5th 1943.

My dear Mr. Morgenthau,

I must thank you for your courtesy in finding time, among your very many preoccupations, to see me this morning and for the sympathetic understanding which you showed me when I explained to you the difficulties that I felt regarding the publication of the general propositions which you are submitting to Congress.

I appreciate very much your readiness to meet us on this point, and I am sure that it will be equally appreciated in London.

Yours very sincerely
Richard Law

Mr. Henry Morgenthau, Jr.,
Department of the Treasury,
15th Street & Pennsylvania Ave., N.W.
Washington, D. C.

OCT 5 1943

Dear Cordell:

Last April a draft of the International Stabilization Fund proposal was submitted to the Russian Government by Mr. Davis together with a letter expressing the hope that the Soviet Government would send technical experts to this country to discuss the proposal with our technical experts here. Soon thereafter, Mr. Gromyko stated that his Government was keenly interested in the post-war monetary problems and wished to obtain as much information on the subject as possible from us. The Soviet Government did have present an observer at some of the group conferences of technicians that were held here, but so far have not sent any experts to discuss the proposal with our experts.

About two months ago, when Mr. Gromyko was here I mentioned to him the fact that the Russian experts had not yet come to Washington and expressed the view that we thought that it would be helpful if he could inform his Government that the conversations with the experts of most of the other Associated Nations had already taken place and that we had hoped that the U.S.S.R. would send experts to this country to discuss these problems with us before any decision was made with respect to the holding of a formal conference.

Mr. Gromyko replied that he thought it was desirable for his Government to send technical experts and said that he had so informed his Government and that he would again communicate that view to his Government.

To date we have not heard from them and wondered if you would care to mention the subject when you are in Moscow and encourage them to send their experts here. I think that you will agree that it will be unfortunate if we have to go forward with any formal discussions of post-war monetary problems among the United Nations without having had an opportunity of discussing them with the experts from the U.S.S.R.

Sincerely,

[Signed] Henry

The Honorable Cordell Hull,
Secretary of State,
Washington, D. C.

RDW:km
10/5/43

By Messenger *Bundy 553*

October 5, 1943.

Dear Henry:

I want to thank you for your very thoughtful letter of congratulations on the success of the Third War Loan. In all sincerity I think I shall send you a similar letter.

The splendid cooperation we had from the Army made possible through your own personal interest was a tremendous help to us all along the line. I feel too that the performance of the American people in this unprecedented undertaking is a magnificent endorsement of the whole war effort to date and particularly an expression of encouragement to our armed forces.

With warm personal regards, I am

Sincerely,

(Signed) Henry

Honorable Henry L. Stimson,
The Secretary of War.

TRG:FOT:drt
(202)

October 1, 1943.

Dear Henry:

I congratulate you most heartily on the great news that I see in the paper this morning, namely that the War Bond campaign has gone over the top. It has been a fine performance. You have rendered a great service to the war effort and to the country and I send you my warmest and heartiest felicitations.

As always

Faithfully yours,

Harry H. Truman

Hon. Henry Morgenthau,
The Secretary of the Treasury.

October 5, 1943.

Dear Jim:

I wish to thank you for your thoughtful note concerning the success of the Third War Loan. We at the Treasury feel that when the full story of the Third War Loan is finally told it will reveal that virtually our entire population in rallying to our drive were in effect giving praise and encouragement to the entire war effort. Certainly with all the splendid help we received from the Navy during this drive it is your privilege and pleasure to feel a sense of pride in the accomplishment of this huge financing job.

I want to thank you for all the good help we had from your Department.

Sincerely,

(Signed) Henry

Honorable James V. Forrestal,
Under Secretary of Navy.

TRG:FOT:DFT

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AL MESSAGE

NAVY DEPARTMENT

Phone Ext. No. _____	ACTION	ADDRESSEES	MESSAGE PRECEDENCE
in UNDER SECNAV <i>YVA</i> ased by " " _____ e October 1, 1943 unless classified RESTRICTED this dis- ch will be classified PLAIN. CONFIDENTIAL or SECRET use special blank.		TO: HONORABLE HENRY MORGENTHAU, JR. THE SECRETARY OF THE TREASURY WASHINGTON, D.C.	PRIORITY ☒ ROUTINE ☐ DEFERRED ☐
	INFORMATION		PRIORITY ☒ ROUTINE ☐ DEFERRED ☐

Indicate by asterisk addressees for which mail delivery is satisfactory.

Unless otherwise designated this dispatch will be transmitted with DEFERRED precedence. Originator fill in date and time for DEFERRED and MAIL delivery. Date _____ Time _____ G. C. T.

TEXT:

CONGRATULATIONS ON THE WAR LOAN'S SUCCESS.

IT WAS A GRAND JOB.

JAMES FORRESTAL

THIS SPACE IS FOR ABSTRACT OF PREVIOUS REFERENCES. IF THIS IS A REFERENCE NUMBERS OF INCOMING DISPATCH MUST BE SHOWN HERE.

This copy for release and delivery to Communication Office. It remains in Communication Office files. For plain language dispatches, the Communication Office requires an additional WHITE flimsy for each addressee over one.

25

October 8, 1943.

Dear Mr. Lyons:

Thank you very much for your letter of October 3, with its expression of interest in the Treasury program and pleasure in our recent association.

I appreciated the work that you did, and feel that I owe you thanks for coming to the Treasury especially for this important campaign.

With cordial regards,

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Louis H. Lyons,
Office of the Curator,
Harvard University,
Nieman Foundation for Journalism,
44 Quincy House,
Cambridge, Massachusetts.

HARVARD UNIVERSITY
NIEMAN FOUNDATION
FOR JOURNALISM

OFFICE OF THE CURATOR
44 HOLYOKE HOUSE
CAMBRIDGE, MASSACHUSETTS.

Jan 10

October 2, 1943

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

My dear Mr. Secretary:

Before I get back into familiar work here, I want to thank you for the high compliment the Treasury paid me in asking me to come to Washington and take part in the very important operation you just completed so successfully, and I particularly want to tell you that to me the most interesting thing about the chance to work in the Treasury was the privilege of a close if brief relation with yourself.

You were extraordinarily gracious and kind to this bunch of strangers who were bumping around in your Department with what must have often seemed to you like a very ineffectual activity. It was awfully nice of you, if you ever felt so, never to let us know it.

I have come away with a fresh interest in fiscal and tax questions and with a very great appreciation of the burden you carry, and I shall always have a very warm appreciation of the most human and conscientious personality at the center of the Treasury in these most difficult of all times to occupy that vital responsibility.

With highest personal regards,

Very truly yours,

Louis M. Lyons

25

October 5, 1943.

Dear Lucy:

Thank you very much for your letter of October 4.

It was a pleasure to have you connected with the group which was working on the recent campaign, and I feel that you deserve our thanks for cooperating so heartily with those in charge of the drive. I am glad that you felt it also was profitable to you.

Thank you for your message of greetings to Mrs. Morgenthau. I hope that sometime you and she may have an opportunity to meet.

Sincerely,

(Signed) H. Morgenthau, Jr.

Miss Lucy Greenbaum,
News Department, The New York Times,
Times Square,
New York, New York.

GEF/dba

The New York Times

TIMES SQUARE, NEW YORK, N. Y.
LACKAWANNA 4-1000

Oct. 4, 1943.

Dear Mr. Secretary:

This morning's headlines reporting that the country whizzed over its goal by almost two billion dollars certainly must have delighted you. I'm sure that each of us who were members of the Working Press Bureau read about it with an intense feeling of elation.

I only hope in a small way that I was able to be of service. For my part, I want to thank you for making it possible for me to work for the Treasury. It was the most valuable five weeks of my life. I learned more of the realities of government and felt deeper the spirit of democracy during that period than during my whole college life and short career thereafter. To you I shall be eternally grateful.

My best regards to Mrs. Morgenthau whom I feel I know through Aunt Dotsy and Uncle Ed.

Sincerely yours,

Lucy Greenbaum

News Department

25

October 5, 1943

Dear Mr. Schaeffer:

It was good of you to write me as you did under date of October 1, and to express so much appreciation for my recent visit to Evansville.

I too shall long remember the trip to your part of the country. I deeply appreciated the cooperation of those who have been working so hard on the War Bond sales, both in connection with the War Finance Division and through local agencies.

With thanks again for your letter.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Mike Schaeffer,
Associate Administrator,
Indiana War Finance Committee,
222 Main Street,
Evansville, Indiana.

GMF:dba



TREASURY DEPARTMENT

WAR SAVINGS STAFF

OFFICE OF STATE ADMINISTRATOR
22 Main St.
Evansville, Indiana

October 1, 1943

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

Dear Mr. Morgenthau:

It is with profound respect that I address you personally, Mr. Secretary, to thank you for your kind consideration in selecting Evansville to announce the nation going "over the top" in the Third War Loan Drive. The memories of this visit will long remain in the minds of the people of Evansville and Vanderburgh County, and will be a real stimulus for the Fourth War Loan Drive—yes, and the Fifth, Sixth, etc., not only for the five thousand people at Republic Aviation Corporation, the twelve thousand at Chrysler Corporation, the ten thousand at Servel, and the twelve thousand at the Evansville Shipyards, but the city and county as a whole.

Your democratic attitude has given us a world of "sales material" for the future. Please accept my sincerest thanks.

May I further thank you for having signed the 10% "Certificate of Award" for Mr. Ruthenburg, President of Servel, another beautiful gesture of much value for future war bond sales at Servel. Perhaps other local firms will strive even harder to attain their goals if they could possibly look forward to a similar document from you.

I sincerely hope your return trip was pleasant and restful after such a strenuous day.

Very sincerely,

Associate Administrator
Indiana War Finance Committee



MS:LB

25

October 5, 1943.

Dear Mr. Miller:

It was most kind of you to write me as you did under date of October 1. I too was very happy to have an opportunity to become acquainted with you, and I enjoyed our trip together in the plane.

I also want to tell you how much your cooperation and enthusiasm have meant to the success of the War Finance Drive. The record made in your part of the country has been a fine one, and in sending congratulations to you, I know that you will express them for me also to your loyal co-workers.

With all good wishes,

Sincerely,

(Wm.) H. Morgenthau, Jr.

Mr. Wm. F. Miller,
Vice President,
Citizens Union National Bank,
Louisville, Kentucky.

GEF/abc

CITIZENS UNION NATIONAL BANK

MCNEPPE WINGMAN
PRESIDENT

DEPARTMENT OF BANKS

WM F. MILLER
VICE PRESIDENT

R. M. ROBERTSON
ASSISTANT VICE PRESIDENT

A. N. SUTHERLAND
ASSISTANT CASHIER

C. L. KELLY
ASSISTANT CASHIER

LOUISVILLE, KY. 1

October 1, 1943.

Mr. Henry Morgenthau, Jr.,
Treasury Building,
Washington, D. C.

My dear Mr. Secretary:

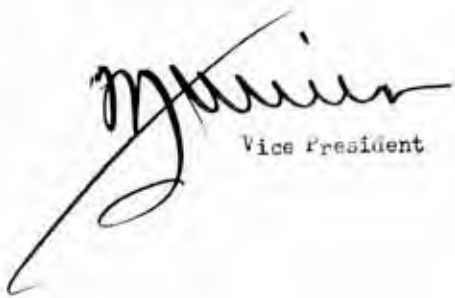
I returned to Louisville safely last evening after having had the pleasure of being in your company Wednesday evening and on the wonderful trip to Evansville in your plane. Your extreme courtesies to me are greatly appreciated and I would have you know that I enjoyed every minute that I was with you.

I trust that you returned safely to Washington, and again I say that I certainly enjoyed the trip and thank you for your courtesies to me.

With all good wishes, I am,

Sincerely yours,

WFM/IL


Vice President

IRVING BERLIN

October 5, 1943

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

Dear Mr. Morgenthau:

I acknowledge receipt of the license agreement and
note the elimination of the restrictive paragraph.

This license will be acceptable to Warner Bros. It
is my recollection, however, that when I conveyed
the song to you, I did so subject to whatever
obligations I had as a member of ASCAP. It was
undoubtedly because of this that my attorney included
the clause relating to ASCAP. This is customary in
all such documents. But, as I have said in this
particular instance, the elimination of the clause
will not affect the situation because the picture will
only be shown in theatres which are licensed by ASCAP
or by its foreign affiliates.

Best wishes.

Sincerely,



I
B
:
M
G

JOHN H. OVERTON

34

United States Senate

WASHINGTON, D. C.

October 5, 1943

RE: Legislation
S-1073

My dear Mr. Secretary:

Permit me to thank you for your letter of the 4th instant, enclosing copy of your report on S-1073 and copy of letter of August 30th addressed to Senator Bankhead, the author of the bill.

I am very happy to note that my views coincide with yours.

Yours sincerely,



JHO:K

JOHN H. OVERTON

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

OCT 4 1943

My dear Senator:

Further reference is made to your letter of September 14, enclosing a copy of your letter to Senator Bankhead presenting your views with respect to Senator Bankhead's bill (S. 1073), to require paid newspaper advertising of United States war bonds.

The views which you expressed to Senator Bankhead are in substantial agreement with those of this Department as set forth in the Department's letter to Senator Wagner as Chairman of the Committee on Banking and Currency dated May 27, 1943, a copy of which is enclosed.

Further information concerning the general subject of advertising of war bonds in various media was recently submitted to Senator Bankhead as set forth in the enclosed copy of letter to him dated August 30, 1943.

I wish to thank you for your kindness in advising the Department of your views with regard to this bill.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable John N. Overton,

United States Senate.

TJL:ims
9/28/43

May 27, 1943

Dear Mr. Chairman:

You have requested my opinion as to the merits of the Bankhead bill (S. 1073), to require the Secretary of the Treasury to spend \$25,000,000 per year for newspaper advertising of Government war bonds, with at least \$12,500,000 of advertising required to be placed yearly with weekly, semi-weekly, triweekly and monthly newspapers. In addition, the bill would in effect establish the Secretary of the Treasury as advertising administrator for the Government, in control of the advertising budgets of other Government agencies and under duty to prescribe regulations to safeguard the freedom and independence of the press and its right to criticize public officials.

I am opposed to the enactment of this bill, primarily because it might jeopardize the continued success of the Government's vital War Loan program under my direction. Moreover, the broad regulatory powers over the press which the bill would confer upon the Secretary of the Treasury are foreign in nature to the functions of that office, and I would not care to assume the exercise of such powers.

The War Loan campaign has been a voluntary, united effort of the whole American people. The Second War Loan Drive, concluded early this month, was, as you know, an overwhelming success. The total goal of 13 billion dollars was exceeded by 5 billion dollars.

An army of volunteers labored devotedly to realize that success. Workers, advertisers, advertising media, retailers, theaters, and others contributed wholeheartedly to this vital cause. Newspapers, both country papers and the great metropolitan dailies, gave invaluable support in the handling of news and features and in the promotion of sponsored advertising. Magazines, farm publications, outdoor advertising, and other media cooperated splendidly. The radio stations of the country gave us hundreds of shows throughout the drive. The movies placed their nationwide facilities at our disposal all during the campaign. Advertisers, as a patriotic service, contributed unparalleled amounts of their own space and time to war bond advertising. Business houses, industrial firms, stores and theaters all cooperated earnestly in promoting the drive. In sum, the War Loan campaign has been a national voluntary effort which has received the unstinted support of all segments of business and industry without thought or expectation of compensation.

Our successful financial mobilization will require other War Loan Drives in proportions at least equal to the Second War Loan Drive just ended. The full total of our war expenditures this calendar year will be more than

- 2 -

100 billion dollars. About 70 billion dollars, less whatever amount of new taxes Congress may provide, must be raised by borrowings from all sources during the calendar year. New money raised during the four-month period January through April, including that raised during the Second War Loan Drive just ended, amounted to \$5 billion dollars. We must, therefore, raise the remaining 45 billion dollars during the balance of this year. With this staggering task before us, I should be disappointed to see our efforts impeded, or perhaps even thwarted, as I believe they might be, as a result of the enactment of the bill under discussion.

The bill makes provision for purchase of advertising space only in newspapers. It makes no provision for expenditures in magazines, farm publications, outdoor advertising, radio, movies, or other media. The Treasury has received, and is continuing to receive, tremendous amounts of free space and time from these media. Individual advertisers also continue to donate large amounts of their own space and time to war bond advertising. I fear that the discriminatory selection of one class of advertising media for Government support would tend to discourage continued contributions by other media and their advertisers and would have an unfortunate effect upon the heretofore remarkable voluntary responses of all classes of business concerns and individuals. It has been the purpose to make the bond purchase program an integral part of our national war effort springing from a patriotic sense of obligation and a desire to contribute all one can to the national effort. That purpose has in large measure been achieved, I believe, and I should dislike now to see introduced a confusion of motives or a policy of discrimination with reference to any class or group.

One in my position, responsible for our tremendous war financing program, must be sensitive to the great contributions made to that program by the newspapers of this country. I do not profess to have an especial understanding of the economic position of any classes of newspapers that are intended to be the beneficiaries of the present bill. I do believe, however, that there would be grave danger to the success of the war financing program if it were to be made the specific vehicle for an avowed policy of Government assistance to any classes of newspapers.

I have confined my comment to those aspects of the bill of immediate concern to me in my official capacity as Secretary of the Treasury. Beyond that, however, I hold strong personal feelings as to the unwisdom and danger of the bill in opening the road toward Government subsidy of the press. On that score, I expect that the Committee will invite the views of Government officials directly concerned with relations between the Government and the press.

I urge that the bill not be enacted.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this report to your Committee.

Hon. Robert F. Wagner, Chairman,
Committee on Banking and Currency,
United States Senate.

Very truly yours,
/s/ H. Morgenthau, Jr.
Secretary of the Treasury

August 30, 1943

Honorable John H. Bankhead,
U. S. Senate,
Washington, D. C.

My dear Senators:

Further reference is made to your letters of July 29th, July 31st and August 3rd, with respect to newspaper advertising in connection with the Government's War Bond program.

There are enclosed two tabular statements showing, for the fiscal year 1943, (A) the Treasury's expenditures for printing and related material used by newspapers in War Bond promotion; and (B) the estimated value of War Bond advertising, including radio promotion, either donated by the newspaper, broadcasting station, or other agency, or sponsored by advertisers.

With respect to Statement A, the expenditures have been classified as "Advertising" and "Publicity." The "Advertising" classification includes material furnished by the Treasury to newspapers and other publications, at their request, for use in connection with sponsored advertisements. The "Publicity" classification includes material, usually in textual form, of public interest, intended for use in the editorial or news columns of the publication.

With respect to Statement B, the estimated value of measurable advertising contributed in support of the War Bond campaigns, fiscal year 1943, has been separately classified either as "sponsored" or "donated." The "sponsored" advertising includes those cases where advertisers purchase radio time or publication space specifically for the purpose of promoting the sale of war bonds. The "donated" advertising includes those cases where there has been no charge by the publication, broadcasting network or station, or otherwise, for the space or time consumed in the promotion of war bonds. It will be noted, for example, that the entire value of radio promotion has been listed under the caption "donated" since it falls into the following categories: (1) Local announcements for which the broadcasting station makes no charge; transcriptions, likewise carried free of charge; live sustaining programs, which the station or network carries free of charge; and commercial announcements—or other handling of War Bond messages, as for instance weaving messages into the program proper—used on those radio programs where the advertiser has already contracted for his time and talent in the promotion of his own product or for institutional advertising, and where periodically he uses such time and talent to promote the sale of War Bonds.

- 2 -

With respect to newspaper promotion of War Bonds, the great bulk of such advertising is furnished either by local advertisers who sponsor the advertisements which the Treasury prepares, or who prepare and place their own copy, or by national advertisers who also, as a rule, prepare and place their own copy. Referring to Statement B, it will be noted that of the estimated total of \$24,000,000 in measurable newspaper advertising during 1943 in support of War Bonds, \$870,000, or approximately 3-1/2%, was donated by the newspapers themselves. With respect to magazines, the "donated" advertisements are those which the Treasury supplies to the magazines, at their request, and which they themselves run free of charge. The "sponsored" advertisements include those which are prepared and placed directly by advertisers. Outdoor advertising likewise includes both categories, the sponsored boards being those paid for by both local and national advertisers while the donated boards are those contributed from time to time by the outdoor advertising industry and the various plant operators thereof. Virtually the entire car card operation is comprised of free displays arranged by the car card association.

In connection with sponsored advertisements, i.e., newspaper and other advertisements which are paid for by department stores, national advertising agencies, etc., the Treasury in some instances prepares the material. As to the rate charged by newspapers, it is understood that such charges generally conform to the usual rate of the particular publication, by reason of the fact that the space used has already been contracted for by the advertiser and is at his disposition.

With reference to your inquiry as to the estimated amount which taxpayers may have deducted from their tax liabilities last year due to expenses incurred by them in sponsoring paid advertisements of the Government's War Bonds, you are advised that this inquiry is now under consideration by the Bureau of Internal Revenue and will be the subject of a separate communication.

You may be assured that the Treasury will be pleased to cooperate in furnishing any additional information that you may desire in this connection.

Very truly yours,

/s/ D. W. Bell

Under Secretary of the Treasury

Enclosures.

United States Senate

WASHINGTON, D. C.

September 14, 1943

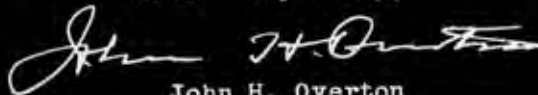
The Honorable
The Secretary of the Treasury
Washington, D. C.

My dear Mr. Secretary:

Under cover hereof you will find a presentation of my views in reference to the bill introduced by Senator Bankhead to compensate newspapers for advertising the sale of United States bonds, being a copy of a letter that I am today addressing to Senator Bankhead.

I should like for you to have your office point out errors of fact or argument that I have made and to give me the benefit of any additional arguments against the enactment of the bill.

Yours very truly,



John H. Overton
United States Senator

JHO:P

UNITED STATES SENATE

WASHINGTON, D. C.

September 14, 1943

Hon. J. H. Bankhead
United States Senate
Washington, D. C.

Dear Senator Bankhead:

Receipt is acknowledged of your letter of the 3d instant, laid on my desk this morning, in reference to your bill S. 1073 to pay newspapers for advertising the sale of United States securities in the war effort. You may recall that I advised you several months ago in a conversation that I am opposed to the enactment of the bill. Very regretfully do I take this stand, because you and I have generally viewed measures and policies eye to eye. The objections that I have to the bill are mainly the following:

The newspapers already enjoy a substantial subsidy from the Federal Government, amounting to approximately 40 million dollars a year, in reduced postage.

The newspapers, especially big dailies, according to the best information that I have, have been and are materially increasing both their gross and net income since and during the outbreak of the European war.

The newspapers are quasi-public agencies. They pride themselves on being the molders and directors of public opinion and of all things tending to the betterment of their respective communities and the nation as a whole. Banking institutions, civic organizations, citizen committees, industrial, business, and commercial organizations, and thousands upon thousands of individuals are giving freely of their time and effort, without compensation and without cost to the Government, to the sale of United States bonds. The newspapers should be pleased to follow their example and to cooperate with them as well as with our Government.

If the federal fisc is to be taxed for the advertisement of federal securities (with which policy I am not in accord), radio stations, magazines, periodicals, are engaged in the same effort and should be compensated along with the newspapers. Accepting as correct the amount of compensation to be paid to newspapers set forth in your bill, the outlay would probably extend well beyond the 50 or 60 million dollar mark; and if we are to adopt the policy of compensation for civic effort in the

2

Senator Bankhead - 9/14/43

of war bonds, why should not compensation be extended to
millions who as citizens or organizations, and so forth,
are industriously engaged in this patriotic work?

I very much regret therefore, chiefly because you are the
author of the bill, that I cannot support it.

With kindest regards and best wishes,

Yours sincerely,

John H. Overton
United States Senator

JHO:P

FOR THE PRESS

IMMEDIATE RELEASE

OCTOBER 5, 1943

The President has today signed an amendment to War and Navy Department regulations which indicates virtual termination of the tax amortization privilege. Tax amortization provisions were written into the law in 1940, shortly after the start of our rearmament program, in order to encourage private expansion of facilities for the national defense effort. This was accomplished by insertion in the Internal Revenue Code of a new Section 124. The law as thus amended allowed taxpayers to write off the cost of new facilities over a five year period (or less should the emergency end sooner) instead of over the longer depreciation period normally used, in every case where the construction of the facility was certified to be necessary in the interest of national defense.

In the three years the law has been in existence, the War and Navy Departments have issued over 27,000 Necessity Certificates for facilities having a value in excess of five and a half billion dollars. The War Production Board has stated that with few exceptions the United States now has the capital equipment needed to beat the Axis. The effort today is directed, not to further expansions, but to full utilization of existing capacity. The few remaining cases of needed facilities can be taken care of by governmental financing.

Amortization will not hereafter be granted unless the War Department or the Navy Department has approved the project for amortization before the facility has been begun or acquired. Such advance approval will be given only when a shortage has been determined and it has been established that private financing would be to the advantage of the Government.

Applications already filed are not affected.

The amendment to the Regulations under Section 124, Internal Revenue Code, as approved by the President is as follows:

The construction, reconstruction, erection, installation, or acquisition of a facility shall not be deemed necessary unless (1) the beginning of the construction, reconstruction, erection, installation, or the date of acquisition of such facility was prior to October 5, 1943; or (2) an application for a Necessity Certificate describing such facility was filed before October 5, 1943; or (3) the Secretary of War or the Secretary of the Navy, in exceptional cases, has determined prior to the beginning of such construction, reconstruction, erection, installation, or the date of such acquisition, that there is a shortage of facilities for a supply required for military or naval uses and that it is to the advantage of the Government that additional facilities for such supply be privately financed.



OFFICE OF THE DIRECTOR

SECRET

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON 25

44 ✓



October 5, 1943

MEMORANDUM TO THE SECRETARY:

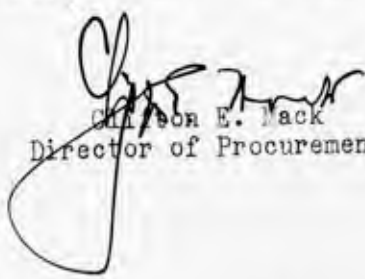
There is submitted herewith the weekly report of Lend-Lease purchases.

An analysis of the volume of lend-lease purchasing during the first quarter of this fiscal year shows the following:

	<u>No. Contracts</u>	<u>Dollar Volume</u>
July	2,034	\$133,540,000
August	1,772	111,409,000
September	1,879	55,203,000

An analysis to determine the reason for the slight reduction in the number of contracts as compared to the substantial reduction in the dollar volume developed that a number of contracts were entered into during September for engineering work on various power plants, whereas the material will not be purchased until the engineering plants have been completed. The indications are that the volume of purchasing may increase during this month.

The volume of work as to expediting, inspection, and storage has increased because of the larger number of pending contracts, and existing restrictions limiting the movement of cargo to the West Coast ports have increased our storage activities.


Clarence E. Mack
Director of Procurement

LEND-LEASE
TREASURY DEPARTMENT, PROCUREMENT DIVISION
STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
AS OF SEPTEMBER 29, 1943
(In Millions of Dollars)

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous & Undistributed</u>
Allocations	\$3965.2 (3882.0)	\$1976.8 (1931.8)	\$1557.5 (1557.4)	\$109.7 (109.7)	\$11.0 (11.0)	\$310.2 (272.1)
Purchase Authoriza- tions (Requisitions)	\$3063.2 (3039.6)	\$1628.5 (1612.5)	\$1252.5 (1246.0)	\$43.5 (43.5)	- -	\$138.7 (137.6)
Requisitions Cleared for Purchase	\$2983.5 (2961.2)	\$1585.4 (1574.1)	\$1220.9 (1212.2)	\$42.9 (42.9)	- -	\$134.3 (132.0)
Obligations (Purchases)	\$2907.7 (2895.8)	\$1560.9 (1551.8)	\$1190.6 (1189.0)	\$42.8 (42.8)	\$8.1 (8.1)	\$105.3 (104.1)
Deliveries to Foreign Governments at U. S. Ports*	\$1329.6 (1292.5)	\$928.0 (897.8)	\$366.9 (363.2)	\$19.2 (18.3)	- -	\$15.5 (13.2)

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

Note: Figures in parentheses are those shown on report of September 22, 1943.

BRITISH MOST SECRET
U.S. SECRET

COPY NO. 13OPTEL NO. 328

Information received up to 10 a.m. 5th October 1943.

1. NAVAL HOME WATERS. 4th

Off BREST 5 of H.M. Destroyers engaged 4 or 5 Elbing class Destroyers on whom damage was inflicted. 2 of our destroyers were damaged and 3 sustained slight damage. Coastal batteries damaged one or more escort ships of enemy convoy between BOULOGNE and CALAIS.

2. MILITARY ITALY. 3rd Eighth Army

TERMOI was occupied by commandos landed from sea who established contact with our troops advancing from SERRA CAPRIOLA.

5th Army U.S. Forces now striking north from BENEVENTO. Further reports from NAPLES state that demolition and pillage has been on a heavy scale but situation is well in hand.

CORSICA 4th. French troops entered BASTIA.

DODECANESE. Report at 2:30 p.m. 4th stated KOS town untenable but resistance continuing elsewhere. Reports now state that Italians resisted advance northwards of German force landed in S. W. of Island. Small British reinforcements reached South Coast KOS during the night. 3rd/4th.

3. AIR OPERATIONS Western Front 3rd/4th

1544 tons dropped on KASSEL where many fires still burning at 10 am 4th.

4th. 110 Fortresses (R17) dropped 272 tons on FRANKFURT where two main buildings of aircraft components factory were gutted.

In addition 381 tons dropped on SAARBRUCKEN and ST. DIZIER and other targets in Western Germany.

38 Liberators (B24) flew sweep over North Sea. Of 360 aircraft despatched, 11 Fortresses (R17) and 4 Liberators (B24) Missing.

Typhoons, of which 5 missing, destroyed enemy aircraft and damaged many locomotives and small craft in FRANCE and HOLLAND.

4th/5th. Aircraft despatched. FRANKFURT 405 (12 missing), route markers 4, chemical works at LUDWIGSHAFEN 66, COLOGNE 12, AACHEN 1, sea-mining 5, leaflets 8, intruders 22,

Weather clear at FRANKFURT and attack considered "excellent" About 13 enemy intruders operated over E. and S.E. England where a few bombs were dropped without serious damage or casualties.

Italy 2nd 56 Mustangs (A36) attacked bridges and transport North of NAPLES which were also attacked on third by 128 Medium and Fighter Bombers.

Casualties. Enemy A.O.O. Allied 7.O.O.

KOS 3rd Impossible to operate from island owing to enemy action. Beaufighters (5 missing) from LIBYA attacked shipping off Island. Hits obtained on 4 vessels. Damage unobserved.

21 2 PM 9 OCT 1943
TREASURY DEPARTMENT
SECRETARY OF TREASURY

Regraded Unclassified

October 6, 1943
2:42 p.m.

Norman
Thompson: Yes, sir.

HMJr: I understand by the grapevine that Chick Schwarz
is going in the Army and if that's true, I want
Shaeffer to succeed him.

T: I see. Well, I've heard rumors that that might
happen, too, but I haven't had anything definite
on it, but I'll see that that's done if he leaves.

HMJr: Will you see that's done?

T: Yes, sir.

HMJr: Thank you.

T: Okay, sir.

October 6, 1943
3:18 p.m.

48 ✓

Preston
Delano: Yes, Mr. Secretary.

HMJr: How are you?

D: I'm pretty well, sir.

HMJr: I just thought I -- I hadn't seen you, but I thought that -- to pat myself on the back a little bit -- consulting Judge Hand was pretty good.

D: I thought that turned out to be a ten-strike, Mr. Secretary....

HMJr: Yeah.

D:and I feel so much relieved about it. I was afraid we were going to get ourselves in an exposed position there.

HMJr: Well, I'm glad that you -- uh -- put up the fight that you did and it would have -- if I'd have gone through with that -- I mean, it would have....

D: Oh.

HMJr:the court could have certainly made a fool out of me.

D: They -- they certainly could have, Mr. Secretary, and I feel so much relieved.

HMJr: Yeah.

D: And I think Hand was perfectly grand incidentally.

HMJr: Yeah.

D: He is a grand fellow.

HMJr: Yeah. He -- well, so I understand. I'm sorry I missed it.

D: He is a grand fellow.

HMJr: But do you remember, they said, "Oh, he'll -- he won't do anything. He won't talk to you."?

D: Sure.

- 2 -

HMJr: "It's unethical, and all of that."?

D: You bet, and he sat there just as folksy and talked all these points out just swell.

HMJr: Good.

D: Mr. Secretary, while -- may I just, while you're here, may I express my very deep appreciation. Danny said that you had cleared this question of my reappointment going up.

HMJr: Oh, that's the easiest thing in the world.

D: And I am very appreciative, Mr. Secretary.

HMJr: That's the easiest thing in the world. You've earned it.

D: That's very nice of you and thank you.

HMJr: All right.

D: Well....

HMJr: How is your sense of humor?

D: Well, I -- I'm still keeping it.

(Remainder of conversation not recorded.)

25

OCT 6 1943

Dear Judge Hand:

I am sorry that I was away from Washington last Saturday and was not able to talk with you about the problem on which I asked your advice. .

Both Randolph Paul and Preston Delano have told me about your interesting conference with them, and I want you to know that I have decided to follow your recommendation.

Please accept my sincere thanks for giving us your time and counsel.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Judge Learned Hand
United States Circuit Court of Appeals
Second Judicial Circuit
New York, New York

NOT:t
10-2-43

25

OCT 6 1943

Honorable Ganson Purcell
Chairman
Securities and Exchange Commission
Philadelphia, Pa.

My dear Mr. Purcell:

This will acknowledge receipt of your letter of July 26, 1943, in which request is made for certified copies of all Reports of Earnings and Dividends of the Bank of America N. T. and S. A. filed with the Comptroller of the Currency for the years 1932 to 1937, inclusive. It is noted that the Reports are requested for use in connection with an official proceeding pending before your Commission against Transamerica Corporation, and that it is anticipated that they will be introduced in evidence in such hearing.

In view of the decisions of the United States Court of Appeals for the District of Columbia in the case of Bank of America N.T. & S.A. v. Douglas, it is felt that it would not be proper for the Treasury Department to indicate that it would have no objection to making public these Reports of Earnings and Dividends by introducing them in evidence in the Commission's pending proceeding against Transamerica Corporation. Accordingly, it is regretted that your request can not be granted.

Very truly yours,

(Signed) H. Morgenthau, Jr

Secretary of the Treasury

NOT:t
10-2-43

SECURITIES AND EXCHANGE COMMISSION

~~WASHINGTON~~
PHILADELPHIA

OFFICE OF THE CHAIRMAN

July 26, 1943.

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

Dear Mr. Secretary:

Request is hereby made for certified copies of all Reports of Earnings and Dividends of the Bank of America N.T. and S. A. for the years 1932 to 1937, inclusive. These reports are requested in connection with an official proceeding now pending before this Commission against Transamerica Corporation.

It is anticipated that these reports, if and when made available, will be introduced in evidence in such hearing as and when the hearing is ordered reconvened by the Commission.

Sincerely yours,

Ganson Purcell

Ganson Purcell,
Chairman

MEMORANDUM

October 6, 1943.

TO: The Secretary
FROM: Mr. Sullivan

In accordance with the instructions you gave me yesterday afternoon, I called today to see Speaker Rayburn about the appointment of a committee to act as liaison between the House and the Treasury on the International Stabilization Fund and the International Bank.

The Speaker reviewed the request made by the State Department for the appointment of one Democrat and one Republican to act as liaison between the House and the State Department on the two different matters and commented on the favorable impression this had made upon the members of the House. I reported to the Speaker the two meetings you had had and the two similar meetings you had last Spring. I told the Speaker that the Treasury would welcome a committee representing those three committees to whom the Treasury from time to time could report its progress. The Speaker stated that the Ways and Means Committee was anxious to be represented on this group and the Speaker did not feel that Foreign Relations was interested. I told the Speaker that the first meeting had been held in the Foreign Affairs room and was presided over by Chairman Bloom. I further advised the Speaker that the request for liaison between the House and Treasury was initiated by members of the Foreign Affairs Committee and that members of this Committee had turned out in good attendance to hear the two reports of progress you had made. The Speaker then said that in that event the Foreign Affairs Committee should be included.

He suggested that the Chairman and ranking Republican of Ways and Means, Foreign Affairs, Banking and Currency, and Coinage, Weights and Measures might be the solution to the problem and that we could report to them about once every two weeks. I advised the Speaker that our conversations and discussions were a fairly continuous process and there would be times when it would not be advisable to have members of the proposed committee sitting in on discussions at the technical level or meetings with representatives of Foreign Governments. The Speaker agreed with me that both of these things would be undesirable and added that this committee should be consulted on matters of policy and not on matters of technical detail or conversations with Foreign Governments.

- 2 -

I agreed to talk with you and report back to him tomorrow as to whether or not two representatives from the four committees he suggested would be a liaison satisfactory to the Treasury.

October 6, 1943

Mrs. Klotz:

Mr. Gray, Mr. Hull's secretary phoned, and said that Mr. Hull had received the letter from Mr. Morgenthau on international monetary stabilization. Mr. Gray said that Secretary Hull asked that a message be given to Mr. Morgenthau to the effect that he is not going to answer the letter in writing at this time, but that "he will do the best he can."

Mrs. McHugh

OCT 6 1943

Dear Mr. Fry:

This is to acknowledge receipt of your letter of September 8, 1943 and of the enclosed issue of the American Labor Conference News Letter for September 7, 1943, containing an article urging modification of certain provisions in the Treasury's preliminary proposal for an International Stabilization Fund.

The argument advanced in the article in the A.L.C. News Letter is that before exchange rates can be stabilized on a long run basis there must be established sound basic conditions of international relationships, so that to a large extent the success of the Treasury proposal depends on international action which is entirely outside its scope. It appears that the author of the article fears that member countries will be compelled under the Fund to refrain from policies designed to assure employment and to improve the position of labor.

It is our view that the tentative proposal for international monetary cooperation will facilitate the attainment of a higher level of domestic employment by encouraging a balanced growth of international trade through stabilization of exchange rates and the elimination of restrictive and discriminatory exchange practices. As stated in the Preamble to the revised draft of the Treasury proposal, we believe that only through international cooperation will it be possible for countries successfully to apply measures directed towards obtaining and maintaining a high level of employment and income which must be the primary objective of economic policy. In considering any remedial measures for restoring equilibrium in a country's balance of payments, it is intended that this objective of economic policy shall always be given primary consideration.

The prominence given to post-war monetary problems in your publication is appreciated.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Varian Fry, Executive Secretary,
American Labor Conference on
International Affairs,
9 East 46th Street,
New York 17, New York.

DVR:ff 10/2/43

Q. 10

PLaza 3-9172

COMMITTEE
DANIELSON
CLARK
WILLIAMS
GILBERT
LOVE
WILLIAMS
JAMES
MAY

My dear Mr. Secretary:

I should be very glad to have your comments on this article.

Varian Fry
Executive Secretary

VI; em
ENC.

C O P Y

Secretaria De
Hacienda Y Credito Publico

Guatemala, C. A.

Guatemala, October 6, 1943.

Honorable H. Morgenthau Jr.,
Secretary of the Treasury,
Washington 25, D. C., U.S.A.

Sir:

I acknowledge with thanks receipt of your letter of September 14th last, containing the revised draft of the tentative proposal for an International Stabilization Fund. This draft is a most interesting document and will be accorded the study which it merits.

I am also grateful for your expressed intention to keep me informed of further developments in connection with international monetary cooperation, which information will be awaited with great interest.

Sincerely yours,

/s/ Jose Gonzalez Carupo
Secretary of the Treasury.



TREASURY DEPARTMENT

WASHINGTON

MM

MEMORANDUM - A Tentative Plan for Financing UNRRA

With reference to the problem of financing for UNRRA, the following tentative plan is suggested:

1. Each "donor" nation is to contribute 1% of its national income of 1942.
2. Liberated countries, which will be recipient countries, will not be required to be "donors" but they will be permitted to "donate" if they wish.
3. The contribution (in form of a commitment to provide the means of payment when necessary) will be in the currency of the country contributing, and the funds will be spent in that country, except, that each country will be asked to make available at least 10% of its contribution in gold or foreign exchange, with special dispensation for countries which are unable to do so.
4. UNRRA to pay for all supplies and services it obtains, paying in local currency up to the amount of the contribution of the country involved, and paying for other purchases in gold or foreign exchange.
5. Countries receiving UNRRA's supplies will pay in gold or foreign exchange to the extent they are able to pay. They may be asked to pay in local currency for part of the remainder. The local currency so acquired by UNRRA would normally be spent within the country in furthering the program of relief.

With particular reference to the U. S.:

Congress will be asked to appropriate 1% of our national income of 1942, or about \$1,400 millions. A commitment can be made that the United States contribution will be used as follows: For commodities which are rationed or in short supply in the United States purchases out of the U. S. contribution will be made abroad whenever possible; that for commodities not in short supply purchases will be made in the United States whenever possible. This contribution might also be used to purchase surplus U. S. army supplies when useful for UNRRA's purposes.

*From Harry White**Oct 6, 1943*

October 6, 1943

Fred Smith
The Secretary.

On WMAL this morning at 7:00 o'clock, commenting on the tax bill, the announcer said that a Congressman who would not let his name be used said, "As long as Morgenthau was around and was presenting the tax bill the Congress could never get along with him." Or that I never could get along with Congress -- something like that. I wish you would see what paper writes that, if any, and possibly we could find out which Congressman said that. That is the line which you prophesied that Jimmy Byrnes would take on the Hill, that he would try to get them to say that they just couldn't get along with me. Evidently your prophesy is coming true. I would very much like to know who the Congressman is. I should think that either Blough or Stanley Surrey could find out. Also, the man who covers the Wall Street Journal on the Hill might be able to tell us or the man who covers the Treasury for United States Daily News. See what you can do about it. It interests me. *Finished -*

Congressional Criticism

62✓

CONGRESSIONAL SENTIMENT FOR THE REMOVAL OF SECRETARY MORGENTHAU
INCREASED AS REBELLION OVER THE ADMINISTRATION'S NEW \$10,500,000,000
TAX PROGRAM SPREAD TO DEMOCRATIC AND REPUBLICAN HOUSE LEADERS.

THE FAVORITE TO REPLACE HIM IS ECONOMIC STABILIZER VINSON, FORMER CHAIRMAN OF THE HOUSE WAYS AND MEANS COMMITTEE AND ONE OF PRESIDENT ROOSEVELT'S CHIEF FISCAL ADVISERS.

MEMBERS OF THE WAYS AND MEANS COMMITTEE, WHO HEARD MORGENTHAU MONDAY, HAVE DELAYED SERIOUS CONSIDERATION OF THE NEW REVENUE PROGRAM PENDING VINSON'S APPEARANCE AT 2 P.M. TODAY.

AT LEAST THREE COMMITTEE MEMBERS AND ONE HOUSE DEMOCRATIC LEADER
HAVE EXPRESSED BELIEF THAT RELATIONS BETWEEN CONGRESS AND THE ADMINIS-
TRATION ON FISCAL MATTERS WOULD BE CLARIFIED IF MORGENTHAU DID NOT HEAD
THE TREASURY DEPARTMENT. THE DEMOCRATIC LEADER, WHO ASKED THAT HIS
NAME BE WITHHELD, DESCRIBED THE TREASURY'S PROGRAM FOR STIFF PERSONAL
INCOME, EXCISE, AND CORPORATIONS TAX INCREASES AS "FOOLHARDY."

10/6--GE918A

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

October 6, 1943

TO Secretary Morgenthau

FROM Charles Shaeffer

C.S.

At the moment it appears that the United Press, on whose report the broadcast was based, conjured up an unnamed democratic leader to give weight to their story.

Frank LeMay, of the Associated Press, who has been on top of this tax story for several months, was told by his office to run the report down, but so far has accomplished nothing. He has canvassed all Members of the House Ways and Means Committee, and he reports as follows: That the Secretary of the Treasury is held in very high esteem by the Committee; that he finds nothing but praise for the manner in which the tax program was presented by you. Committee members, incidentally, are outspoken in their dislike for the program itself.

Tony Smith, of the United Press, authored this story. A friend of mine has promised to wheedle the identity of the congressman, if any, out of him.

I shall report any further developments promptly.

Bill Helm, your friend on the United States News, endorsed all that LeMay recounted above.

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ADVANCE RELEASE ---- ADVANCE RELEASE

OFFICE OF WAR INFORMATION

ADVANCE RELEASE: For Use After 2 P.M. EWT, Wednesday, October 6, 1943

Statement by Fred M. Vinson, Director of the Office of Economic Stabilization, before the Ways and Means Committee of the House of Representatives, October 6, 1943. NB-1538

I appear before your Committee in support of the program recommended by the Secretary of the Treasury. As Director of the Office of Economic Stabilization, I do not believe we can prevent inflation in this country without a stronger fiscal policy. The addition of 10.5 billion dollars to tax revenues is, in my judgment, a minimum requirement.

Congress has provided effective machinery for controlling prices and stabilizing wages and salaries. The additional tool of increased taxation is essential if we are to maintain stability in the wartime economy.

On May 28, 1943, the President handed me the difficult job of directing the fight against inflation. Executive Order 9250 under which the Office of Economic Stabilization was created makes it the duty of this Office to formulate and, with the approval of the President, to present a comprehensive policy for the control of our civilian purchasing power.

The Act of October 2, 1942 was in response to a request of the President that strong measures be adopted to prevent inflation. In his message of April 27, 1942, the President outlined seven basic points to protect our economy from the disasters of spiraling prices and wages. The first of these points emphasized the necessity of an adequate and comprehensive tax program as a basic essential in controlling excess purchasing power. His first point reads as follows:

"To keep the cost of living from spiraling upward, we must tax heavily, and in that process keep personal and corporate profits at a reasonable rate, the word 'reasonable' being defined at a low level."

As in many other situations, events have served to demonstrate the wisdom of the Commander-in-Chief's judgment. Today I urge you, my former colleagues, to approve a courageous and comprehensive war revenue program.

(over)

X-21344

I do not propose in this preliminary statement to undertake an analysis of the specific issues raised by the Treasury plan. Rather, it is my purpose to attempt to deal briefly with what seems to me the underlying issue that the Congress must resolve. Is there a real threat of inflation? There is. Therefore, it would seem that Congress is faced with a choice. That choice is whether the danger of inflation will be minimized by a war revenue bill, or whether the nation will be left to assume the grave risks inherent in the existing situation.

Even if the country was not threatened with inflation, there would be sound considerations of fiscal policy why additional revenues should be obtained. We all agree that it is desirable to effect reductions in the national debt when the income of our citizens is at a high level. But it is equally obvious that there is an immediate and pressing need to reduce inflationary potentials to the maximum extent possible.

What is the extent of the pressures upon the price and wage structure? There has been discussion before this Committee of the inflationary gap which in essence constitutes excess spending power. We are advised that for the 1944 calendar year income payments will approximate 156.9 billion dollars. At present rates, personal taxes would take about 20.1 billion and if consumers' goods and services remain at their present level - which is doubtful - 90 billion would be available. There is the prospect then of a gross gap for the next tax year of 46.8 billion. In other words, the American citizen may have available in 1944, 136 billion dollars to bid for 90 billion in goods and services. Of course, there are non-inflationary factors, such as debt repayment, insurance policies and mutual savings deposits. In 1943, these will total about 6.7 billion. Personal savings, war bonds and other investments will immobilize additional amounts. Yet the gap will still be too big. The extent to which it is further reduced by increased taxes will, of course, lessen the pressures.

We are all familiar with the symbols of danger with uncontrolled prices and excess spending power. Only recently we have seen watermelons selling for \$2.50, and fresh peaches at \$9.00 a bushel. There were no ceiling prices on these commodities. There is a very real question as to whether the controls on cost of living items can long be maintained in the face of such a tremendous excess of spending power. The extent to which additional funds are collected by the Treasury in taxes will determine in no small measure the success with which black markets can be eliminated. The effective controls that are now in operation cannot forever resist economic forces of this character.

There has been abundant evidence of the pressures for price increases and wage increase, with which this Committee is familiar. If the roll were called, no industry or product or no classification of wage earner would be missing from that ceaseless procession which seeks higher prices and increased wages. The existence of dangerous dollars competing in the market place for goods and services intensifies the problem.

X-21344

65

A final observation appears pertinent. Are our people able to bear the burden of these increased rates? In my judgment, the proposals before this Committee are modest indeed. The measure of sacrifice which they entail is small. For the purpose of illustration, let us examine the wage earner with an income of \$2,000. At present rates, he pays \$188. The proposed increase would add \$67 as an immediate liability, but under one proposal for post war credits, this taxpayer would receive a return of \$68. In other words, the \$2,000 man gets back \$1 more than his increased payments.

In the next bracket of \$2,500, the present tax liability is \$297. This proposal would increase that liability \$120, with a post war credit of \$84, or a net increase of \$36. A person with a \$3,000 income has a present liability of \$405. This proposal would increase that liability to \$594, with a post war credit of \$102, or a net increase of \$87 a year.

This brief summary of individual increases clearly demonstrates that the burden is small.

It is not necessary for me to emphasize to this Committee the consequences of failure to stabilize our wartime economy. We know that increased prices and wages would increase the cost of the war and the national debt, will grind down the standards of living of the million of white-collar workers, persons dependent upon fixed incomes, and others whose economic status has not been affected by the high level of wartime activity. However, I do wish to express my own opinion that the burdens contemplated in these proposals are not onerous in comparison with the benefits to be had. Moreover, I am firmly convinced that the temperance and spirit of the American people is such that they stand ready and willing to make further sacrifices to advance our cause. We are not fighting a soft war on the battlefield. We cannot hope to maintain peacetime standards at home. The additional burdens contemplated by these proposals are, we all agree, insignificant in comparison with the measure of sacrifice required of our fighting men.

I say to this Committee deliberately that we cannot hope to hold the line without a strengthened tax program. The people of this country are able to finance on a "pay as you fight" basis at least 50 percent of the financial cost of this war. The dangers of inflation are so grave and so real that we need this additional fiscal instrument to relieve the mounting pressures. Unless we can hold the cost of living at or near the levels proscribed by Congress - and these proposals will help to do that - we will be confronted with almost irresistible demands for price and wage increases which will carry us closer to the condition we seek to avoid.

As I view it, there is involved in these proposals the issues of the value of our government bonds and savings, our insurance policies, and our homes. More especially, there is involved the solemn pledge to the dependents of our fighting men that the government will protect and shield them from rising living costs. The allotments which are made to dependents of our soldiers and sailors must be protected against such hazards.

I know from experience the forces which are arrayed against any tax proposal. I know too that there are some who attack price control and salary and wage stabilization on the basis that it cannot succeed without stronger fiscal measures. Perhaps some of them will now oppose increased taxes on the grounds that other controls will suffice. These proposals should not be judged by ordinary standards. The old arguments are made obsolete by the crisis of war. The American people do not want luxury and ease while their sons are dying. They can take it. Any program which does not take into account the measure of sacrifice which the people are willing to accept does not do justice to the American spirit.

X-21344

Regaded Unclassified

October 8, 1943.

Dear Mr. Frandsen:

I recognize the logic and value of the suggestion in your letter of October 5 that when we have complex matters to give out, such as our recent tax proposals, the newspaper men should have a chance to study them in advance.

It happened in this particular case that the circumstances were such that we were not able to clear the material in advance; but we may have been remiss on other occasions.

I agree wholly with you as to the desirability on our account, as well as that of the newspaper men, of giving the news writers an adequate opportunity to digest difficult material and I appreciate your writing to me.

You can be sure that I have no uneasiness about any breach of confidence by the newspaper men.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Julius Frandsen
News Editor
United Press Associations
714 National Press Building
Washington, D.C.

United Press Associations

INCORPORATED IN NEW YORK

GENERAL OFFICES
NEWS BUILDING NEW YORK CITY

October 5, 1943

Written from

WASHINGTON, D. C., BUREAU

714 NATL. PRESS BLDG.

Mr. Secretary

Dear Mr. Secretary:

I would like to advance a suggestion which I believe would be mutually advantageous to the Treasury and to the press associations and newspapers.

It is this: That when the Treasury is about to issue material of such magnitude and great complexity as the October 4 tax proposals, it undertake to place this material in the hands of the Treasury reporters on a confidential basis 24 hours in advance of the expected release time. As you know, the budget and the President's accompanying message, OPA announcements of ration point changes and many other vital and confidential matters are handled in this way.

I am sure you would find that this procedure would lead to more complete, accurate and correctly interpreted dispatches than even the best reporters can get out in haste, and that the confidence would be respected.

Sincerely yours,

Julius Frandsen
Julius Frandsen
News Editor

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

October 6, 1943.

Dear Mr. President:

I enclose a suggested reply to the letter of William Green, President of the American Federation of Labor, dated September 24.

Faithfully,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The President

The White House

Enclosure

Sent by S. L. Agt. 5:15 p.m.

Dear Mr. Green:

I thank you for your letter of September 24 on the subject of social insurance.

It pleases and encourages me greatly to know that the members of the American Federation of Labor wish to see the benefits and coverage of the Federal Social Security system extended and that they are willing to pay the higher payroll taxes necessary to accomplish this.

I think you are entitled to know that it was with my full approval that Secretary Morgenthau made an appeal for social security extension in his appearance on Monday, October 4, before the Ways and Means Committee to present the Administration's tax proposals.

It is my hope that Congress may see fit to give early attention to this subject.

Sincerely,

Mr. William Green
President, American Federation of Labor
Washington, D.C.

**THE WHITE HOUSE
WASHINGTON**

September 27, 1943.

MEMORANDUM FOR

HON. HENRY MORGENTHAU, Jr.

FOR PREPARATION OF REPLY FOR
MY SIGNATURE.

F.D.R.

Gaston

10

AMERICAN FEDERATION OF LABOR

Executive Council

President, WILLIAM CHASE

Sectetary-Treasurer, GEORGE HALEY
A. F. of L. Building, Washington, D. C.

First Vice-President, WILLIAM L. HYUNEMAN,

Comptroller Bldg., Indianapolis, Ind.

Second Vice-President, MAYNARD WELLS,

30 Lexington Ave., New York, N. Y.

Third Vice-President, JAMES H. WEAVER,

311 Alta Drive, Beverly Hills, Los Angeles, Calif.

Fourth Vice-President, G. M. ROBERTSON,

1200 Fifteenth St. N. W., Washington, D. C.

Fifth Vice-President, CHAS. E. HAMMOND,

Railway Club Bldg., Cincinnati, O.

Sixth Vice-President, DAVID J. TOLSON,

320 East Michigan St., Indianapolis, Ind.

Seventh Vice-President, RALPH J. ARON,

212 Fifteenth St. N. W., Washington, D. C.

Eighth Vice-President, W. D. MASON,

301 Varney Highway, Stuyvesant, N. Y.

Ninth Vice-President, PAUL H. LAYTON,

400-401 Common's Bldg., Chicago, Ill.

Tenth Vice-President, EDWARD F. BROWN,

422 Liberty Building, Dallas, N. T.

Eleventh Vice-President, EUGENE W. BROWN,

Washington Bldg., Washington, D. C.

Twelfth Vice-President, W. C. DUNN,

Deputies at Twelfth Street, Indianapolis, Ind.

Thirteenth Vice-President, W. C. DUNN,
20 A. F. of L. Bldg., Washington, D. C.

THE WHITE HOUSE
SEP 26 12 38 PM '43
RECEIVED

Washington, D. C. September 24, 1943

Honorable Franklin D. Roosevelt
President of the United States
The White House
Washington, D. C.

Dear Mr. President:

Labor wants more adequate social insurance to carry workers through reconversion and readjustments after the war and to protect us against dependency in the future. We propose to raise the rate of taxation on payrolls to 12 percent - half to be paid by employee and half by employers. Because wage earners incomes do not permit of much adjustment after we buy the necessities at present prices, we urge that the Federal tax program be drawn so as to permit us to make this investment, otherwise we shall be effectively denied our first step in postwar planning.

Our bill for this purpose which is already before Congress, would increase revenues from social insurance taxes to eight or nine billion dollars. On behalf of wage earners I appeal to you for the opportunity to make this investment in insurance to provide against loss of income through unemployment, old age, permanent disability and sickness. This is the only fiscal proposal that will serve the double purpose of providing the Government with war credit and meeting the insurance needs of Labor. Forced loans may meet an immediate fiscal need but they do not provide insurance against coming emergencies that interrupt wage earning.

As you initiated our social insurance program, I feel warranted in making this plea. Expansion of social insurance to meet postwar emergencies desperately needs your support and leadership.

Very respectfully yours,

W. C. Dunn
President

American Federation of Labor

RmP

October 6, 1943.

My dear Mr. Green:

I have been greatly honored by your invitation to attend the annual convention of the American Federation of Labor and to address the Convention on some phase of the war problems of the Treasury Department. I received this invitation with great satisfaction, as it represented an opportunity to discuss with an important body of loyal Americans some of the vital problems confronting their national Government; but unfortunately developments have arisen which make it impossible for me to be in Boston during your sessions.

Since the beginning of the war emergency I have had many consultations with you as President of the American Federation of Labor and with other national labor leaders, in which a wide range of economic and financial subjects have been discussed. It has been most reassuring to find that the leaders of the organized labor movement in this country have more and more assumed national leadership in the consideration of great public questions. Organized labor is beginning to realize that problems of wage rates, working hours and working conditions are not its sole field of interest, and that these immediate problems of labor are dependent upon larger economic forces which apply as well to management, agriculture, the commercial community and, in fact, the entire citizenry of the United States.

We are finding you valuable and broad visioned advisors on problems of taxation and monetary policy. Organized labor, as the most effective representation of the many millions of wage earners who form the largest single section of our population, should be especially interested in the formulation of national policies which are not unfair to any other group. Your representatives of the American Federation of Labor have shown in many ways your recognition that this responsibility rests upon you.

- 2 -

I urge you to continue and to increase your support of the present voluntary system of War Bond purchases by your members, with especial emphasis on the easy effective Payroll Savings Plan. I urge you to continue to make plans, in cooperation with Government and other bodies of citizens, for spreading the burdens of the war fairly and constructively among all the people and for meeting the problems of post-war readjustment and reconstruction.

Again expressing my regret that I can not be present to deliver this message to you in person, I am

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. William Green
President, American Federation of Labor
American Federation of Labor Convention
Boston, Massachusetts.

MS

O ASSISTANT SECRETARY OF THE TREASURY

October 6, 1943.

Memorandum

TO: Secretary Morgenthau
FROM: Mr. Gaston

Lawrence Houghteling suggests both the telegram and the letter, on which I have collaborated. I think it would be very good ball to send both.

*Shines go air mail
special delivery.*



TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

STRAIGHT WIRE - RUSH

FROM Treasury Department

BUREAU Office of the Secretary

CHG. APPROPRIATION Expenses of Loans

75

U. S. GOVERNMENT PRINTING OFFICE 10-1723

OCTOBER 6, 1943

WILLIAM GREEN, PRESIDENT,
AMERICAN FEDERATION OF LABOR,
AMERICAN FEDERATION OF LABOR CONVENTION, Statler Hotel
BOSTON, MASSACHUSETTS.

I DEEPLY REGRET THAT DEVELOPMENTS OF OFFICIAL DUTY MAKE IT IMPOSSIBLE FOR
ME TO ATTEND AND ADDRESS YOUR CONVENTION THIS WEEK. AM WRITING YOU MORE
FULLY.

HENRY MORGENTHAU, JR.,
SECRETARY OF THE TREASURY.

"O.K.
HMG"

ROUGH DRAFT

October 6, 1943

William Green, Esq.,
 President, American Federation of Labor,
 American Federation of Labor Convention,
 Boston, Massachusetts.

My dear Mr. Green:

I have been greatly honored by your invitation to attend the annual convention of the American Federation of Labor and to address the Convention on some phase of the ~~War~~ ~~problems~~ problems of the Treasury Department. I received this invitation with great satisfaction, as it represented an opportunity to discuss with an important body of loyal Americans some of the vital problems confronting their national Government; but unfortunately ~~the~~ developments have arisen which make it impossible for me to be in Boston during ^{your} ~~the~~ sessions ~~and your Convention~~.

Since the beginning of the war emergency I have had many consultations with you ^{as President of The American Federation of Labor} ~~and with other national labor~~ leaders, in which a wide range of economic and financial subjects have been discussed. It has been most reassuring to find that the leaders of the Organized Labor Movement in this country have more and more assumed national leadership in the consideration of great public questions. Organized Labor is beginning to realize that problems of wage rates, working hours and working conditions are not its sole field of interest, and that these immediate problems of Labor are dependent upon larger economic forces which apply as well to management, agriculture, the commercial community and, in fact, the entire citizenry of the United States.

- 2 -

~~Your great national labor bodies have been developing be-~~
yond the status of loosely organized association of pressure groups in-
terested only in gaining for their own members financial advantages which
have often been justified but which sometimes were gained at the expense
of other labor groups and of an increase in the general cost of living.

The leadership of Organized Labor is showing an increased
interest in the general economic, fiscal and financial problems of this
country - an interest which is as intelligent and powerful for good as
is that of Government itself or of other groups of public spirited citi-
zens, especially organized to promote sound national policy. We of the
~~Treasury have found the leaders of Organized Labor among our best counsell-~~
~~ors in our War Bond program.~~ We are finding you valuable and broad
visioned advisors on problems of taxation and monetary policy. Organized
Labor, as the most effective representation of the many millions of wage
earners who form the largest single section of our population, should be
especially interested in the formulation of national policies which are not
unfair to any other group. You representatives of the American Federation
of Labor have shown in many ways your recognition that this responsibility
rests upon you.

I urge you to continue and to increase your support of the
present voluntary system of War Bond purchases by your members, with ex-
pecial emphasis on the easy effective Payroll Savings Plan. I urge you
to continue to make plans, in cooperation with Government and other bodies
of citizens, for spreading the burdens of the War fairly and constructive-
ly among all the people and for meeting the problems of post-war readjust-
ment and reconstruction.

- 3 -

Again expressing my regret that I cannot be present to deliver this message to you in person, I am

Yours cordially,

Henry Morgenthau, Jr.,
Secretary of the Treasury.

JLH/myr

OFFICE OF

THE SECRETARY OF THE TREASURY

To: Mrs. McHugh 9/29/43

Hmp ordered this returned to you with instructions to give it to Mrs. Klotz who is to bring it to the Secy's attention again on Monday.

Boss also ordered a photostat to Houghteling. - asked that Houghteling be told Hmp is pleased with the idea, but that his hearing preclude Oct. 4 acceptance. Houghteling is passing this on to Green. Houghteling is further advised to bring this matter up to Secy on Monday.

E.J.F.



OFFICE OF THE PRESIDENT

AMERICAN FEDERATION OF LABOR
WASHINGTON, D. C.

September 28, 1943

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

My dear Mr. Secretary:

I extend to you a most sincere and cordial invitation to attend and address the Sixty-Third Annual Convention of the American Federation of Labor which will convene at the Statler Hotel, Boston, Massachusetts, on Monday, October 4th.

The Convention will be in session for about ten days. I trust, however, you may find it possible to attend and address the Convention on Monday, October 4th. If this is inconvenient, some other day during the first week of the Convention will be quite agreeable.

The officers and delegates in attendance at our Convention will accord you a hearty welcome and will be highly pleased to have you attend the Convention as the guest of the American Federation of Labor. Please advise me of the date when you will arrive in Boston to attend the Convention and when it will be convenient for you to address the Convention.

Very sincerely yours,

President
American Federation of Labor

hfc



TREASURY DEPARTMENT

WASHINGTON 25

OCT 6 - 1943

Mr. Secretary:

The committee which I appointed some months ago to recommend Bureau organization and procedure for administering the relief provisions of the excess profits tax law (Section 722 of the Code) has submitted the following memorandum relating to the number and amount of relief claims, and to the possible effects on post-war revenues of the various provisions of the Code authorizing refunds of corporation taxes collected in war-time.

In our report of August 3, 1943, we submitted an estimate of the extent to which the relief provisions embodied in Section 722 of the Internal Revenue Code would be availed of by taxpayers. We stated that, on the basis of the information then available, as many as 20,000 claims would probably be filed for the taxable years 1940, 1941, and 1942. We estimated that a net revenue reduction of well over one billion dollars would be sought in such claims. This meant that more than \$2,000,000,000 of excess profits tax would be claimed as overpaid, and that if the taxpayers' claims were allowed in full the net reduction in their tax liability, after deducting the offsetting additions to normal tax and surtax, would exceed one billion dollars. Except as taxpayers have already reduced their tax payments by reason of their relief claims (See Section 710(a)(5), the net amount of relief allowed will be refundable.

Through September 20, 1943, 24,834 claims for the recovery of \$2,190,443,311 in excess profits tax have been filed.

-2-

Approximately 5,000 corporations secured extensions of time to file their returns for 1942. Such extensions were for periods up to six months. In these cases, September 15, 1943, was not the last date upon which claims could be filed. As a rule, the corporations securing extensions of time to file were the larger corporations. A majority of them will doubtless file relief claims under Section 722.

Other corporate taxpayers have had faith in the statement contained in the press release issued upon the joint authority of the Secretary of the Treasury, the Chairman of the Finance Committee of the Senate, and the Chairman of the House Ways and Means Committee to the effect that an extension of time to file would be granted by Congress immediately upon its reconvening.

In view of these facts, it now seems likely that more than 30,000 claims, asking for a reduction of more than three billion dollars (\$3,000,000,000) in excess profits tax, will be filed with respect to the taxable years 1940, 1941, and 1942. The maximum amount of refunds, if such claims were allowed in full, would exceed \$1,500,000,000.

Determinations of constructive base period net income under Section 722 will ordinarily establish bases for all subsequent years during which the excess profits tax remains in force. Until such determinations are made, overcollections will commonly continue from year to year. In consequence, the total amount to be refunded will increase with each year's filing.

The large volume of potential refunds under Section 722, in conjunction with potential refunds under other provisions of the Code, threatens to reverse the net effect on the revenues of the audit of income tax returns. During the fiscal year

-3-

1943 such audit resulted in the assessment of \$321,973,101 of additional taxes. Additional assessments are continuing at an even higher rate during the months of the present fiscal year for which we have data. However, as soon as claims under Section 722 are acted on in large numbers, it seems likely that the resulting refunds will more than offset all additional assessments. Moreover, there are a number of other provisions of the Internal Revenue Code that promise refunds of even larger amounts.

While this threatened change has no direct bearing on the administration of Section 722, we feel justified in bringing it to your attention because of the fact that Section 722 will play so large a part in bringing it about.

Sound administrative considerations appear to demand an overall study of the probable effect upon tax revenues for future years of the relief provisions (Section 722, I.R.C.), the postwar refund provisions (Section 780, I.R.C.), the excess profits credit carry-back provisions (Section 710(c)(3)(A), I.R.C.), the net operating loss carry-back provisions (Section 122(b)(1), I.R.C.), and the possible readjustment of amortization benefits Section 124(d)(3) I.R.C.). It may not be unreasonable to think that refund of previously collected taxes under these statutory provisions will present a grave problem of national financing.

We feel safe in advising you that unless the public mind is thoroughly prepared for the amounts of corporate refunds that will have to be made, the payment of such refunds may develop a critical press and provide opportunities for political discussion of tax administration that will dwarf even the experience that followed the adjustment of the tax accounts of corporations after the last war.

I agree with the committee's views as to the seriousness of the refund problem and as to the wisdom of under-

-4-

taking an early appraisal of the overall effects of the refund provisions on post-war financing. Press reports have indicated that Undersecretary Patterson of the Department of War, in testifying before the Ways and Means Committee, suggested that possibly fifteen billion dollars might have to be refunded. A news item indicates that estimates have been stated from other quarters of a total possible refund cost of nearly double that amount.

Before leaving the Bureau to assume my new duties, I feel it my duty to bring the matter to your attention, and to suggest that it may be of such importance as to warrant calling it to the attention of the President.

Aug. J. Helvering
Commissioner.

OK. 25
AK

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

October 6, 1943

TO The Secretary

FROM Fred Smith *FS*

In connection with the September 15 tax form, I should like to have somebody give us an appropriation of a few hundred dollars to make a consumer test. We can work on these forms as long as we like, but we really don't know whether they will work or not unless we find out what confuses people.

Therefore, if we could take them to several hundred people and ask them to fill out the various forms, we would very soon uncover the weak spots. Do you know of any place where such an appropriation could be secured, and do you agree with the idea of making the test?

86 ✓
Hj

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE **OCT 6 1943**

TO Secretary Morgenthau

FROM Mr. Haas *HAAS*

Subject: Discussions in New York with Foundations Regarding
the ELS Study of Consumer Spending and Saving

At your suggestion, Mr. Lindow and I went to New York last week to discuss with Mr. W. Randolph Burgess the possibility of obtaining funds from foundations to finance the ELS study of consumer spending and saving. We went over the information to be obtained from the project and explained its need in relation to fiscal policy. Mr. Burgess was very much interested and expressed the view that some of the foundations might be willing to participate. He suggested that the Rockefeller Foundation and the Carnegie Corporation might be willing to allocate funds to the National Bureau of Economic Research for this purpose and the Bureau itself could then finance the project. Accordingly, Mr. Burgess made appointments for us with the three organizations.

We called first on Mr. Ralph Young of the National Bureau who arranged a meeting with three other members of the Bureau's staff. In this meeting we explained how the Treasury now uses national income data as an aid in planning borrowing operations and tax programs. The Bureau people were especially interested in this because the early work on national income was done under the auspices of the Bureau and they have continued their interest in income studies. The proposed survey is, of course, a long needed extension of the consumer income and spending material now available, and Mr. Young and his staff agreed that the material is vitally needed. There is no doubt that the Bureau would be interested in participating in this work if funds could be obtained from any of the foundations.

Mr. Young and Mr. W. J. Carson, also of the National Bureau of Economic Research, went with us to discuss the matter with Dr. Joseph H. Willits of the Rockefeller Foundation and members of his staff. In this meeting Mr. Lindow outlined the sources of funds material and explained how the new project would provide us with needed information on consumer

Secretary Morgenthau - 2

spending and saving by income groups and by the principal sources of income. Dr. Willits was particularly interested in view of the fact that the Rockefeller Foundation has financed studies on income questions previously for the National Bureau. He asked that copies of the various tables and charts be provided him for meetings within the Foundation.

At the Carnegie Corporation we talked to Mr. Robert M. Baxter, Secretary of the Corporation. He was less familiar with the problems involved than Dr. Willits, but seemed interested in the project. He asked that copies of the tables be supplied him together with a short memorandum on the project so that he may submit the proposal to the Board at its next meeting on October 21. He said that there would be considerable delay in obtaining a decision from the Board since projects are almost never undertaken on the basis of only one meeting. The second meeting of the Board will not take place for several weeks after the meeting on October 21.

In the meetings with the two Foundations, there was some discussion of the need for making the new project a continuing survey repeated each quarter or perhaps every six months. Representatives of both Foundations expressed some surprise that their financial assistance should be requested in view of the long-run character of the project and the fact that it was an obvious extension of national income work already being done by the Government. We explained that it would be helpful in establishing the project on a long-run basis if the Foundations were to finance it the first time and thereby indicate the interest of private scientific organizations in this material.

Mr. Burgess said that there would have to be considerable discussion before anything could be decided on by the Foundations since they will want to take the matter up with various people before making any decision. He suggested that we prepare a set of tables and charts and a short memorandum as had been requested, and send several copies to him. We are beginning on this work immediately.

Meanwhile, the Bureau of Labor Statistics is going ahead with the project on the basis of the Treasury allocation of funds which Mr. Thompson arranged last month at your request.

WU30 GOVT DL

NRK NEWYORK NY OCT 6 1943 1141 1943 OCT 6 PM 1 26

HON HENRY MORGENTHAU JR

SECY OF THE TREASURY

AM MANY THANKS FOR YOUR WIRE OF YESTERDAY I WANT TO SAY ON MY
PART THAT A LARGE SHARE OF THE SUCCESS OF THE LOAN MUST BE
ASCRIBED TO THE FINE ORGANIZATION AND COOPERATION IN WASHINGTON
AND PARTICULARLY YOUR OWN PERSONAL SUPPORT. IT HAS BEEN A PLEASURE
WORKING WITH YOU

W RANDOLPH BURGESS.

125P.

Room 278

89 ✓

Under Secretary
Exp. Loans

October 6, 1943

SPROUL
NEW YORK

Dear Allan: Thank you very much for your nice telegram of Monday. We here feel that the results are evidence of the fine cooperation we have received from every one. The Federal Reserve System again played its usual important role in this largest of drives. I want you to know that I appreciate the personal attention that you and your associates gave to it.

Henry Morgenthau, Jr.
Secretary of the Treasury

O.K. - Hujin
D w Bell

DWB:NLE

1943 OCT 4 PM 5 16

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MORGENTHAU TREASURY

MY ASSOCIATES AND I SEND YOU THE CONGRATULATIONS WHICH ARE AGAIN YOUR
DUE AS RESULTS OF THIRD WAR LOAN AMPLY TESTIFY. HOPE WE CAN SHARE
MODESTLY SATISFACTION YOU MUST FEEL IN SUCCESS OF TEST ONE
SALES ORGANIZATION AND ELIMINATION OF BANKS AS SUBSCRIBERS DURING
DRIVE. YOU HAVE MADE A BIG STEP FORWARD IN YOUR FINANCING PROGRAM.

ALLAN SPROUL.

25
October 6, 1943.

Dear Bernie:

I am cheered and pleased by your letter of October 4. I was never pessimistic about the drive but there is always uncertainty and strain and one doesn't feel entirely easy until the job is done.

A good many people, I think, fail to realize that it takes planning and hard work to put one of these drives over. I know you are not one of them, and I know you understand how serious a matter it would be if one of them should fail. That's why I appreciate a pat on the back from you particularly.

You mention Lewis Penwell, Collector of Internal Revenue in Montana, who was Senator Walsh's friend and protege. I am glad to have your good opinion of him. Senator Murray had suggested appointment of a successor, but we have heard nothing recently and it is my hope the matter has been dropped.

Sincerely,

(Signed) Henry

Secretary of the Treasury.

Mr. Bernard M. Baruch
597 Madison Avenue
New York, N. Y.

2059

22
Montana

BERNARD M. BARUCH
597 MADISON AVENUE
NEW YORK , 22, New York.

October 4, 1943.

My dear Henry:

My congratulations upon the success of the war loan drive, which should gratify you intensely. I had some doubts about its success and for that reason, I doff my hat to you.

I never suggest political appointments but I understand that when this administration came in, the late Senator Walsh asked Senator Wheeler to recommend Lewis Penwell for the position as Collector of Internal Revenue for Montana, which position he has held since then. Senator Walsh suggested him to me to head the Wool Division of the War Industries Board, too. It was a difficult position which Mr. Penwell filled with great efficiency and integrity.

I understand there is some contest over his appointment between political bodies in Montana. I know you want good public servants. I am sure Mr. Penwell is one.

Most Sincerely,

Bernard M. Baruch

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

25

October 6, 1943

Dear Mr. Miller:

I shall be glad to make a recording thanking the radio stations for what they have done. I have it set up for tomorrow morning, and our radio people will be in touch with you for further instructions.

I know you realize how much I appreciate what the radio industry has done to help make the Third War Loan the success that it was. They certainly went all out and deserve a great deal of credit.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Neville Miller
National Association
of Broadcasters
1760 N Street, Northwest
Washington, D. C. (6)

FB:mlf
10-6-43



File 611 94
ok

NATIONAL ASSOCIATION OF BROADCASTERS
1760 N. STREET, NORTHWEST

WASHINGTON, D. C.
ZONE 6

October 2, 1943

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

Dear Mr. Secretary:

Now that the Third War Loan Campaign has reached its goal, there is perhaps time for personal salutation and reflection on a tremendous undertaking.

Reports from the industry indicate that broadcasters devoted to the Third War Loan the greatest concentration of time, talent and station promotion in the history of the medium. Each station manager is proud of his station's accomplishments. Rarely have I seen such enthusiasm in the reports, both verbal and written, which have been received at NAB headquarters.

Two things are manifest in this attitude. One is that America's radio stations, while conscious of the industry as a whole, nevertheless are thinking in terms of the job each one has done. The second is that they seem especially hopeful of recognition at this time.

No doubt you have wondered how you might thank each station individually, in some forceful manner. There is a method, new and distinctive, which you would be the first to employ. If you recorded a short, one minute message, addressing yourself to the manager of "this" station, "its" staff and "its" advertisers, pressings could be distributed to every outlet in America, for broadcast purposes. I might point out that no letter would compare with this personal message through your own voice on a recording. You would distinguish yourself by "talking to broadcasters in their own language." NAB would issue special bulletins to all stations covering the proper use of the recording.

Honorable Henry Morgenthau, Jr.
October 2, 1943
Page Two

We suggested this recording in connection with your preparations for the Third War Loan. We now heartily recommend it as an expression of thanks and public recognition of a good job done.

Cordially,


Neville Miller

October 6, 1943.

BUREAU OF INTERNAL REVENUE PARTICIPATION
IN THIRD WAR LOAN DRIVE

Cash Sales Only

Quota.....	\$1,605,000
Actual Sales.....	2,693,790
Percentage of Quota	167.8

All Sales, Including Payroll Allotments

Quota.....	\$2,548,300
Actual Sales.....	3,637,090
Percentage of Quota.....	142.7

Number of employees participating.....	35,103
(out of 39,925)	

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

97

DATE October 6, 1943

TO Secretary Morgenthau
FROM Mr. Haas
Subject Current Developments in the High-grade Security Market

I. Government Security Market Narrowly Mixed

Price movements of Government securities were mixed during the week ended Saturday. Taxable bonds registered advances ranging up to $4/32$. The 2's of September 15, 1950-52, the issue most nearly comparable to the 2's being offered in the drive (being exactly one year shorter), advanced $3/32$ to $100-20/32$ bid. Certificates of indebtedness and the longer-term partially tax-exempt issues also showed some improvement, but other sectors of the market displayed an easy tone.

II. Indicated Prices of the New 2's and 2-1/2's

The premium on the $3-1/4$ percent bonds called for payment on October 15 gives a useful indication of the probable premium on the new 2's. The $3-1/4$'s have been strong during the past week, and closed on Tuesday at a premium of $9/32$ (bid). This indicates that the market expects an initial premium of $7/32-8/32$ when trading commences in the new 2's after the closing of books on the bank offering. The indicated premium on the new 2-1/2's is smaller, as it cannot exceed the premium of $5/32$ (bid) on the outstanding 2-1/2's of June 15, 1964-69 which are six months shorter. It should be noted, however, that this latter issue has moved up $4/32$ during the last two days.

III. Federal Reserve System Holdings of Government Securities Decrease

The Government security portfolio of the Federal Reserve System declined \$127 millions during the last calendar week. A reduction of \$156 millions in the System's holdings of Treasury bills was partially offset by purchases of certificates totaling \$29 millions.

Secretary Morgenthau - 2

IV. Excess Reserves Up

Excess reserves of member banks increased by \$120 millions in the week ended Saturday, closing the period at \$1,998 millions. The principal factor in this increase was a decline of required reserves of \$301 millions, which, however, was partly offset by an increase of money in circulation of \$161 millions and the decrease of Federal Reserve holdings of Government securities of \$127 millions just mentioned.

V. Sales of British 2-1/2 Percent National War Bonds

Figures are now available on total sales of the 2-1/2 percent issue of British National War Bonds for which the tap was closed on August 31. The issue was the fourth of a series of 2-1/2 percent tap issues, the results of which are summarized in the following table:

Offering period	: Length to maturity	: Period available	: Total subscriptions (Millions of pounds)
June 1940 - Dec. 1940	7 years	6 months	444
Jan. 1941 - Aug. 1941	7 years, 7 months	7 months	494
Oct. 1941* - Nov. 1942	9 years, 10 months	14 months	712
Dec. 1942 - Aug. 1943	10 years, 3 months	9 months	519
			2,169

* Tap closed from August 14 to October 9, 1941.

On September 1, offering was commenced of a new issue of 2-1/2's of 1952-54. The maximum life of the new issue (from the date first offered) is 10 years, 6 months, or 3 months longer than that of the issue which it succeeds.

Secretary Morgenthau - 3

VI. Australia's Fourth Liberty Loan

Australia's Fourth Liberty Loan, to be offered October 5 - November 9, has a goal of £125 millions (equivalent, on the basis of population, to 28 billions in the United States). This goal is the largest ever undertaken by the Australian Government. The goal of the Third Liberty Loan last spring, as well as that of the "Austerity" Loan floated about a year ago, was £100 millions.

Two securities will be available: (1) a 2-1/2 percent 1947-48 bond, and (2) a 3-1/4 percent 1950-59 bond. Both bonds will be issued at par. The terms are the same as for other recent war loans.

As a basis of comparison for the rates of the Australian loan, it should be noted that the Canadian Government is offering, in its public loan to be floated later this month, (1) a 1-3/4 percent bond maturing May 1, 1947, and (2) a 3 percent bond maturing January 1, 1959. Both of these issues will also be offered at par.

25

October 6, 1943

Dear Sumner:

It was with the greatest regret that I learned of your resignation as Under Secretary of State, and I want you to know that I feel the Administration is losing a real friend and a most able public servant.

So far as our own relations go, I am also losing a fellow worker with whom it has been a pleasure to work. Whenever it was necessary for me to call on you, you always responded pleasantly and promptly and were of great assistance to me in matters which concerned me as Secretary of the Treasury.

My regards and best wishes go with you in whatever lies ahead.

Sincerely,

(Signed) Henry

Honorable Sumner Welles

Oxon Hill, Maryland

GEF:mn

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE
WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO.

With the compliments of British Air Commission
who enclose Statement No. 105 -- Aircraft Despatched
-- for week ended September 28, 1943.

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

October 6, 1943.

MOST SECRET

STATEMENT NO. 105
Aircraft Despatched from the United States
Week Ended September 28, 1943

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
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CONSOLIDATED

Catalina IV	U.K.	U.K.		11	
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GLENN MARTIN

Baltimore V	M. East	M. East		21	
Marauder II	M. East	M. East		3	

VEGA

Ventura GR V	M. East	M. East		6	
Ventura GR V	S. Africa	S. Africa		1	

GRUMMAN

Hellicat	U.K.	U.K.	4		
Hellicat	Mombasa	Mombasa	7		
Tarpon I	Mombasa	Mombasa	7		

NORTH AMERICAN

Mustang	U.K.	U.K.	18		
Harvard	S. Africa	Capetown	14		
Harvard AT 6 Trainer	M. East	Alexandria	4		

STINSON

Reliant	U.K.	U.K.	3		
AT 19	U.K.	U.K.	4		

CURTISS

Seamew	U.K.	U.K.	2		
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FAIRCHILD

Cornell PT 26	S. Rhodesia	Capetown	5		
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Total: 68 42 0

Movements Division
British Air Commission

October 1, 1943.

mmh

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE
WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO.

With the compliments of British Air Commission
who enclose Monthly Report No. 1 covering
Aircraft Flight Delivery as at September 30, 1943.

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

October 6, 1943.

REF. NO. D-75
MONTHLY REPORT NO. 1

October 1, 1943

LOCATIONS OF OCEANIC FLIGHT DELIVERY AIRCRAFT
(Covering Movements through September 30, 1943)

	(1) RPTG (RAC)	(2) LTH. (RAC)	(3) HDD. (RAC)	(4) VENT. (RAC)	(5) FL. BOAT (RAC-L/L)	(6) VENT. (L/L)	(7) HDD. (L/L)	(8) BOAT. (L/L)	(9) HALL. (L/L)	(10) R17E, 7 (A.R.-L/L)	(11) R24D (A.R)	(12) R25 (A.R)	(13) R26A,C (A.R.)	(14) TRANSF. (L/L)	TOTAL
UNITED KINGDOM	20	96	432	140	333	26	375	180	1	64	208	170	5	48	3079
MIDDLE EAST		5					95						48	32	180
WEST AFRICA															4
AUSTRALIA					27						4				27
SINGAPORE					9										9
INDIA											2			2	4
OTV'S IN CANADA			45	67		5	165								282
RCAP					28			1			16				45
NASSAU											28	51			79
45 GROUP RAFTG		11	1	10	4		27		1		7				61
Accra, Takoradi, or Freetown				132		84	91		623				36	182	1180
En route Overcast				3		7			35		59		5	2	111
Gander, Goose, etc.				1	6			1			1	1			30
Nassau or Bermuda (en route)				1	2				15				11	2	31
Special duty in Canada				1			1		4						6
Montreal				3	7	6	14	2			4	6	1	2	35
CRASHED AFTER EXPORT			18	19*	10		34*	15	23		2*	2	8	1	132*
En route export					1				4					1	6
At installation center					64										64
En route installation center											1				1
At modification center						6					48	60	20		134
En route modification center						21									21
Special duty in U. S.		2							2		2				6
At starting point (Long Beach, etc)									7						7
CRASHED IN U. S.		1	2	5		1	26	1	13		2	2	7		60
DIVERTED TO U. S.		50	22	281											353
TOTAL	20	165	520	663	491	156	838	200	728	64	384	292	141	272	4924

* Reduced by aircraft which crashed after delivery to 45 Group RAPTG as follows:
1 Ventura (Col. 4); 8 Hudsons (Col. 7); 1 B24D (Col. 11); Total 10

PLANNING AND AIRFRAME SUPPLY
BRITISH AIR COMMISSION
WASHINGTON, D. C.

Regraded Unclassified

NOT TO BE RE-TRANSMITTED

U.S. SECRET
BRITISH MOST SECRET

COPY NO 13

OPTEL No. 329

Information received up to 10 a.m. 6th October 1943.

NAVAL

Northern Waters. 4th. Aircraft from U.S. Carrier successfully attacked enemy shipping near Jodo (Northern Norway Lat. 67° N). 9 ships hit including 8000 ton tanker and 2 small ships damaged by near misses. Operation was covered by Home Fleet.

Mediterranean 4th. A convoy attacked by 30 Heinkels 90 miles W. Algiers. 1 ship sunk and 3 damaged but continued to port. 4 enemy aircraft destroyed.
6th. H.M. Destroyers shelled targets N. of TERMOLI.

Anti-Submarine Operations. During 4th and 5th aircraft sank 3 U-boats S.W. of ICELAND.

2. MILITARY Italy. 8th Army On 4th our troops in TERMOLI area were reinforced by further landings of a brigade of 78th Division who were subsequently counter-attacked by enemy in some strength and forced to make a slight withdrawal. Our troops hold general line Termoli-S. Bartolomeo.

5th Army North of Benevento U.S. Forces have made some progress. Further west they have captured MONTESARCHIO and hold road running West thence to MADDALONI.

Dodecanese. Wireless communication with our troops in KOS ceased on 4th and it is now considered that fighting ceased at noon that day. Between 200 and 400 armed personnel reached BODRUM in TURKEY.

3. AIR OPERATIONS Western Front. 4th/5th. 1062 tons dropped on FRANKFURT and 239 tons on LUDWIGSHAFEN.

5th Fighter bombers and fighters attacked oil refinery near GHENT and damaged 2 trains and 5 locomotives in N. FRANCE. Enemy casualties, 4 shot down, 3 destroyed on ground. Ours 6 aircraft.

Italy 3rd/4th Wellingtons dropped 90 tons on railway at CIVITAVECCHIA.

4th Fortresses (B17) dropped 164 tons on railway PISA and 165 tons on roads and bridges at BOLZANO. Marauders (B26) dropped 132 tons on communications N. and N.W. of NAPLES.

Greece 4th. Liberators (B24) dropped 91 tons on TATOI airfield (ATHENS) hitting hangars and setting on fire 12 aircraft on the ground. Escort Mitchells (B25) dropped 30 tons on ARGOS airfield (45 miles S.S.W. of CORINTH).

Burma 3rd. Liberators (B24) dropped 34 tons on RAGCOON. Mitchells (B25) dropped nine tons on railway at SAGALING (near MANDALAY).

OFFICE OF THE SECRETARY OF THE TREASURY

139

DEPARTMENT OF THE ARMY

October 7, 1943 106
10:17 a.m. ✓

Operator: Go ahead.

HMJr: Hello.

Randolph
Burgess: Hello, Henry, how are you?

HMJr: I'm all right, Randolph.

B: I congratulate you.

HMJr: Well, I congratulate you.

B: (Laughs) Thank you.

HMJr: And I -- besides the exchange of formal telegrams, I wanted to tell you personally how much I appreciated what you did for me.

B: Well, that's very nice, Henry. I appreciate that a lot and I had a grand time doing it.

HMJr: Well, you did a marvelous job and, after all, New York was the keystone of the whole thing.

B: Well, I appreciate your saying that very much.

HMJr: And -- well, nobody could have done as well.

B: Oh, that's -- I'm delighted that you feel that way.

HMJr: And, take care of yourself now.

B: I'll do that. I'm going to lay up next week and get this little job done.

HMJr: Yeah. Well, confidentially, I'm taking a little trip abroad.

B: That's fine.

HMJr: And I want to see how some of this A.M.G. is working.

B: Yeah. Yeah. Yeah.

HMJr: We have a lot of interest in that.

- 2 -

B: Well, I'm glad you're getting away.

HMJr: Well, I need it.

B: That's right. You have to change your mind after this.

HMJr: What's that?

B: You have to change your mind after this, a little bit.

HMJr: Yeah. Well, I had a terrific fight on how I should present that tax bill.

B: Uh huh.

HMJr: But I don't think -- I think the way I presented that alternative refund -- I don't think that hurt us any. Do you?

B: No, I don't really think so.

HMJr: What?

B: I don't really think so.

HMJr: There's so much else that they haven't paid much attention to it.

B: That's right. Yeah.

HMJr: But they insisted that I do that much.

B: Well, I don't think they'll do it, but they may.

HMJr: Well, I don't -- I don't think that they'll do it either, but what I would have hated was to have to go up and present a real compulsory savings plan and have it knocked down and the only person to get a black eye would be me.

B: That's right. Yeah. Well, I think it was perfectly fair to everybody, that you'd have had to make a compromise on that.

HMJr: Yeah. And then, of course, the thing that I wanted to do on the low income group was a Social Security....

B: Yeah.

HMJr: And that's what the workers really want.

B: Well, I have a lot of sympathy with that.

HMJr: And....

B: I can understand the difficulty about it and understand how they feel about it.

HMJr: But a number of business people like it, too, Randolph.

B: Yes, I know they do.

HMJr: They feel that that will take care of the worker in the post-war period....

B: That's right.

HMJr:and that there won't have to be a dole.

B: Yeah.

HMJr: And I think the forward looking business man -- I mean both -- and also on the dismissal wage it takes care of.

B: Yeah. Well, it's 90% politics.

HMJr: Uh -- but I mean I think it's the most economical way to take care of the post-war period.

B: Well, I think there's a great deal in that.

HMJr: And otherwise, no business tells me that they can convert under six months. Hello?

B: Well, some of them can.

HMJr: Well, I meant the ones that -- the automobile business can't.

B: Henry Ford told me he could produce in forty-eight hours.

HMJr: Well, he's not telling the truth. I was out there.

B: Yeah.

HMJr: I was out there and I've been through his plant. I don't believe it. And....

B: Of course, that's an exaggeration. I think they can get going pretty quick though.

HMJr: Well, I understand, Mr. Sloan says he can't do it under six months.

B: That so?

HMJr: Yeah.

B: Well, Sorenson told us the other day that at the Ford plant, they could get going very quickly.

HMJr: Oh, really?

B: Yeah.

HMJr: Well, I've been through it. I don't see how. Well, anyway, I hope he's right. But anyway, again many thanks.

B: Well, Henry, good luck to you. It's been a great pleasure.

HMJr: Thank you.

B: We'll do a better job still next time.

HMJr: Thank you.

B: Thank you.

HMJr: Good bye.

B: Bye.

October 7, 1943
10:24 a.m.

110 ✓

Operator: Mr. Potter.

HMJr: Hello. Mr. Potter?

W. C.
Potter: Yes.

HMJr: Morgenthau speaking.

P: Yes.

HMJr: I just wanted to call up and say thank you for the support and aid that you gave me during this last Third War Loan.

P: Well, sir, that's very courteous and kind of you. I'm afraid you exaggerated what I've done.

HMJr: No. It -- I don't think I have. I was up against a tough combination and I only had a couple of friends that were willing to see the Treasury through and I count you as one of them.

P: Well, I know what you mean. I'm not only appreciative of that but I was, of course, right from the start very glad to be able to do something.

HMJr: Yeah. Well....

P: And it worked out pretty well, didn't it?

HMJr: It worked out wonderfully well and I got a very warm and glowing telegram yesterday from Alan Sproul....

P: Did you?

HMJr:who had only praise and no criticism.

P: Coming from that quarter, that's 100%.

HMJr: That's what I thought.

P: Well, he's a nice fellow, you know.

HMJr: I think he is.

P: Yes.

- 2 -

HMJr: He was a little misguided but....

P: Well, he's a nice fellow.

HMJr:we all can be wrong.

P: No matter whether he differed with you or not,
it was an honest difference and....

HMJr: I....

P:he's all right, wherever you find him.

HMJr: That's right.

P: Yes. Well, thank you ever so much, Mr. Morgenthau.
It was very nice of you.

HMJr: Thank you.

P: I appreciate it very much indeed.

HMJr: I hope to see you soon.

P: All right. .

October 7, 1943
2:27 p.m.

HMJr: Yes.

F. Matthews: Good afternoon, sir. Matthews here.

HMJr: Look, Matthews, this morning Mr. Law of the Foreign Office was in to see me. Hello?

M: Yes, sir.

HMJr: You know him.

M: Yes, sir.

HMJr: And when he heard I was going to go through England for one day....

M: Yes, sir.

HMJr: ...he tried his best to persuade me to go down to see the Chancellor of the Exchequer, the new one.

M: Sir John Atherson.

HMJr: Yeah. My inclination is not to do it. Not that -- I don't see -- if I went there, I'd have to call on the Prime Minister and make a lot of other calls, wouldn't I?

M: I should think so. I should think it would be difficult to avoid seeing others.

HMJr: And it will make -- bring up, my feeling is, a lot of questions why I'm there, this whole question of the World Bank and all the rest of it.

M: Yes, sir, and you don't want to get into that now?

HMJr: No, I don't.

M: I should think you could put it on the basis of lack of time and the importance of your getting back here by a certain date or something to that effect.

HMJr: Well, I told Mr. Law I just didn't think I could do it and please not to say anything because it would look as though -- I didn't want to slight Sir John Atherson.

- 2 -

M: Yes. Yes.

HMJr: And if I found I could do it, I'd let him know.
Uh -- Law.

M: Yes, sir.

HMJr: So he said he would not say anything. So I think
I'll just let it rest.

M: I think, in view of your preference, that's the
way to handle it, sir. Now, I got off those
other telegrams and I told Mr. Winant that you
would not be coming....

HMJr: Yeah.

M:to London but would be passing through.

HMJr: That's right. Well, that's all the more reason.
I mean, I don't see how, in three or four hours,
I could go through there without hurting somebody's
feelings or slighting somebody.

M: No, sir. And particularly as you don't at this time
want to get into a discussion with him.

HMJr: No.

M: I think you have a pretty good out there, sir.

HMJr: Good. And thank you. We got our passports all
right.

M: They're -- everything's all right?

HMJr: Everything's fine.

M: And the messages have gone to the three places.

HMJr: Right. Thank you very much.

M: Good luck to you, sir.

HMJr: Thank you.

M: Good bye.

HMJr: Bye.

25

October 7, 1943

Dear George:

I didn't have a chance in Evansville to thank you for all you did for me during the Third War Loan. I have written to Mr. Carpenter and Mr. Hart to thank them.

As I have told you so often before, it would be difficult to over-estimate the value of your help. I feel that we made a highly successful series of talks during the drive. Perhaps we can take some of the credit for reaching so many more individuals this time than have ever been reached before in any of the War Loan drives.

We did such a good job this time that it looks as though we won't have another drive until January, and I hope that I can count on your help again then.

I hope you are comfortably settled back in your old job and I trust you can pick up where you left off.

Sincerely,

(Signed) Henry Morgenthau, Jr.

Mr. George Albee
Route 1
Accord, New York

FS:mlf
10-7-43

R

25

October 7, 1943

Dear Mr. Hart:

I have just sent the attached letter to Mr. Carpenter. I feel that I would be remiss in my obligation if I didn't also thank you for lending us George Albee. I know that his leaving your department for a month must have caused some problems, but from the standpoint of helping to win the war, it was a sacrifice well worth making.

I think you are fortunate to have a man of George Albee's ability and character working for you.

Sincerely

(Signed) H. Morgenthau, Jr.

Mr. William A. Hart
E. I. duPont De Nemours &
Company, Inc.
Wilmington, Delaware

FS/fw
10/7/43



25

October 7, 1943

Dear Mr. Carpenter:

I want to thank you for lending us George Albee during the Third War Loan drive. As I pointed out when I asked you to lend him, I depend upon him heavily during these drives.

I think you can feel that you have made a definite contribution to the success of the Third War Loan drive, which was important not only from the standpoint of raising money, but also from the standpoint of assuring our men on the battle fronts that their country stands firmly behind them.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Walter Carpenter, Jr.
President, E. I. duPont
De Nemours & Company, Inc.
Wilmington, Delaware

FS/fw
10/7/43

25

October 7, 1943.

Dear Mr. Swope:

Your letter of October 1 pleased me greatly. Naturally I am happy over the results of the drive and believe that we did a good job.

The "we" is inclusive of many. While I did work hard I feel that most of the credit is due to the army of volunteers who went out and saw the people and sold bonds.

I know how greatly you helped Randolph Burgess and I thank you.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Herbert Bayard Swope
745 Fifth Avenue
New York, N.Y.

ms

Gator

HERBERT BAYARD SWOPE
745 FIFTH AVENUE
NEW YORK

P.O. #22

Henry

October 1, 1943.

My dear Mr. Secretary:-

You have just done a magnificent job in putting over the fifteen billion dollar War Bond Sale. It will be a record consecrated to your memory. Congratulations.

With regard,

Faithfully,

Herbert Bayard Swope

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

OCT 7 1943

Dear Mr. Skouras:

Mr. Gamble has told me of your fine work in behalf of war bonds in Southern California. I want to thank you for this demonstration of the kind of patriotism that makes this country great.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Charles P. Skouras,
Chairman,
Motion Picture Industry,
War Finance Committee
Los Angeles, California.

25

October 7, 1943.

Dear Mr. Meyer:

Your letter of October 4 reached here in the absence of the Secretary from the office. He has left for a trip which will take him away for several weeks, and therefore it will be impossible for him to attend the meeting to be held Tuesday, October 12, at the home of Mrs. Hull.

I know that he would wish me to thank you for your courtesy in extending the invitation, and express his regret that it was impossible for him to join you at that time. As soon as he is back in his office, I shall be glad to show him the clippings and your letter telling him further details of the local campaign.

Sincerely yours,

(Signed) H. S. Klets

H. S. Klets,
Private Secretary.

Mr. Richmond F. Meyer,
Chairman, District 6,
War Finance Committee,
Poughkeepsie, New York.

GKF/abs



TREASURY DEPARTMENT
WAR FINANCE COMMITTEE
NEW YORK



October 4, 1943
Poughkeepsie, New York

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

Dear Mr. Secretary:

The results of the Third War Loan campaign throughout the Nation are so outstanding that I hasten to congratulate you and your staff on the remarkable performances. Knowing your generous nature, I know that you will say that the folks in the field did the job, but it could never have been accomplished without the careful planning and able leadership which springs from your office.

Agreeable with your telephone request of last Saturday, I sent you a night letter touching on the high spots of the Third War Loan campaign in our District and asked Dutchess County Chairman Paul Miller to supplement my report with certain details pertaining to Dutchess County. It is hoped that these reports gave you the information which you desired.

On Tuesday afternoon, October 12th at 3 p.m., we plan to hold a District meeting at the home of Mrs. Lytle Hull in Staatsburg, New York. We know that you have a heavy schedule, and we do not wish to impose on your time, but if you can conveniently spend an hour or so with us at that meeting we would be not only greatly honored, but also receive the benefit of your participation in our discussions; which discussions might touch on the "grass roots" of selling War Bonds.

For your information, I send herewith clippings from yesterday's Poughkeepsie New Yorker including a story from you. It is hoped that you like the printed version of your statement.

My kindest personal regards to you.

Respectfully,

Rich F. Meyer
Richmond F. Meyer
Chairman, District 6

RFM:JR
Enc. 2

---Morgenthau 125

CONTINUED FROM PAGE ONE
exceeded its sales quota for individual bonds.

Treasury Secretary praised the district committee, which is headed by Mr. Meyer, with Mrs. Alexander G. Cummins as vice chairman, and the county committee, headed by Paul J. Miller as chairman and John R. Evans as vice chairman, and committee members throughout the county.

That of Mr. Morgenthau's statement to Mr. Meyer follows:

"It is with considerable satisfaction and pride that I learn of Dutchess county going far over its quota for the Third War Loan, and I extend my heartiest congratulations not only to the War Finance committee chairman and committee members throughout the county, who did the hard promotional work, but also to the citizens, organizations and institutions who purchased the bonds. It is good to know that the citizens of my home county have come through and by so doing have contributed immeasurably toward putting the national quota over the top. I am informed that Dutchess was the first county in New York state to reach its original quota.

"Since my local interest extends beyond the boundaries of Dutchess county it is also gratifying to me that District Six, which includes Dutchess, Orange, Ulster, Sullivan, Rockland, and Putnam counties, also exceeded its \$41,000,000 quota, and so I extend my congratulations to these counties and the district as a whole.

"Without taking away from the success in reaching and exceeding the money quotas, I feel that we should remind ourselves that the purchases by individuals has not come up to expectations. Parenthetically, I wish to acknowledge the fact that Putnam county has far exceeded its quota for sales to individuals. It is true that many of us have not yet bought that extra bond, and I take this opportunity to urge that those of us who still have not done our part do so between now and Oct. 16.

"BACK THE ATTACK—WITH MORE WAR BONDS"

Front page. Poughkeepsie, New York 10/3/43 Morgenthau Praises Dutchess For Record in War Bond Sales

Secretary of the Treasury Morgenthau, in a telephone conversation with Richmond F. Meyer, chairman of district Six of the New York state War Finance organization, yesterday praised Dutchess county for Third War Loan bond sales and being the first county in the state to exceed the quota assigned for the drive.

Mr. Morgenthau mentioned that it is "good to know that the citizens of my home county have come through, and by so doing have contributed immeasurably toward putting the national quota over the top."

Mr. Morgenthau said that his interests extended to the entire district, which has exceeded its quota of \$41,000,000, and he mentioned the fact that Putnam county has far

See MORGENTHAU page 4

---Bond Sales 123

CONTINUED FROM PAGE ONE

passed by the city and county War bond drives to bring the Series E total to at least \$1,200,000, the total sales in the Second War loan in April, for this class of bond.

Mr. Evans indicated that there will be an increase in the more than 14 million dollar total when the reports for the final period are tabulated later in the week.

The total bond purchases, Mr. Miller predicted, will run in the neighborhood of 15 million dollars, when all figures are complete.

William W. Maloney 3rd, city War Finance committee chairman, in speaking of the sale of Series E bonds, urged workers in all local industries to purchase at least one extra \$100 bond, in addition to the regular Payroll Savings plan, if they have not already done so.

"Our Series E bond sale—the sale to individuals has not been as large as the previous campaign," said Mr. Maloney. "We hope that before Oct. 16 there will have been a sufficient number of individual bond purchases to put us over the top."

The bond committee heads urged

those who have been active in the bond sales to continue their interest in an effort to put the Series E sales over the top.

Bond Sales Go 122 To \$14,785,900 Two Percent Issue Tops List

Third War bond sales of \$14,785,900, with returns incomplete were reported late yesterday by County Treasurer Miller, chairman, and John R. Evans, vice chairman, of the Dutchess County War Finance committee. The assigned quota for the county was \$8,075,500.

The report was broken down into the various classes of bonds, showing that the greatest number of War bond purchases credited to the county's drive was the two percent 1951-53 bonds, of which \$10,225,000 were sold.

Other sales totals includes: Series E, \$954,900; Series F, \$103,400; Series G, \$365,600; two and one-half percent 1964-69, \$2,450,000, seven-eighths percent, \$371,000; Series C tax notes, \$287,000.

Sale of all but the Series E, F and G in the Third War loan closed last night.

The drive on the E, F and G bonds, however, will continue through Oct. 16, with a special ap-

See BOND SALES page 4

District Six Sells \$41,198,200 in Bonds

Late War bond sales in the Sixth district, reported by Richmond F. Meyer, district War Finance committee head, shows that \$41,198,200 in War bonds have been sold, putting the district as a whole over the top.

The sales to date by counties is shown in the reports as follows:

Dutchess, \$14,785,900; Orange, \$17,126,600; Sullivan, \$1,187,100; Rockland, \$1,923,100; Ulster, \$5,073,100; Putnam, \$1,122,400.

Dutchess county on a county quota basis, ran far ahead of the rest of the district which had a total quota of about \$40,000,000. Dutchess went over its quota by \$6,706,400, which is the largest margin of any county in the district.

Front page. Poughkeepsie, New York 10/3/43

One-minute recording made by HM Jr to 126
Thank radio stations for their part in
Third War Loan Drive

127
1/7/43-

This is Henry Morgenthau, Jr., speaking.

I want to thank you, as manager of this station, for the help you gave us in the Third War Loan. Your staff and your advertisers and your stars worked ^{hard} ~~tirelessly~~, and the results of the Third War Loan -- the greatest financial undertaking in the history of the world -- reflect your energy, effort and enthusiasm.

You have served your country well. Because of what you have done, perhaps you have helped to shorten the war, and to save the lives of American fighting men.

I think there could be no greater reward than that.

Again thank you -- thank you all.

Net Increase in Federal Securities Outstanding
January 1, 1943 Through the Third War Loan
(Sales reported as of October 6, 1943)

(In billions of dollars)

Marketable issues:

Treasury bills.....	6.4
Certificates of indebtedness.....	11.1
Treasury notes.....	1.7
Treasury bonds.....	<u>17.3</u>
Subtotal.....	36.5

Nonmarketable issues:

Savings bonds.....	9.9
Savings notes.....	2.6
Depository bonds.....	<u>.1</u>
Subtotal.....	12.6

Special issues to trust funds.....	<u>2.7</u>
Grand total.....	51.8

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

October 7, 1943.

JUDGE LEARNED HAND'S CHAMBERS

October 7, 1943

Secretary of the Treasury,
Treasury Department,
Washington, D.C.

Dear Mr. Secretary:

Thank you for your letter of the sixth. I too, was most sorry to miss you on Saturday, but I had an extremely interesting conference with Mr. Paul, Mr. Delano, and that other very pleasant gentleman whose name I did not get. I am pleased that you should think that I was right. I hope you will not however, take it as any indication of my own views upon the subject as an

original matter.

Very sincerely yours,



OCT 8 1943

OFFICE
SECRETARY OF TREASURY

25

October 7, 1943

My dear Mr. Byrnes:

Thank you for your letter of October 4, telling me of the meeting which will be held in your office on Monday, October 11, and inviting me to be present at that time.

I am leaving the City today and shall be gone for several weeks. I thus shall not be in Washington on October 11, and so cannot attend the meeting. I shall be sorry to miss it, and wonder whether you would like to have the Under Secretary, Mr. Daniel W. Bell, attend as representative of the Treasury.

If you will inform my office about this, the proper notification will be sent at once to Mr. Bell.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable James F. Byrnes
Director of War Mobilization
The White House
Washington, D. C.

GEF:mm

OFFICE OF WAR MOBILIZATION

WASHINGTON, D.C.

October 4, 1943

James F. Byrnes
Director

Dear Mr. Secretary:

At the suggestion of the President, I want to try to work out a unified and comprehensive program for aiding discharged veterans. I am informed that quite a number of men have already been discharged from the services for various disabilities and we ought not therefore to delay in formulating a program.

I am writing the heads of various Government agencies which may be concerned with various phases of such a program to meet with me at my office at 2:30 o'clock, Monday, October 11, 1943. I hope very much that you will be able to attend.

Sincerely yours,

James F. Byrnes
Director.

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

OK 4-15-43 573 J



25

OCT 7 1943

The President

of the Senate.

Sir:

There is transmitted herewith a proposed bill "To remit claims of the United States on account of overpayments to part-time charwomen in the Bureau of Engraving and Printing, and for other purposes."

The part-time charwomen of the Bureau of Engraving and Printing are subject to the Classification Act of 1923, 42 Stat. 1488, as amended (U. S. C., title 5, secs. 661-674). Their wages are computed at an hourly rate. Prior to 1936 they were regularly employed four hours a day, six days a week, or 24 hours a week. In that year a five-day work week went into effect in the Bureau. As a result the part-time charwomen were regularly employed only 20 hours a week. At the same hourly rate of pay, 50 cents, they would have suffered a reduction in weekly earnings. Such a reduction would have constituted a hardship rendering employment on an hourly basis in the Bureau less advantageous than comparable employment in other agencies. Section 1 of the Act of June 26, 1936, 49 Stat. 1969 (U. S. C., title 5, sec. 673c), obviated the situation by providing in effect authority to adjust the hourly

-2-

rate so that the normal earnings for the new five-day work week would equal the normal earnings for the previous six-day (24 hour) week. As a result, the part-time charwomen were paid 60 cents an hour, or \$12 a week for a five-day (20 hour) week. Their normal weekly earnings were thus the same as the normal earnings of part-time charwomen in other agencies who were paid 50 cents an hour but who worked a six-day (24 hour) week.

The situation remained unchanged until the Act of August 1, 1942, 56 Stat. 733 (U. S. C., Sup. II, title 5, sec. 673). That Act further amended the Classification Act of 1923 to increase the general rate of pay of part-time charwomen from 50 to 65 cents an hour. Accordingly, there was presented the question whether the part-time charwomen who continued to be regularly employed five days (20 hours) a week should be paid at the flat rate of 65 cents an hour, or whether that rate was subject to adjustment pursuant to the Act of June 26, 1936. Payment at the flat rate would, of course, have resulted in normal weekly earnings of less than the normal weekly earnings of persons employed in similar capacity in other agencies, creating a situation comparable to that which the Act of June 26, 1936, had been designed to obviate. It was administratively determined that the Act of August 1, 1942 changed the hourly rate from 50 cents to 65 cents, but that it did not supersede the rate adjustment Act of June 26, 1936. Accordingly, commencing August 1, 1942, the Bureau of Engraving and Printing

-3-

part-time charwomen were paid at the rate of 78 cents an hour which yielded earnings of \$15.60 for a five-day (20 hour) week, the same normal earnings of persons similarly employed in other agencies on the basis of a six-day (24 hour) week at the new general rate of 65 cents.

The correctness of this action was believed to find corroboration in the Comptroller General's January 7, 1943 decision which discussed the application of the pertinent statutes in the matter of the compensation payable to other employees of the Bureau. Although the questions which that decision considered are clearly distinguishable from the question of the rate properly applicable in determining the wages of part-time charwomen, statements in the decision were regarded as consistent with the view that the Act of August 1, 1942 operated to fix an hourly rate of 78 cents for persons so employed. Accordingly, the rate was not reduced to 65 cents when pursuant to the Act of December 22, 1942, 56 Stat. 1068, and Executive Order No. 9289, the normal work week for part-time charwomen in the Bureau was increased to four hours a day, six days a week, or 24 hours a week. Payments at this rate were terminated effectively June 30, 1943, in consequence of a letter dated June 25, 1943, from the Comptroller General stating that "the legal salary rate, on and after August 1, 1942, for the employees here involved is 65 cents per hour, not 78 cents per hour." The letter advised that there was no alternative but to raise a charge against each of the persons paid at the rate of

-4-

78 cents an hour, including both those in and out of service, for the amount of the overpayment and to institute collection proceedings.

Following the enactment of December 22, 1942, a few part-time charwomen, reached in turn for promotion, were assigned to divisions where the work week was 48 hours. During the time these charwomen were on detail, and before papers for promotion were executed, they worked more than forty hours in one week and were paid for the hours in excess of forty at the time and one-half rate.

The total number of part-time charwomen paid at the 78 cent or the time and one-half rate was 128 of whom approximately 116 are still on the pay rolls of the Bureau of Engraving and Printing. The aggregate amount of the claims asserted pursuant to the Comptroller General's letter is approximately \$7,200. The average amount for each person involved is approximately \$56, although in a few instances the claims against individual employees will exceed \$100. The Treasury Department contemplated collection of the claims by small installment deductions from payments for current work, and the procedure was instituted during the month of July, 1943. This collection procedure is only partially effective, since, of course, it can be utilized only with respect to those persons still on the pay rolls. Furthermore, it works on them a hardship for which they are in no way actually responsible. In view of the circumstances, the Treasury Department

-5-

has deemed it proper to suspend deductions pending submission of the matter to the Congress.

The Treasury Department recommends enactment of the proposed legislation. It would remit any claims in consequence of payments of wages at the 78 cent an hour rate and the time and one-half rate for work performed during the time specified by part-time chorwomen employed in the Bureau of Engraving and Printing, and would refund the amounts deducted from wage payments for work since June 30, 1943 in partial satisfaction of the claims. The difficult situation is not the fault of the part-time chorwomen. They performed their work on the understanding that 78 cents an hour, regular time, was the correct wage rate. In fact, the Civil Service papers of some of the more recent employees affected so indicated. If the United States does in fact have valid legal claims against these employees (and it cannot be said as an administrative matter that the question is entirely free from doubt) the Treasury Department believes that the claims should be remitted, the amounts having been paid and received in good faith.

It is respectfully requested that you lay the proposed bill before the Senate. A similar bill has been transmitted to the Speaker of the House of Representatives.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this proposed legislation to the Congress.

Respectfully,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

AR:icf
8/31/43

A BILL

To remit claims of the United States on account of overpayments to part-time charwomen in the Bureau of Engraving and Printing, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That remission is hereby made of any and all claims of the United States in consequence of payments of wages at the rate of 78 cents an hour, rather than at some lower rate or rates, for work performed during the period from August 1, 1942 to June 30, 1943, both dates inclusive, by part-time charwomen employed in the Bureau of Engraving and Printing of the Treasury Department. Remission is hereby made of any and all claims of the United States in consequence of payments of wages for hours of work in any one week in excess of 40 at the overtime rate of one and one-half times the rate at which payments were made for the first 40 hours of work in that week, rather than at some lower rate or rates, for work performed on or after December 22, 1942, by any of said part-time charwomen pursuant to temporary details (pending promotions) to assignments requiring 48 hours work in one week. Said remissions are hereby made notwithstanding any determination that the rate or rates at which said payments of wages were made is or are in excess of the rate or rates of pay established by law for said employment. Provided said payments of wages at said rate of 78 cents an hour and at said overtime rate are otherwise correct, the Comptroller General is hereby

-2-

authorized and directed to allow credit therefor in the accounts of the officers accountable therefor, to make no charge against any certifying officer because of certification of said payments of wages, and to remove every charge, if any, heretofore made against any certifying officer because of certification of said payments of wages.

SEC. 2. The Secretary of the Treasury is hereby authorized and directed to make refunds of any and all amounts heretofore withheld or deducted from wages paid to any of said part-time workmen for work performed after June 30, 1943 in satisfaction or partial satisfaction of any and all claims or asserted claims of the United States in consequence of said payments of wages at said rate of 70 cents and at said overtime rate. The annual appropriation for salaries and expenses, Bureau of Engraving and Printing, 1944, is hereby made available to the extent of \$700 for the purpose of making said refunds as herein provided.

25

OCT 7 1943

The Speaker

of the House of Representatives.

Sir:

There is transmitted herewith a proposed bill "To remit claims of the United States on account of overpayments to part-time charwomen in the Bureau of Engraving and Printing, and for other purposes."

The part-time charwomen of the Bureau of Engraving and Printing are subject to the Classification Act of 1923, 42 Stat. 1448, as amended (U. S. C., title 5, secs. 661-674). Their wages are computed at an hourly rate. Prior to 1936 they were regularly employed four hours a day, six days a week, or 24 hours a week. In that year a five-day work week went into effect in the Bureau. As a result the part-time charwomen were regularly employed only 20 hours a week. At the same hourly rate of pay, 50 cents, they would have suffered a reduction in weekly earnings. Such a reduction would have constituted a hardship rendering employment on an hourly basis in the Bureau less advantageous than comparable employment in other agencies. Section 1 of the Act of June 26, 1936, 49 Stat. 1969 (U. S. C., title 5, sec. 673c), obviated the situation by providing in effect authority to adjust the hourly

-2-

rate so that the normal earnings for the new five-day work week would equal the normal earnings for the previous six-day (24 hour) week. As a result, the part-time charwomen were paid 60 cents an hour, or \$12 a week for a five-day (20 hour) week. Their normal weekly earnings were thus the same as the normal earnings of part-time charwomen in other agencies who were paid 50 cents an hour but who worked a six-day (24 hour) week.

The situation remained unchanged until the Act of August 1, 1942, 56 Stat. 733 (U. S. C., Sup. II, title 5, sec. 673). That Act further amended the Classification Act of 1923 to increase the general rate of pay of part-time charwomen from 50 to 65 cents an hour. Accordingly, there was presented the question whether the part-time charwomen who continued to be regularly employed five days (20 hours) a week should be paid at the flat rate of 65 cents an hour, or whether that rate was subject to adjustment pursuant to the Act of June 26, 1936. Payment at the flat rate would, of course, have resulted in normal weekly earnings of less than the normal weekly earnings of persons employed in similar capacity in other agencies, creating a situation comparable to that which the Act of June 26, 1936, had been designed to obviate. It was administratively determined that the Act of August 1, 1942 changed the hourly rate from 50 cents to 65 cents, but that it did not supersede the rate adjustment Act of June 26, 1936. Accordingly, commencing August 1, 1942, the Bureau of Engraving and Printing

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part-time charwomen were paid at the rate of 78 cents an hour which yielded earnings of \$15.60 for a five-day (20 hour) week, the same normal earnings of persons similarly employed in other agencies on the basis of a six-day (24 hour) week at the new general rate of 65 cents.

The correctness of this action was believed to find corroboration in the Comptroller General's January 7, 1943 decision which discussed the application of the pertinent statutes in the matter of the compensation payable to other employees of the Bureau. Although the questions which that decision considered are clearly distinguishable from the question of the rate properly applicable in determining the wages of part-time charwomen, statements in the decision were regarded as consistent with the view that the Act of August 1, 1942 operated to fix an hourly rate of 78 cents for persons so employed. Accordingly, the rate was not reduced to 65 cents when pursuant to the Act of December 22, 1942, 56 Stat. 1068, and Executive Order No. 9289, the normal work week for part-time charwomen in the Bureau was increased to four hours a day, six days a week, or 24 hours a week. Payments at this rate were terminated effectively June 30, 1943, in consequence of a letter dated June 25, 1943, from the Comptroller General stating that "the legal salary rate, on and after August 1, 1942, for the employees here involved is 65 cents per hour, not 78 cents per hour." The letter advised that there was no alternative but to raise a charge against each of the persons paid

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at the rate of 78 cents an hour, including both those in and out of service, for the amount of the overpayment and to institute collection proceedings.

Following the enactment of December 22, 1942, a few part-time charwomen, reached in turn for promotion, were assigned to divisions where the work week was 43 hours. During the time these charwomen were on detail, and before papers for promotion were executed, they worked more than forty hours in one week and were paid for the hours in excess of forty at the time and one-half rate.

The total number of part-time charwomen paid at the 78 cent or the time and one-half rate was 128 of whom approximately 116 are still on the pay rolls of the Bureau of Engraving and Printing. The aggregate amount of the claims asserted pursuant to the Comptroller General's letter is approximately \$7,200. The average amount for each person involved is approximately \$56, although in a few instances the claims against individual employees will exceed \$100. The Treasury Department contemplated collection of the claims by small installment deductions from payments for current work, and the procedure was instituted during the month of July, 1943. This collection procedure is only partially effective, since, of course, it can be utilized only with respect to those persons still on the pay rolls. Furthermore, it works on them a hardship for which they are in no way actually responsible. In view of the circumstances, the Treasury Department

-5-

has deemed it proper to suspend deductions pending submission of the matter to the Congress.

The Treasury Department recommends enactment of the proposed legislation. It would remit any claims in consequence of payments of wages at the 73 cent an hour rate and the time and one-half rate for work performed during the time specified by part-time charwomen employed in the Bureau of Engraving and Printing, and would refund the amounts deducted from wage payments for work since June 30, 1943 in partial satisfaction of the claims. The difficult situation is not the fault of the part-time charwomen. They performed their work on the understanding that 73 cents an hour, regular time, was the correct wage rate. In fact, the Civil Service papers of some of the more recent employees affected so indicated. If the United States does in fact have valid legal claims against these employees (and it cannot be said as an administrative matter that the question is entirely free from doubt) the Treasury Department believes that the claims should be remitted, the amounts having been paid and received in good faith.

It is respectfully requested that you lay the proposed bill before the House of Representatives. A similar bill has been transmitted to the President of the Senate.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this proposed legislation to the Congress.

Respectfully,

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

AR:lef
4/21/43

(Translation)

Ministry of Finance, Public Credit and Commerce
Republic of Honduras

Tegucigalpa, D. C., October 7, 1943

Excellency:

I have the honor to acknowledge receipt of your letter of September 14, 1943, with which I also received a study with regard to a preliminary plan for the establishment of an International Stabilization Fund of the United Nations.

This study has been turned over to the experts of this Ministry for consideration, and at an opportune time I shall have the pleasure of transmitting to you their impressions concerning it.

Thanking you for sending this material, I beg you to accept the expression of my highest consideration.

/s/ Urbano Quesada

His Excellency, Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, U. S. A.

NOT TO BE RE-TRANSMITTED

U.S. SECRET
BRITISH MOST SECRET

COPY NO 13

OPTAL NO. 330

Information received up to ten AM 7th October, 1943.

1. MILITARY ITALY Eighth Army. Fifth. Enemy counter attack mentioned yesterday developed in two phases. The first including tanks advanced down coast road on TERMOLI and the second launched from GUGLIANESI gained some ground and compelled withdrawal of our left flank across RIVER BIFERNO. Deployment of our troops hampered by collapse of bridge over BIFERNO. During 5th/6th another enemy counter attack was driven off. Further south strong enemy resistance encountered 6 miles northwest of CASTELNUOVO. Fifth Army hold line of R. VOLTURNO from CAPUA to the sea with patrols up the river North and North East of CASERTA.

NEW GUINEA Allied troops have captured KAIGULIN (60 miles South of MADARA) and are in contact with the enemy four miles to the North.

BURMA Small Japanese advanced in YUMMA-BURMA border.

2. AIR OPERATIONS WESTERN FRONT 6th/7th 4 enemy aircraft over East Anglia and South East England a few bombs dropped.

ITALY 4th. M.T. win battle area attacked by 250 Fighter Sorties. Communications at CAPUARAND VATRANO (32 miles North West NAPLES) attacked by 50 Medium Bombers.

4th/5th Wellingtons dropped 97 tons at FORMIA.

5th. Fortresses dropped 368 tons effectively at railway centre at BOLOGNA. Medium bombers dropped 126 tons on communications at Formia. Mustangs (A36) (5missing) destroyed two enemy aircraft in air, six on ground, 32 M.T. vehicles and 2 locomotives in battle area.

GREECE Liberators (B34) dropped fragmentation bombs and 52 tons H.E. 5th at EUISIS Airfield. Casualties enemy 61. Allied 3.

TREASURY DEPARTMENT

OFFICE
NOTES OF TREASURY
SECRET RE-TRANSMITTED

146

U.S. SECRET
BRITISH MOST SECRET

1943 OCT 11 AM 9 26

TREASURY DEPARTMENT

Copy No. 13

OPTEL NO. 331

NAVAL

Mediterranean. 7th A Cruiser sank six landing craft, ammunition ship and armed trawler off STAMPALIA (Dodecanese). Another cruiser was damaged by a bomb. A Polish ship sank ships of 6000 ton and 4000 ton in North Adriatic.

2. MILITARY

Italy 8th Army 7th Our position in TERMOLI area materially improved after repulse of a series of enemy counter attacks strongly supported by tanks. Enemy still hold GUGLIONESI. Our troops have reached Eastern edge of LARINO (15 miles Southwest TERMOLI)

5th Army Our armoured formations have established bridgehead over River Volturno at TRAZZINISE (6 miles Northwest of CAPUA). Reports of public health in NAPLES are reassuring. 13 cases only of typhus reported and water supply is sufficient for 30 days.

Dodecanese Now reported resistance by British force on Island of KOS continues, Although Germans have captured a landing ground and town on KOS.

3. AIR OPERATIONS

Western Front 7th Fighter-bombers and Fighters attacked shipping off HOLLAND and transport in Northern FRANCE. Beaufighters (one missing) and a Liberator (B24) destroyed two JU88 and damaged two more in BAY OF BISCAY.

7/8th Aircraft despatched - Stuttgart 342 (4 missing and 1 crashed in United Kingdom) FRIEDRICHSHAFEN 16, MUNICH 10, EMDEN 7, AACHEN 5, Seaming 79 (3 missing, 1 crashed in sea) Leaflets 17, Intruders 15. First reports show thick cloud over STUTTGART and bombing in 2 main concentrations, one in target area and one about 5 miles south. Probably major weight fell on latter. 57 enemy aircraft operated over KENT, SUSSEX and East Anglia. Fourteen penetrated to LONDON area. 4 destroyed and 3 damaged. Casualties so far reported 18 killed and 86 seriously injured but little damage.

Italy 5th. 266 Fighters attacked MT in ISERNIA and TERMOLI areas. 5th/6th Wellingtons dropped 82 tons on GROSSETO AIRFIELD. About 12 aircraft set on fire on ground, hangars and oil dump hit.

6th. 54 Fortresses (B17) (2 missing) dropped 126 tons on railway centres 8 miles northwest of VENICE 152 medium Bombers (1 missing) attacked communications in Central Italy and 46 Fighters attacked MT in battle area.

Eastern Mediterranean 5th/6th Liberators (B24) and Halifaxes dropped 26 tons on MARITSA AIRFIELD (RHODES). Other aircraft attacked targets in CRETE.

6th 31 Lightnings (P38) attacked AROXOS AIRFIELD (80 miles West Northwest of CORINTH). 6 aircraft destroyed and 8 damaged on ground, 52 enemy bombers made a heavy attack on LEROS Island with casualties from A/A 1.2.1.

SUMNER WELLES

Oxon Hill Manor,
Oxon Hill, Md.

October 8, 1943.

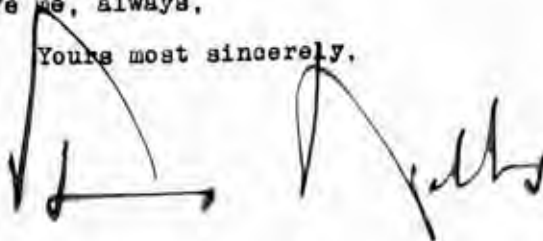
Dear Henry:

I cannot begin to tell you how much I appreciate your letter of October 6th. I am indeed most grateful for it.

Let me take this opportunity of telling you also how much I have valued your never failing friendship during these past years and the opportunity I have had of working with you in so many different ways and on so many different occasions. I have reason to admire you for various reasons, not the least among them being the singular ability with which you have carried out the appallingly difficult responsibilities of your present office, but included among them also is my recognition of the exceptional dignity and patience with which I have seen you contend with inter-departmental difficulties.

Believe me, always,

Yours most sincerely,

A handwritten signature in dark ink, appearing to read 'S. Welles', is written over the typed name 'Sumner Welles'.

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

AMERICAN FEDERATION OF LABOR



LONG DISTANCE TELEPHONE NATIONAL 3870-1-2-3-4
CABLE ADDRESS AFEL

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~~Washington, D. C.~~
Boston, Mass.
October 8, 1943

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

My dear Secretary Morgenthau:

I was sorry when I learned through your telegram and letter of recent date that pressure of work prevented you from attending the Convention of the American Federation of Labor.

We had all anticipated the pleasure of listening to your address. I know you would have paid a fine tribute to the members of the American Federation of Labor and to the service they are giving to our country through the purchase of bonds.

I read your letter to the officers and delegates in attendance at the Convention. It is incorporated in the printed proceedings of the Convention.

Sincerely yours,

President
American Federation of Labor

hfc

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO : Secretary Morgenthau

FROM : Randolph Paul

OCT 8 - 1944

You will recall that sometime in July Dr. Walter Rautenstrauch wrote you concerning an application filed by the Joint Anti-Fascist Refugee Committee in New York for a Foreign Funds Control license to send \$5,000 monthly to Algeria for distribution among the Spanish Republicans and members of the International Brigade in North Africa.

Since the other interested government agencies have now indicated their approval of this transaction, Foreign Funds Control has issued a license permitting the remittances.



JUL 27 1943

Dear Walter:

I have your letter of July 16, 1943, regarding a Foreign Funds Control license to send \$5,000 monthly to Mr. Santiago Contieso, Oran, Algeria for distribution among the Spanish Republicans and members of the International Brigade.

The application is being actively considered by this Department together with the other interested Government agencies. You may be assured that the Committee will be promptly advised as to any decision made.

I sincerely appreciate your interest in the matter.

Sincerely,

(Signed) H. Morgenthau, Jr.

Dr. Walter Rautenstrauch,
Professor of Industrial Engineering,
Columbia University,
New York, New York.

MEMORANDUM FOR THE SECRETARY.

October 8, 1943.

Mail Report

Three topics drew the fire of the public during the past week, and the greatest of these was taxes. The other two were the Salary Stabilization Amendment prohibiting increased commissions to salesmen, and the new steel pennies. Correspondents are still very unhappy about the coins, nearly all of them insisting that the pennies can be plugged or otherwise changed in their appearance. Letters in regard to the Salary Stabilization Amendment have been almost without exception relayed to the Treasury by Congressmen, who often add their own word of objection. Many of these are thoughtful and detailed exposés of the difficulties and expenses being met by salesmen during these war days.

As for taxes, needless to say the great objection is to an increase in the lower income tax brackets. The most violent letters were not received until toward the end of the week, and doubtless this group will gain momentum for it followed the unfavorable newspaper and radio publicity of the first part of the week. The number of anonymous, abusive, or very critical communications shot up, as did the letters pointing out that a sure source of revenue was to curtail Federal expenditures. There was increased demand for the sales tax and many of the perennial ideas for revenue were suggested, such as taxing checks, Labor Unions, book making, advertising, and cooperatives. A number of writers asked for further information about the insurance policy provided taxpayers in the Treasury plan just submitted to the House Ways and Means Committee. There was considerable objection to the ruling that service wives in Community Property States must pay tax on one-half of the family income while their husbands are away.

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Memorandum for the Secretary.

October 8, 1943.

In sharp contrast to the tax mail, Bond mail was filled with congratulatory messages, reports of quotas filled, accounts of personal achievements in selling, and examples of successful promotional material. One of the new constructive ideas was that commercial fishermen, now making unusually profitable sales, have been overlooked as a group to which Bonds can be sold by personal effort. Bonds submitted for redemption jumped to 67, the greater part coming from only three localities -- Puerto Rico, Union City, Ind., and Patchogue, New York. Reports of failure to receive interest due were up slightly, while complaints about delayed Bonds from the War Department personnel were down slightly.

As a result of publicity about a contest in which a \$2,500 Bond will be awarded the person making the closest guess as to the date on which war with Germany will end, a dozen have been submitted directly to the Treasury.



General Comments

Fred Frailey, Lancoslis, Pa. * * * Saturday I purchased 1 dozen eggs at 50¢. I gave the farmer \$1.00. He handed me, as I supposed, 5 dimes in change. When I got home I found I had 3 dimes and 2 pennies. The eggs on that deal cost me 70¢ a dozen.

The following letter was addressed to the President by Mrs. Elmer Whitten, Greensburg, Ind.: Just a line in regard to the circularization of the one-cent pieces you can hardly tell from a dime, as they are being passed for a dime. I got four today for forty-cents, just four-cents instead of forty. As all the groceries are so high, then to be cheated out of that much isn't so pleasant when one must work so hard for their money. Can't you see there is a stop put to it? Am sorry to bother you but feel you are the one I ought to ask advice. My husband works on the railroad and is sure a hard working man.

Matthew F. Van Tassell, R. 1, Box 88, Kingston, N.Y. Enclosed please find a small contribution (five dollars). I'm an elderly man (nearly 77) who can have only temporary employment, but I want to help a little, if I can, and want no interest on anything I can do. The thing of which I am most proud is the Citation (now framed) sent me on June 29, 1943, which has the Government Seal on it and is signed by the Secretary. I want to keep on sending something as long as I can. I live just across the Hudson River from Secretary Morgenthau's home.

William L. Magoon, Manager, Metropolitan Life Insurance Company, St. Louis, Mo. I am enclosing my check for \$10 made payable to your order. Perhaps you have received many other checks or requests to start a fund for fathers who are or will be drafted into the armed services. If so, please add my check to this fund. If not, kindly put it to some good use.

- 2 -

Maurice F. Rodgers, The Roland Park Company, Baltimore, Md. As a real estate salesman, I am entirely dependent upon commissions earned for my living, and I am greatly shocked by the recent edict of The Bureau of Internal Revenue concerning commissions which salesmen are allowed to earn in the year 1943. The fact is, through hard work and long hours, sometimes amounting to twelve and fourteen hours per day, I have been able to earn more than I made in 1942; and now that my Government tells me I have no right to the fruits of my efforts, it is incomprehensible, to say the least. I consider this outrageous order confiscatory and unconstitutional. I have been a consistent New Dealer, and have accepted, not without the ridicule of my associates, many of its strange orders and regulations as promulgated by some of the Washington "mystics". However, this is going too far, and I wish to vehemently protest against this latest unnecessary restriction of the rights of the individual. * * *

Mrs. Longhorne Allen, St. Petersburg, Fla. * * * My husband, Captain Longhorne Allen, expressed a desire prior to his death to have his Adjusted Service Bonds returned to the U. S. Government in appreciation of the care granted him by the Government following his service in the World War. These Bonds were lost in the Department until recently. Through the assistance of the American Legion, Washington, D. C., I obtained settlement of the Bonds. Enclosed you will find my check for \$350.00 made payable to the Treasury Department of the United States in effort to fulfill my husband's wishes.

Mrs. Mary Osofs, Brooklyn, N.Y. Please accept the enclosed for the Treasury of the United States as a New Year token for the safe return of my son. (\$18.75) Please be sure that my name is not publicized in any way.

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Favorable Comments on Bonds

Wilbert T. Haines, Norwalk, Conn. May we all compliment you on the success of the Third War Loan? It was a great victory for all the American people big and little. * * *

E. B. Marek, Brooklyn, N.Y. In response to your speech at "Labor Day Bond Demonstration" in Detroit, we will purchase a \$25.00 Bond to aid in the fight against our enemies. We are buying this Bond in the name of our grandchild, Leona Ruth, on her six month birthday. Her father, Lt. Adolph Kerpel, is now serving with the Army. When our Army and Navy have conquered the Nazis, and Europe is free from their yoke, we would like to present to our Armed Forces the Scroll of the Hebrew Law (Sefer Torah) which is a symbol of freedom. This Torah is one of four Torahs rescued from a temple in Vienna when the Nazis destroyed this place of worship. It would be a triumph of Justice to have the Holy Scroll returned to its original place of worship. * * *

Copy of letter addressed to the Treasury Department Fiscal Service, Chicago, Ill., by Furman Angel, Franklin, N.C. Reference is made to your letter of September 28, 1943. Please be advised that the U. S. War Savings Bond mentioned above, which I reported as lost some weeks ago, has been found, and it is requested that my application for a new Bond be returned. I appreciate the courteous and fair manner in which this matter was handled. Purely upon my word you were willing to issue a new Bond. It is little wonder that this type of security enjoys a wider degree of confidence than any other security in the world today. After all, in any investment security of principle is the first consideration.

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Peggy & Jerry Sullivan, N.Y.C. We got your letter and we thank you for writing to us. We will keep on doing our best until the war is over. John will also do his best. Jerry and I see you in the movies giving a War Bond to Mr. Churchill. We liked you much better than Mr. Churchill, but we liked him too. If we knew you were in New York we would go to see you. Jerry is selling War Stamps to all the boys and girls in the block. He can sell a lot of Stamps for every one likes him. He said maybe he can sell you a Bond too. We are each sending you 25¢ for the Treasury. We pray for you and President Roosevelt every night. Good-bye and God Bless you.

- 5 -

Unfavorable Comments on Bonds

Miss Vivian Miller, Bethlehem, Pa. In December my brother, Pvt. Walter Samuel Miller, Jr., U.S.M.C., sent a Bond to you to have my name as beneficiary put on it. He received this Bond while working at The Bethlehem Steel Corporation, Bethlehem, Pa. It was to be sent to me but I never received it. He wrote to you about two months ago about it but he never received any reply. I'd like to know what you men in Washington think you are anyway. You're not that busy that it takes nine months to return the Bond. The boys overseas are keeping you safe and sound here at home - the least you can do is send the Bonds that they buy home to their families. I want a prompt reply and I also want to know why we haven't heard anything about the Bond before this. I've had enough of your fooling around and I'd appreciate it very much if you'd answer immediately.

Stanley E. Seebohm, A Volunteer Fireman, Lockland, Ohio. The other night I heard your broadcast over the air. I am frankly saying that I thought that it was about the lousiest thing that I ever heard coming from a public official. You stated that we should not go out on week-ends and have a good time, instead to keep our noses to the grindstone, and think about next week's production. WHY DON'T YOU AND THE REST OF THE NEW DEALERS DO THE SAME THING, OR IS IT THE OLD NEW DEALERS' SLOGAN -- "DO AS I SAY, NOT AS I DO?" I am, of course, referring to the Jackson or Jefferson Day Dinners where it costs from \$100 to \$1,000 a plate to help the New Dealers get back into office. It would be far better if all those who attended, used this money to buy War Bonds instead of what it was used for. ** I also saw in the movies where Churchill bought the first War Bond of the Third War Loan Drive. Did he use his own money or some of the Lease-Lend money, or was the Bond given to him? I believe that if Mrs. F.D.R. could save some of that money she is using to run all over the world to buy Bonds, it would do more good.

- 6 -

William Harahan, East Orange, N.J. With return of attached correspondence, will you please advise me whether it is necessary to use so much stationery in order to change one initial in a name on three Series E War Bonds purchased by my daughter? I had a similar case, and on taking the Bond to the Reserve Bank, here in New York, I had it fixed up immediately. It seems to me the simplest thing to do will be to redeem these Bonds, which we do not want to do, but I do not propose to take the trouble to fill out the attached form for such a small matter due to the carelessness of people handling the transaction, and not to my own carelessness.

- 7 -

Favorable Comments on Taxation

Copy of letter addressed to Congressman Robert Doughton by A. S. Feller, New Orleans, La. As a humble taxpayer, I am disappointed at your serious objections to the Treasury's new tax proposal. I felt that these taxes were extremely reasonable and extremely necessary. The newspapers state you feel these new taxes would endanger the morale of the taxpayer. A taxpayer making \$10,000 a year, paying \$2,700 taxes, which leaves him \$7,300 net per year, if this breaks his morale, we should send him to the war front where the pay is from \$50 per month to about \$8,000 per year for a General. Do you propose to build up a Herculean debt for our war heroes to face on their return after their blood, sweat and tears, for a small pittance of a salary? If so, you are damning the capitalistic system of free enterprise. If our national debt becomes too burdensome, this will force eventually a tax on capital. * * * Fifty percent of my income goes for income taxes and I think it is a shame. You should be taking seventy-five percent of my income in taxes back here in the safety of this country, with all the luxuries and food at my disposal and a bloated war income, with the cream of the manhood of the country out fighting my battles and giving their blood thousands of miles from my comfortable home, and you talk about breaking the morale of a weakling like me. If you haven't the stamina to levy the proper taxes, step aside and give your place to a man who is willing to go along with all phases of our war. We want nobody to promote communism by their failure to do their duty.

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Unfavorable Comments on Taxation

Miss Elsie E. Peterman, Milwaukee, Wisconsin. Again we note that you are for taxing the middle class very heavy. Just why are the taxpayers in this group called upon again for increased payments? Why not start at once to cut drastically all expenses in connection with nonessentials of which there are so many at the present time, even when the country is at war, within the Government. A thorough house-cleaning at Washington, D. C., would bring in far more revenue than any 60% of tax which you propose. Am earning \$70.00 per month and with a 20% withholding tax already in force, can you tell me how to live on the remainder?

Gordon A. Riegler, (Minister), St. Stephen's Protestant Episcopal Church, Cincinnati, Ohio. Do you realize that when, in 1928, the National Income was 77.2 billion dollars, the American people contributed 515 million dollars to the churches, whereas in 1942, with a National Income of 115 billion dollars, only 353 millions were contributed to the churches? Here is a gap of 80%! Your proposal, as reported in the press, to lay an additional burden on the American people will make it impossible for this Parish, which has contributed more than 40 of its men and young women to the armed forces - one member in about every four - to function. If Congress enacts this brutal measure, you will drive thousands of small churches out of existence. Your proposals do not prevent inflation - every increase in the tax burden, every successful War Bond Drive is also accompanied by an increase in the cost of living. * * * You are destroying us, Mr. Secretary, who have small incomes, and I don't think you have earned the right. * * *

- 9 -

Dr. Robert K. Williams, Leesville, La. According to newscasts you have sent to the House a request for a Bill to raise ten and a half billion, and already there are "bulls on the track", saying that not more than four billion could be raised without killing the goose, etc. I agree with the objectors on the grounds that the present method of taxation is exceedingly onerous, detailed to the 'nth degree, and made so that us simple folk out in the sticks are as bewildered as children in the third and fourth grades. * * * Already my income has fallen below the estimate, yet I have paid on it. How I am going to straighten things out without the aid of an expert is beyond me. * * * I know that millions, yes, perhaps hundreds of millions of dollars have been paid to accountants, bookkeepers and experts, so-called, to figure out incomes of millions who have never before had to pay taxes directly, and are paying now for the first time. These fives and tens and twenty-fives, and more, were better spent if paid directly to the Government or kept by the taxpayer and would be, if the tax law were simple enough so that any one with a common school education could easily understand it. * * *

C. R. Holton, Pelham, N.Y. Just because you have all the millions you need to pay taxes with must have unbalanced your sense of fairness. How, by any stretch of the imagination, do you think people on a flat salary can or will pay such taxes as the Treasury Department has proposed? I, for one among millions, if your proposal is adopted, have to stop all Bond buying and all contributions to War funds. Can't any of you be reasonable, or isn't there any reason left in Washington? Do we have to pay for Mrs. Roosevelt's travels and keep on sending butter to Russia?

William C. Clarke, West Woodstock, Conn. She is 84, plus or minus, alone, not too well and deaf as a post. So it befell, when asked questions by one aiding in preparing her tax return, she misunderstood and virtually doubled the true amount and paid it. Learning

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she was so upset by the jump in her tax she could not sleep, I called, found the error and she made claim for a refund. This all relates to her income in 1941. I saw her again last week and what the Government owes her has not been paid. May I ask if you will please remedy this? Her name is Mrs. Anna L. Stimson, and she lives at 30 Liberty Street, Westerly, R.I.

Caroline M. Coffinbury, San Mateo County Free Library, Redwood City, Calif. * * * I love and admire my country more than anything I know and would give and sacrifice anything I have for the boys at the front, but even we little people must be left enough to live on. I have been in library work for years and just within the last year have a salary of two hundred dollars a month, which is not bad, but did you ever stop and figure just what a salary of that size is when all deductions are made? Did any of you, especially in wartime, ever try to live on any such amount? Take my salary for instance, \$39.32 taken out before I ever see it, \$50.00 for rent and utilities, \$50.00 for food, and we are compelled to keep ourselves covered. One must also plan for the doctor, dentist and as we in the County service do not have Social Security, we should plan a little for the future. I have purchased a Bond a month and have made gifts of Bonds to my grandchildren, but more taxes will mean no more Bonds. * * * I know you people in Washington and in the higher brackets are paying equally high taxes and have many obligations, but even after your deductions are made, you still can live, and live well. Isn't there ever a point of saturation of Government spending? As it looks from here, it seems as though the greatest problem of the people of our Government is to see just how much our salaries can be tapped before we start to talk back. * * *

MEMORANDUM

October 9, 1943.

TO: The Secretary
FROM: Mr. Sullivan

RS

In accordance with instructions from Harry White, Friday afternoon and evening I attempted to contact members of the six committees with whom you met last Tuesday on International Stabilization and the International Bank. The purpose of my call was to explain to them why the Treasury was releasing material which they had been asked to keep confidential.

I succeeded in reaching the Chairman of the six committees: Senator Wagner, Senator Connally, Senator George and Congressmen Steagall, Cawers, and Bloom. They all heartily favored the Treasury release. I also reached Congressman Worley of Coinage, Weights and Measures.

It was difficult to reach ranking minority members of the committees, -- most of them being out of town. However, I reached Senator Vandenberg and Senator Nye and left a message at Senator Taft's home. I left a similar message with Mrs. Wolcott, the wife of the ranking minority member of Banking and Currency, and I reached Mr. Chipfield, a minority member of Foreign Affairs.

This morning I followed up with Senator Danaher, Jessie Sumner, Congressman Sundstrom, Congressman Read's secretary and Mrs. Rogers' secretary. All expressed their approval of the release.

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* SUMMARIES OF COMMITTEE HEARINGS *
*

Joint Committee on Non-Essential Federal Expenditures
Hearing of October 8

October 9, 1943

The Committee met at 10:00 A. M. in Room 312, Senate Office Building to hear Undersecretary of War Robert P. Patterson discuss cuts in civilian personnel in the War Department. Mr. Byrd presided. Senators McKellar and Nye and Representative Taber were present.

Mr. Patterson said a total reduction of 145,564 had been made in War Department civilian personnel between June 30 and August 31, 1943. Of these, 3,200 employees were in Washington and the remaining 142,364 in the field, he announced.

He emphasized that this cut was made despite substitution of many civilians for military personnel, and was accomplished partly by having fewer persons performing a particular job and partly by eliminating less important activities.

"Our drive to increase efficiency and to reduce manpower will continue," declared the Undersecretary, "but I do not promise that increased activities will not occasion a corresponding increase in our employees."

Mr. Patterson explained that some of the reduction had been brought about by transfer of certain activities to private industry. He said decisions to place management of some plants and depots in the hands of industry were made in the interest of efficiency. A recent reduction of 8,950 civilian employees had been effected through such transfer, he stated, and arrangements are now being made to reduce War Department personnel another 7,500 through further assignments of work to private contractors.

Mr. Taber commented that in an Ordnance establishment in his New York district a monthly reduction of personnel since January 1 had been accompanied by a monthly increase in output, indicating that personnel decreases put the remaining workers "on their mettle."

Chairman Byrd asked to what extent the personnel dismissed had been replaced by personnel in uniform. Mr. Patterson said he did not have the figures but such replacements had not been extensive. He said WACs are used to replace military personnel only, while soldiers have taken on some of the former civilian duties "to a certain minor extent." Asked how many soldiers are doing CAF work (Civil Service designation which includes clerical duties) the Undersecretary replied that this was hard to compute as every company has a company clerk. He promised, however, to ascertain how many soldiers are doing clerical work in Washington.

Mr. Byrd said the Committee is particularly interested in the amount of personnel engaged in clerical work and he asked for a breakdown of the 142,000 positions vacated. "To be perfectly frank," he asserted, "I don't think these figures mean a thing unless we get a breakdown between those who were doing production work and clerical work."

William H. Kushnick, director of civilian personnel, said he would furnish such a breakdown. He added that the general reductions probably ran about 50 percent industrial and 50 percent clerical. Many positions designated as "CAF" are actually closely allied with industrial activities rather than being of a stenographic nature, he explained.

The Chairman stated that in the Navy Department the ratio of clerical to mechanical employees is about 1 to 5 and that the Committee can't understand why half of the War Department employees are in clerical capacities.

Turning to the question of War Department funds, Mr. Patterson testified that between June 30, 1940 and the close of the fiscal year 1943 the Department had received appropriations totaling \$126,763,194,359, of which all but 15.1 billion had been obligated, and that this unobligated balance plus an additional amount of \$51,034,839,673 was made available for obligation in the fiscal year 1944.

Questioning by Mr. Byrd led to the disclosure that as of August 31, 1943 there was an unexpended balance of \$118,909,000,000 of which \$54 billion had been obligated and \$64 billion remained unobligated.

Mr. Patterson pointed out that the constantly changing conditions of war cause changes in requirements and cutbacks in items, and that these changes are primarily responsible for the carry-over of funds at the end of a fiscal year.

He said that General Marshall wants no one in uniform whose services are not required and that changes of a strategic character had led the Chief of Staff to reduce the Army goal this year from 8.2 million to 7.7 million. "It should be emphasized," declared the Undersecretary, "that the Army of 7.7 million by December 31, 1943, is the minimum which the Chief of Staff states is required to carry out the planned military operations. It may have to be increased ... Should the downward revision of the troop basis become permanent, an appreciable saving seems possible this fiscal year."

Under committee questioning Mr. Patterson stated that the War Department appropriation for 1944 provides \$5 billion for international aid (Lend-lease). Mr. Taber observed that \$30 billion had been made previously available. Patterson said there had been no cash repayments but that "Lend-lease in reverse" had been operating - Australia, for example, has furnished troop rations as well as some clothing and shoes.

Mr. Nye asked to what extent Great Britain has been re-transferring Lend-lease goods to other powers. "We've had indications in the last few hours in the Senate that transfers by Great Britain have been rather large," he said. Mr. Patterson replied he knew of such transfers by Great Britain to Russia and Turkey. He said he thought re-transfer does not have to be approved by this nation.

Brig. Gen. George J. Richards, Budget officer, War Department, said there is an allocation board for Lend-lease in London which assigns material to various areas and that the United States now has an officer on that board.

When Mr. Taber spoke of complaints brought to him regarding the operation of renegotiation of contracts, the witness replied that he had yet to see any firm reduced beyond a reasonable profit. He reiterated his earlier statement before the Ways and Means Committee that after the war the criticism will be that "we took too little rather than too much." He said the War Department has recovered, roughly, about \$3 billion of which \$1 billion was in cash and \$2 billion in reduction in prices on forward deliveries.

Mr. Patterson also told Mr. Taber that contracts awarded on a competitive basis were restricted mostly to clothing items. Procurement officers follow the WPB policy of awarding contracts to areas where labor is not too tight, he said, and attempts are made to utilize small business as much as possible.

When Mr. Byrd commented on reported high wages paid to truck drivers working for the Army in Alaska, Gen. Richards interjected that he understood a good cook could get \$800 a month in Anchorage.

Reporter: Elizabeth J. Towne.

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SECRETARY OF TREASURY
OFFICE

[Users desiring additional copies may call the Library of Congress, Ext. 505].

OCT 9 1943

My dear Mr. President:

There is attached a report of Lend-Lease purchases made by the Treasury Procurement Division for the Soviet government indicating the availability of cargo for October.

The inventory of materials in storage as of October 1, 1943 was 461,212 tons or 10,641 tons more than the September 1st inventory. Production scheduled for October shows a decrease of 20,194 tons as compared with September.

Yours sincerely,

(Signed) D. W. Bell

The President

The White House

DS

TREASURY DEPARTMENT - U. S. S. A.
MATERIALS AVAILABLE FROM STORAGE AND PRODUCTION DURING OCTOBER, 1943

<u>COMMODITY</u>	<u>STORAGE</u> <u>OCTOBER 1, 1943</u>	<u>PRODUCTION</u> <u>DURING OCTOBER</u>	<u>TOTAL AVAILABLE</u>	<u>PRIORITY CARGOES</u> <u>TO PORT AREAS</u> <u>SPECIFIED TO DATE</u> <u>FOR OCTOBER</u>
AGRICULTURAL MACHINERY AND IMPLEMENTS		10	10	
ALUMINUM	337	3,406	3,743	1,120
BEARINGS	333	1,678	2,011	
BRASS AND BRONZE	9,383	42	9,425	5,836
CHEMICALS	5,788	568	6,356	1,456
CONSTRUCTION MACHINERY		1,866	1,866	
COPPER IN VARIOUS FORMS	61,336	3,662	64,998	3,080
FERRO-ALLOYS	4,600		4,600	
GRAPHITE PRODUCTS	1,137	788	1,925	
HAND AND CUTTING TOOLS		818	818	112
INDUSTRIAL MACHINERY	128,451	15,368	143,809	28,473*
NICKEL AND NICKEL PRODUCTS	108		108	108
NON-FERROUS METALS, OTHER	154	17	171	171
PAPER AND PAPER PRODUCTS	3,439	89	3,508	560
PLASTICS	6,032		6,032	
RUBBER	1,667	11,111	12,778	8,774
STEEL, ALLOY AND SPECIAL	66,922	2,903	69,825	6,552
STEEL, CARBON	104,667	5,044	109,711	16,088
STEEL, PIPE AND TUBING	55,055	8,782	63,837	4,368
STEEL, RAILS	3,917		3,917	3,917
TIN PLATE	7,886		7,886	1,876
ZINC		826	826	826
TOTAL	461,212	57,017	518,229	61,487

*In addition, all available tonnage applicable to the Oil Refinery Program is classed as priority cargo for prompt shipment to ports.

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

October 9, 1943

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended September 29, 1943, showing dollar disbursement out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

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FEDERAL RESERVE BANK
OF NEW YORK

October 7, 1943.

CONFIDENTIAL

Dear Mr. Secretary: Attention: Mr. H. D. White

I am enclosing our compilation for the week ended September 29, 1943, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke,

L. W. Knoke,
Vice President.

The Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington 25, D.C.

Enclosures

C O P Y

ANALYSIS OF BRITISH AND FRENCH ACCOUNTS
(In Millions of dollars)

Strictly
Week Ended September 29, 1943 Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)										BANK OF FRANCE		
	D E B I T S				C R E D I T S								
	Total Debits	Govt Expendi- tures (a)	Transfers to Official Canadian Account	Other Debits	Total Credits	Proceeds of Sales of Gold	Securities (Official) (b)	Transfers from Official Aus- tralian Account	Other Credits (c)	Net Incr.(+) or Decr.(-) in \$ Funds (d)	Total Debits (e)	Total Credits (e)	Net Incr. (+) or Decr. (-) in \$ Funds (d)
First year of war (g)	1,793.2	605.6	20.9	1,166.7	1,828.2	1,356.1	52.0	3.9	416.2	+ 35.0	866.3(r)	1,095.3(r)	+299.0
War period through December, 1940	2,782.3	1,425.6	20.9	1,335.8	2,793.1	2,109.5	108.0	14.5	561.1	+ 10.8	878.3	1,098.4	+220.1
Second year of war (h)	2,203.0	1,792.2	3.4	407.4	2,189.8	1,193.7	274.0	16.7	705.4	- 13.2	38.9	8.8	- 30.1
Third year of war (i)	1,235.6	904.8	7.7	223.1	1,361.5	21.8	5.5	57.4	1,276.8	+ 125.9	18.5	4.4	- 14.1
1942													
Sept. 3 - Sept. 30	56.1	37.1	-	19.0	81.6	-	0.5	20.5	60.6	+ 25.5	10.1	0.4	- 9.7
Oct. 1 - Oct. 28	46.7	27.4	-	19.3	57.5	-	-	12.0	45.5	+ 10.8	-	0.3	+ 0.3
Oct. 29 - Dec. 2	96.6	35.5	-	61.1	83.7	-	-	5.5	78.2	- 12.9	0.2	0.3	+ 0.1
Dec. 3 - Dec. 30	30.4	13.3	-	17.1	51.9	-	-	8.0	43.9	+ 21.5	-	-	-
1943													
Dec. 31 - Feb. 3	168.6	20.9	125.0	22.7	58.9	-	-	8.0	50.9	- 109.7	-	-	-
Feb. 4 - Mar. 3	87.2	17.8	37.7	31.7	120.8	-	-	15.0	105.8	+ 33.6	-	-	-
Mar. 4 - Mar. 31	35.3	12.9	-	22.4	64.4	-	-	5.0	59.4	+ 29.1	-	-	-
Apr. 1 - Apr. 28	37.0	16.3	-	20.7	87.4	-	-	15.1	72.3	+ 50.4	-	-	-
Apr. 29 - June 2	90.4	74.3	-	16.1	103.4	-	-	19.0	84.4	+ 13.0	-	-	-
June 3 - June 30	31.6	11.6	-	20.0	130.7	-	-	20.0	110.7	+ 99.1	-	-	-
July 1 - July 28	33.0	18.2	-	14.8	100.5	-	-	16.0	84.5	+ 67.5	-	-	-
July 29 - Sept. 1	51.1	27.4	7.7	16.0	131.5	-	-	11.0	120.5	+ 80.4	-	-	-
Sept. 2 - Sept. 29	46.3	15.5	10.6	20.2	78.1	-	-	14.0	64.1	+ 31.8	-	-	-
WEEK ENDED:													
September 8	18.1	6.8	4.1	7.2	19.6	-	-	14.0	5.6	+ 1.5	-	-	-
" 15	8.9	2.6	0.1	6.2	31.4	-	-	-	31.4	+ 22.5	-	-	-
" 22	5.1	2.3	-	2.8	16.6	-	-	-	16.6	+ 11.5	-	-	-
" 29	14.2	3.8	6.4	4.0	10.5(j)	-	-	-	10.5(j)	- 3.7	-	-	-

Average Weekly Expenditures Since Outbreak of War
 France (through June 19, 1940) \$19.6 million
 Germany (through June 19, 1940) \$27.6 million
 Italy (from June 20, 1940 to March 12, 1941) \$54.9 million
 Japan (from June 12, 1941) \$21.0 million

See attached sheet for footnotes.

ANALYSIS OF CANADIAN AND AUSTRALIAN ACCOUNTS (In Millions of Dollars)

Week Ended September 29, 1943 Strictly Confidential

PERIOD	BANK OF CANADA (and Canadian Government)									COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)							
	DEBITS			CREDITS						DEBITS			CREDITS				
	Total Debits	Transfers to Official British A/C	Others	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C		Other Credits	Net Incr. (+) or Decr. (-) in Funds (\$)	Total Debits	Transfers to Official British A/C	Other	Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in Funds (\$)	
First year of war (a)	223.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9	
Second year of war (b)	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+ 230.2	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5	
Third year of war (c)	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 9.0	
Fourth year of war (d)	525.8	0.3	525.5	566.3	198.6	7.7	-	360.0	+ 40.5	107.2	57.4	49.8	112.2	17.2	95.0	- 5.0	
1942																	
Sept. 1 - Sept. 30	46.3	-	46.3	53.6	13.2	-	-	40.4	+ 7.3	28.0	20.5	7.5	18.1	-	18.1	- 9.9	
Oct. 1 - Oct. 28	44.8	-	44.8	51.5	16.6	-	-	34.9	+ 6.6	14.3	12.0	2.3	14.6	-	14.6	+ 0.3	
Oct. 29 - Dec. 2	56.5	-	56.5	80.8	14.4	-	-	66.4	+ 24.3	10.2	5.5	4.7	9.4	-	9.4	- 0.8	
Dec. 3 - Dec. 30	48.2	-	48.2	43.9	2.9	-	-	41.0	- 4.3	14.1	8.0	6.1	11.7	-	11.7	- 2.4	
1943																	
Jan. 1 - Feb. 2	22.5	-	22.5	217.1	-	125.0	-	92.1	+ 164.6	16.2	8.0	8.2	17.3	-	17.3	+ 1.1	
Feb. 3 - Mar. 3	35.1	-	35.1	101.2	-	37.7	-	63.5	+ 66.1	15.9	15.0	0.9	16.0	-	16.0	+ 0.1	
Mar. 4 - Mar. 31	36.2	-	36.2	51.6	-	-	-	51.6	+ 15.4	7.1	5.0	2.1	6.7	-	6.7	- 0.4	
Apr. 1 - Apr. 28	29.0	-	29.0	39.6	-	-	-	39.6	+ 10.6	16.4	15.1	1.3	19.3	-	19.3	+ 2.9	
Apr. 29 - June 2	79.8	-	79.8	95.8	-	-	-	95.8	+ 15.9	21.8	19.0	2.8	20.1	-	20.1	- 1.7	
June 3 - June 30	53.8	-	53.8	77.2	-	-	-	77.2	+ 23.4	20.0	20.0	-	27.3	-	27.3	+ 7.3	
July 1 - July 28	102.1	-	102.1	61.8	-	-	-	61.8	- 40.3	19.2	16.0	3.2	12.5	-	12.5	- 6.7	
July 29 - Sept. 1	139.1	-	139.1	84.7	-	7.7	-	77.0	- 54.4	13.8	11.0	2.8	27.4	-	27.4	+ 13.6	
Sept. 2 - Sept. 29	46.4	-	46.4	65.1	-	10.6	-	54.5	+ 18.7	15.8	14.0	1.8	4.8	-	4.8	+ 11.0	
Week Ending:																	
September 8	4.7	-	4.7	27.6	-	4.1	-	23.5	+ 22.9	15.7	14.0	1.7	0.5	-	0.5	+ 15.2	
" 15	13.0	-	13.0	8.5	-	0.1	-	8.4	- 4.5	0.1	-	0.1	0.7	-	0.7	+ 0.6	
" 22	9.9	-	9.9	7.7	-	-	-	7.7	- 2.2	-	-	-	0.3	-	0.3	+ 0.3	
" 29	18.8(a)	-	18.8	21.3(a)	-	6.4	-	14.9(f)	+ 2.5	-	-	-	3.3	-	3.3(g)	+ 3.3	

Weekly Expenditures

First year of war	6.2 million.
Second year of war	8.9 million.
Third year of war	10.1 million.
Fourth year of war (through Sept. 29, 1943)	13.9 million.
Fifth year of war (through Sept. 29, 1943)	11.6 million.

- (a) For monthly breakdown see tabulations prior to April 23, 1941.
 (b) For monthly breakdown see tabulations prior to October 8, 1941.
 (c) For monthly breakdown see tabulations prior to October 11, 1942.
 (d) Reflects changes in all dollar holdings payable on demand or maturing in one year.
 (e) Does not reflect transactions in short term U. S. securities.
 (f) Includes \$ 9.6 million deposited by War Supplies, Ltd. and \$5.0 millions received from N. Y. accounts of Canadian Chartered Banks.
 (g) Includes \$3.0 million for account of Treasurer of the United States to be applied against U. S. currency and Treasury checks negotiated.

Regraded Unclassified

- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941.
- (h) For monthly breakdown see tabulations prior to October 8, 1941.
- (i) For monthly breakdown see tabulations prior to October 14, 1942.
- (j) Includes \$7.6 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports.

BRITISH MOST SECRET
U.S. SECRET

1943 OCT 11 AM 9 26

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OPTEL NO. 332

TREASURY DEPARTMENT

Information received up to 10 a.m. 9th October 1943.

1. NAVAL

Polish Destroyer ORKAN escorting homeward convoy torpedoed in mid-Atlantic yesterday and sunk, 1 Officer and 43 ratings picked up. 8 U-Boats were seen by aircraft near the convoy, 6 of them were attacked. They were driven off by the escorts and did not attack the convoy. Photographic reconnaissance of Gdynia 7th showed LUTZOW, SCHEER, PRINZ EUGEN, NURNBERG, EMDEN, two old battleships and dismantled GNEISENAU.

2. MILITARY

Italy. On 7th our bridgehead at Biferne River and South of Termoli was again attacked by Infantry strongly supported by Tanks. All attacks were repulsed and our positions in this area considerably improved. Our advance North of Benevento continued, and in the centre our troops reached the Calore River. Our forward Infantry are in Capua and strong armoured patrols to the westward are observing the enemy who have withdrawn behind the river Volturno now in flood.

8th. In 4 p.m. Heavy rain hampering movement. Little change on whole front.

Dodecanese. Early 8th. The British garrison helped by Italians repulsed a small German attack on Island of Symi. British Garrison Stampalia has captured 80 prisoners who arrived in two craft badly damaged in Naval action reported yesterday's telegram.

3. AIR OPERATIONS

Western Front. 7th/8th. Stuttgart, 1222 tons dropped including 303 4000-pound bombs. Markers somewhat scattered thus causing a certain degree of dispersion, nevertheless glow of fires seen through clouds and explosions reported. Moderate heavy A/A no great fighter opposition, searchlights few and ineffective 8th. 304 Fortresses dropped 715 tons at Bremen with "good" results and 29 Liberators dropped 78 tons on ship-building yards at Vegesack with "fair" results. 18 Squadrons of Thunderbolts from which three aircraft are missing co-operated with the bombers. Of the 415 heavy bombers sent out 27 Fortresses and three Liberators are missing. Escorted Bostons bombed an airfield in Northern France and Spitfires made three sweeps Southwest of the Scilly Islands. In these operations enemy casualties 9. 1. 1. (All M.E. 110's) 2 Spitfires missing.

8th/9th. 705 aircraft despatched - Hanover 504, (28 missing). Bremen 119 (three missing). Castropaux near Dortmund 10. Berlin 7. Duren 1. Sea-mining 17. Leaflets 4. Intruders 27. Anti-shipping 16. At Hanover visibility good, all objectives identified visually. Good bombing concentration obtained early becoming somewhat scattered later. Six enemy aircraft flew over Southwest England and four were Sea mining in Thames estuary. 2 JU88 destroyed.

Italy. 6th. 370 Fighters (two missing) attacked communications in the Termoli area destroying or damaging about 200 enemy vehicles.

Aegean. 7th 34 Liberators attacked airfields in Crete and Rhodes.

4. HOME SECURITY

London. 7th/8th. Casualties now reported 37 killed and missing. 107 seriously wounded.

This telegram must be paraphrased before being communicated to anyone other than a governmental agency.

173

SCB

SC-00

Chungking

Dated October 10, 1943.

Rec'd 12:42 p.m.

Secretary of State,
Washington.

1907, October 10, Noon.

SECRETARY OF THE TREASURY FROM ADLER

STRICTLY CONFIDENTIAL

One. Dr. Kung wrote Board on October 5 that on President Chiang's instructions, Ministry of Finance had drafted a measure according to which overseas Chinese remittances up to US \$200 or sterling 50 a month would receive official rate plus 50% which he was submitting for Board's consideration. Board replied taking note (repeat taking note) of proposal and pointing out that it was inadvisable to place upper limit on overseas remittances receiving additional 50%.

Two. Board is preparing a letter to be sent to Dr. Kung in which Board will indicate the anomalous situation arising from the fact that with going into effect of proposed new arrangement for overseas remittance almost all foreign exchange in payments will receive

30 to 1 and will

-2- 1907, October 10, Noon, from Chungking.

30 to 1 and will not go to Board while Board will continue to sell foreign exchange under November 1 agreement and on current applications at 20 to 1 and will suggest that it would be much simpler if all China's foreign exchange transactions were handled at one rate.

GAUSS

NK

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking, China,
 DATE: October 10, 1943, 1 p.m.
 NO.: 1908

STRICTLY CONFIDENTIAL.

FROM ADLER FOR THE SECRETARY OF THE TREASURY.

SECTION ONE - WEEKLY ECONOMIC REPORT.

1. Notes in circulation amounted to CN 52505,000,000 during the month of July and 56258,000,000 for the month of August. The increase was under thirteen percent from June to August.

2. Under the November 1 agreement Board Payments to the Central Bank were as follows:

<u>Months</u>	<u>U.S.:</u>	<u>Sterling:</u>
August	576,000	103,000
September	692,000	126,000

Central Bank Receipts
 of Foreign Exchange
 Receiving "Special Rates"

- - - - -

July	4392,000	490,000
------	----------	---------

3. According to a reliable source, negotiations are about to be consummated for a loan of British sterling amounting to 50,000,000. Last year, the Government of China allocated sterling 10,000,000 from loan as backing for internal fapi bond issue, and it is the Government's intention to float sterling 10,000,000 of sterling savings certificates. No decision has as yet been reached as to how the remaining sterling 30,000,000 will be used.

4. The ex-Minister of Communications and head of the Bank of China prior to Dr. Soong, Chang Kingau, is at present en route to the United States. According to information which has been received from a reliable source, Chang Kingau will endeavor to negotiate a one hundred million

dollar

dollar U.S. loan from American banks - presumably a consortium - to Chinese Financial interests which would include North Chinese bankers, possibly K. P. Chen's group, and others.

5. A great deal of discussion has taken place in Chungking as to the best utilization to make of the US \$200,000,000 of gold which the Government of China has acquired but, as yet, no concrete plans have been formulated.

The Embassy is transmitting SECTION TWO as No. 1910 of October 10, 3 p.m.

GAUSS

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

Chungking

Dated October 10, 1943

Rec'd 10:55 a.m.

Secretary of State

Washington

191C, October 10, 3 p.m. (SECTION TWO) *10/17/43*

One. Chungking prices July:

Retail composite general, 11930; food, 8930;
wholesale general, 15370; food, 10100; August
12530, 9110, 16590 and 10680, respectively. Increases
from June to August respectively 26, 22, 27, and
20 percent. Prices in Loyang, Kunming, Sian, Kweilin
and Hengyang now higher than in Chungking.

Two. Harvest this year satisfactory better
than last year. There was a second crop failure
in Honan.

Three. Central Bank now accepting United States
dollar backed savings certificates as backing for
loans up to 40% of face value. Market price of
certificates and post dated checks up to 30 to one
for those maturing next August and up to 50 for those
maturing in the near future. Government is not
pushing sale of United States dollar backed bonds.

Four. Kunming

-2- #1910, October 10, 3 p.m. (SECTION TWO) from Chungking

Four. Kunming black market prices at the beginning of October United States Dollar 88 rupee 20.

Five. Price of gold in Chungking has fallen about CN \$1,000 per Chinese ounce since beginning of September and for ornamental gold is now CN 11200 dollars selling and CN 9200 dollars buying. Number of gold shops in Chungking has increased to 70 in ~~the~~ last few months.

(END OF MESSAGE)

GAUSS

WTD

PARAPHRASE OF TELEGRAM RECEIVED**FROM: American Embassy, Chungking, China****DATE: October 10, 1943, 2 p.m.****NO.: 1909****STRICTLY CONFIDENTIAL.****FROM ADLER FOR THE SECRETARY OF THE TREASURY.**

Would it be worthwhile, because of delays in reciprocal aid negotiations, for the Treasury to consider an arrangement, along the lines of the arrangement which is already in effect in the Middle East, to sell gold on the free market in China so as to cover expenditures of the United States Government in China, once the Government of China begins operating in the market? It is obvious that there are many advantages but the drawback would be the reluctance of the Chinese Government to agree to such an arrangement.

GAUSS**893.5151/959**

NOT TO BE RE-TRANSMITTED

COPY NO. 12

U.S. SECRETARY OF THE TREASURY
OFFICE OF THE SECRETARY OF THE TREASURY
No. 333

Information received up to 10 A.M. 10th October, 1943.

1. VAL MAZORES By arrangement with Portuguese Government three small British convoys arrived on 8th and disembarkation is proceeding. Main objects are to obtain naval facilities at HORTA and the use of Airfield on TERCEIRA ISLAND.

MEDITERRANEAN During a heavy dive-bombing attack in the SCARPANTO CHANNEL yesterday a destroyer was sunk, and an anti-aircraft cruiser was damaged. 37 casualties in another ship which is being towed to port. 3 enemy aircraft shot down. U.S. Destroyer sunk by U-boat off SALERNO 9th. During attacks on 8th upon homebound convoy reported in yesterday's telegram, 2 U-boats were sunk, prisoners were taken in each case.

2. MILITARY ITALY Our positions now run from TERNOLI almost due South for 45 miles and then South-West to the CALORE and VOLTURNO rivers.

YUGOSLAVIA Great partisan activity reported in SOKAK-KARLOVAC-GOSPIC area and between VAREZDIN and KOPRIVNICA. Many Ustashi and Croat regulars have been killed and arms and equipment captured.

3. AIR OPERATIONS WESTERN FRONT 8th/9th. HANOVER. 1667 tons dropped including 18, 8,000 pound and 237 4,000 pound H.E. and 793 tons incendiaries in 24 minutes. No cloud but some ground haze. Bombing well concentrated in the built-up area. Many large fires took firm hold and spread over a large area. One particularly large explosion reported by many crews. Numerous searchlights and night fighters active. 3 enemy aircraft claimed destroyed. 27 bombers missing. Photographs noon following day showed fires still burning and severe damage to some important war factories.

BREMEN 242 tons dropped in cloudy conditions. 9th. In the morning a total of 377 Fortresses and Liberators were sent to 4 places on the Baltic Coast. Good proportion of bombers attacked their primary objectives. Fighter opposition was met in all 4 cases and large number of enemy aircraft reported destroyed.

ANKLAM, ARADO AIRCRAFT WORKS 102 aircraft dropped 159 tons with good results. 18 bombers missing.

MARIENBURG, AIRCRAFT PLANT 96 aircraft dropped 195 tons with good results. 18 bombers missing.

DANZIG, SHIPBUILDING YARDS 35 aircraft dropped 73 tons. Results unobserved owing to smoke screen. 2 bombers missing.

GDYNIA, DOCKS. 117 aircraft dropped 259 tons with good results. 7 bombers missing. Visual reconnaissance at 2:45 P.M. showed the liner 'STUTTGART' 12,000 tons well on fire and being towed away from the wharf. 9 squadrons of Thunderbolts provided withdrawal cover from the Frisian Islands but met no enemy aircraft. 9th/10th. 6 Mosquitoes were sent to BAFLIN. 5 of them attacked and all returned safely after evading a large number of night fighters. In the afternoon 8th/9th Marauders and Mitchells bombed airfields in Holland and Northern France.

ITALY 7th. 55 fighters (2 missing) attacked enemy H.T. 50 miles North of NAPLES. 8th. Mitchells dropped 21 tons on road junctions at Minturno.

GREECE 7th 48 escorted Mitchells attacked ELEUSIS AIRFIELD. Enemy casualties in the air. 5.1.4. on the ground 6.0.2. Two Allied fighters missing.

CRETE On 7th, 7th/8th and 8th heavy bombers dropped a total of 117 tons on HERAKLION AIRFIELD. Liberators dropped 37 tons on another Cretan airfield on the 8th.

Regraded Unclassified

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October 11, 1943

Dear Mr. Cowles:

Your letter of October 8 has been received in the Secretary's office during his absence from Washington. We shall be very glad to bring this to his attention on his return, and know that he would wish me to thank you for your warm congratulations upon the recent War Loan Campaign.

Sincerely,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Mr. Gardner Cowles, Jr.
The Register and Tribune
Des Moines, Iowa

GMF:mn

GARDNER COWLES, JR.

THE REGISTER AND TRIBUNE
LOOK MAGAZINE
DES MOINES, IOWA

October 8, 1943

Dear Mr. Morgenthau,

This is just a note to tell you that I thought your handling of the recent war loan campaign was superb. You deserve the congratulations of everyone!

Sincerely yours

Gardner Cowles Jr.

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

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE Oct. 11, 1943

TO Secretary Morgenthau
FROM Mr. White

This is a comparative statement of the earnings and expenses of the Stabilization Fund for the months of August and September, 1943.

<u>Earnings</u>	<u>August, 1943</u>	<u>September, 1943</u>
Interest earned on investments	\$ 20,110.20	\$ 19,461.47
Profits on handling charges on gold	229,803.64	202,872.73
Miscellaneous profits	8.08	.77
Total	\$249,921.92	\$222,334.97
<u>Expenses</u>		
Salaries	\$ 18,984.07	\$ 25,137.76
Travel	100.91	81.45
Subsistence	40.50	58.50
Telephone and telegraph	394.70	2,018.67
Stationery	---	62.23
All other	41.90	573.46
Total	\$ 19,562.08	\$ 27,932.07
Net earnings	\$230,359.84	\$194,402.90

This report was completed from figures supplied by Mr. O'Daniel.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Oct. 11, 1943

TO Secretary Morgenthau

FROM Mr. White

Subject: Status of Stabilization and Gold Agreements on September 30, 1943.

1. Stabilization Agreements in Operation

Country	Dated	Expires	Amount		Collateral
			Commitment	Outstanding	
Brazil 1/	7/15/37	7/15/47	\$100,000,000	None	None Gold
Ecuador	3/1/42	6/30/44	5,000,000	None	None required
Iceland	5/1/42	6/30/44	2,000,000	None	None required

2. Stabilization Agreements Concluded but not yet Effective

Mexico	11/1/41	6/30/45	\$ 40,000,000	None	None required
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3. Gold Sale Agreement

Country	Dated	Expires	Commitment	Outstanding	Payment due within:
Cuba	7/6/42	6/30/45	\$ 5,000,000	None	120 days from each sale

4. British Coin Purchase Agreement

Country	Dated	Expires	Commitment	Purchases
Liberia	9/26/42	6/30/44	\$ 2,000,000	\$ 572,100

1/ The agreement as amended also provides for sale to Brazil of up to \$200,000,000 in gold, of which \$151,160,707 has been sold.

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○ Draft of proposed letter to Mr. Crowley.

Dear Mr. Crowley:

On January 1, 1943 the President approved the following recommendation of a committee consisting of representatives of the Departments of State, Treasury and War, the Office of Lend-Lease Administration and the Board of Economic Warfare:

"It is recommended, in the light of present circumstances, that the United Kingdom's gold and dollar balances should not be permitted to be less than about \$600 million nor above about \$1 billion."

This recommendation was based on the recognition that the purpose of the Lend-Lease Act is to provide our Allies with the goods and services that they need for the vigorous prosecution of the war and on the assumption that our arrangements with lend-lease countries should be so conducted as to maintain their gold and dollar balances at a level consistent with this objective.

At the time the recommendation was made, the British Government held a gold and dollar reserve of \$931 million. These holdings have since risen to \$1.5 billion and on the basis of British estimates they are expected to rise to \$1.7 billion by the close of this year.

The British assert that there are held against these balances gold and dollar demand liabilities and that these liabilities must be deducted from their gross gold and dollar holdings to arrive at a figure of their available gold and dollar reserve. These liabilities totalled \$315 million on June 30, 1943. Final decision has not yet been reached regarding the treatment to be accorded these liabilities for purposes of implementing the above decision concerning Britain's gold and dollar balances, but even if the entire sum is allowed, the British Government, on the basis of its own estimates, is expected to hold \$250-\$350 million of gold and dollars in excess of the maximum agreed upon as appropriate for this Government to assist the British Government to maintain.

This figure may be too high, if the arrangement concerning the receipt of foodstuffs and raw materials from British Empire countries as reciprocal aid becomes operative before the close of 1943. However, in view of the request of the British Government that the arrangement not be made retroactive to the beginning of the current fiscal year and in view further that details of operation have not yet been worked out with the British Government concerning the United Kingdom, Rhodesia and the Colonies and that the plan has not yet been accepted by the Dominion Governments and British India, it seems to us that this arrangement will reduce Britain's current dollar receipts and thus its gold and dollar balances during the remainder of this year by no more than \$50 million. This leaves a reduction of at least \$200-\$300 million to be

10/11/43 - cc. sent to Knollenberg, Currie, Coe, D. Acheson and Neff

- 2 -

effected through other devices, if the British Government's gold and dollar balances are to be brought down by the close of 1943 to a level consistent with the Interdepartmental decision approved by the President on January 1.

In view of the above facts, I am writing to recommend that immediate steps be taken to reduce the amount of civilian goods being lend-leased to the British Government by an amount sufficient to bring Britain's gold and dollar holdings to a level consistent with the January 1 decision. I should appreciate being kept informed of the steps taken.

Very truly yours,

Secretary of the Treasury.

Mr. Leo T. Crowley, Director,
Office of Economic Warfare,
1409 Temporary T,
14th and Constitution,
Washington, D.C.

TKK:rl 10/11/43



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON 25

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October 11, 1943

MEMORANDUM TO THE SECRETARY:

Supplementing report to you of October 4, 1943, the purchases against the African Program from October 4, 1943, to October 10, 1943, totaled \$941,267.56, or a total of purchases for the program thus far of \$66,095,911.67.

Attached is report giving status of shipping against these purchases.


Clifton E. Mack
Director of Procurement

<u>Commodity</u>	<u>Tonnage Shipped to Date From U. S. A.</u>	<u>Tonnage Under Load At Port</u>	<u>Tonnage On Hand At Port Waiting Vessels</u>	<u>Tonnage En Route To Port</u>
Agric. Mach. & Implements	2168.81		283.26	109.65
Automotive Eqpt. & Parts	867.03		100.02	141.69
Batteries	125.66		13.87	9.87
Bearings	2.85		1.1	.08
Brass & Bronze	288.4	2.5	87.6	
Brushes & Brooms	.8	.15		
Bldg. Hdw. & Material	517.79		254.01	45.4
Chemicals	20,332.33		8234.44	4103.29
Clothing, Notions & Textiles	17,874.54		2645.08	4383.1
Construction Machinery			.08	10.35
Copper in Various Forms	388.45		118.96	
Elec. Eqpt. & Supplies	74.74	22.62	50.67	31.1
Explosives	14.15			
Ferro-Alloys	73.88	11.32		111.57
Food & Food Products	6032.			
Furniture & Office Eqpt.	.11	.49	.7	2.15
Glass	194.82	95.12	41.27	656.83
Graphite Products	106.03		.18	20.18
Hand & Cutting Tools	1324.72		241.32	270.7
Industrial Machinery	73.8	74.15	119.75	318.13
Iron	145.	810.	1147.75	103.25
Jute Bags	857.47		535.	
Lead & Lead Alloys	73.18		102.5	
Medical Supplies	56.12	.68	5.02	.3
Non-Ferrous Metals, Other	435.		20.34	133.96
Paper & Paper Products	5165.31	1238.92	2838.89	4205.39
Rope & Twine	247.7	34.75	14.	12.
Rubber	826.5		248.09	557.52

<u>Commodity</u>	<u>Tonnage Shipped to Date From U. S. A.</u>	<u>Tonnage Under Load At Port</u>	<u>Tonnage On Hand At Port Waiting Vessels</u>	<u>Tonnage En Route To Port</u>
Shoes & Boots	315.68	5.34	571.66	1588.43
Steel, Alloy & Carbon	11,392.94		5918.27	6743.63
Steel, Pipe & Tubing	295.44		507.63	1240.23
Tin Plate	2,097.64		413.76	2963.74
Zinc		27.96	27.29	33.25
Totals	72,368.89	2,324.	24,602.51	27,795.79

S
H

Oficina Principal
Del Ministro

Quito, a 11 Oct. 1943

My dear Mr. Secretary:

I wish to thank you for your letter of September 14th, 1943 with which there was transmitted to me a copy of the revised draft of the tentative proposal for an International Stabilization Fund.

The draft in question has been translated into Spanish, and is being studied by the various interested agencies of the Government of Ecuador, including this Ministry and the Banco Central.

I wish to take this opportunity of expressing my conviction that international monetary cooperation is indispensable if the problems of the post-war world are to be met in an intelligent and effective manner, and of indicating that I am favorably impressed with the work which is now going forward in connection with the establishment of an International Stabilization Fund. I shall, of course, greatly appreciate being kept informed of further developments.

I should like to thank you for your kindness in mentioning the assistance given by Mr. Carbo in the discussions of the proposal under consideration, and to indicate that this Ministry is desirous of lending full cooperation in this important matter.

Sincerely yours,

/s/ Alberto Wright,
Ministro de Hacienda.

Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury of the United States,
Washington, D.C.
U.S.A.

The Royal Norwegian Government

London, 11th October, 1943.

The Minister of Finance.

Excellency:

With Your Excellency's letter of the 14th September, 1943, I have received a revised draft, dated 10th July, 1943, of the tentative proposal for an International Stabilization Fund.

I have studied this revised draft which has been prepared by the technical experts of the United States Treasury, and have been especially interested to find that it embodies a number of the suggestions which were put forward by the experts of other countries during the informal monetary discussions in Washington last summer.

I shall follow with the greatest interest the further developments in connection with the stabilization plans, and I sincerely hope that it will prove possible to agree upon a form for international monetary cooperation.

Yours sincerely,

/s/ Paul Hartmann

Norwegian Minister of Finance.

His Excellency, H. Morgenthau Jr.,
Secretary of the Treasury,
Washington, D.C.

October 11, 1943

To: Mr. Liversy

From Mr. White

Will you please send the following cable to the American Embassy, Chungking, China?

FOR ADLER FROM THE SECRETARY OF THE TREASURY

Please arrange to leave Chungking immediately for Cairo, Egypt to confer with Mr. White, who expects to be in Cairo from October 17 to October 23. Contact American Legation in Cairo on arrival.

ISF/efs 10/11/43

PARAPHRASE OF TELEGRAM SENT

TO: AMERICAN EMBASSY, CHUNGKING, CHINA.

DATE: OCTOBER 11, 1943, 3 p.m.

NO.: 1460

FOR ADLER FROM THE SECRETARY OF THE TREASURY.

Please arrange to leave Chungking immediately for Cairo, Egypt to confer with Mr. White, who expects to be in Cairo from October 17 to October 23. Contact American Legation in Cairo on arrival.

HULL
(FL)

TO: Adler, Chungking, China
FROM: Secretary of the Treasury

Please discuss the following matter with Dr. Kung.

The Treasury has received a number of complaints from missionary societies regarding losses resulting to these societies from the existing official exchange rate. The latest complaint received has been from the Maryknoll Fathers.

These missionary societies indicate that most of their remittances are for relief purposes. Would it not be possible for Dr. Kung to grant these missionary societies the special ~~40-50%~~ rate which is reportedly being given to other relief organizations, at least for that portion of their remittances which are for relief purposes?

It should be pointed out to Dr. Kung that these missionary organizations, like the other charitable and relief organizations ^{which} have been sending funds to China, not only make significant contributions to China's dollar earnings but also are important in educating the American people regarding China and in building good will in the United States for the Chinese people. On numerous occasions these missionary, relief, educational and similar organizations have indicated that they may be forced to discontinue all of their activities on behalf of China because of the artificially high character of the existing exchange rate.

Treasury does not desire to raise at this time the general question of a reduction in China's foreign exchange rate to a realistic level. Therefore, limit your discussion with Dr. Kung to the problems of missionary and similar organizations.

ISF/efs 10/9/43

NOT TO BE RE-TRANSMITTED

U.S. SECRET
BRITISH MOST SECRET

COPY NO

13

OPTEL No. 334

Information received up to 10 A.M. 11th October.

1. NAVAL

4 enemy cargo ships and 17 small craft were sighted at or near KOS yesterday. One of H.M. Cruisers reached ALEXANDRIA yesterday. One of H.M. Minesweepers escorting a westbound convoy was sunk by U-Boat off BOUGIE early this morning.

2. MILITARY Italy 8th Army In the coastal area our troops have captured GUGLIONESE, LARINO and two villages 5 and 8 miles Southeast of LARINO. All along the line patrols are pushing Westwards in contact with the enemy. West of LUCERNA the Canadians have advanced up to 5 miles.

5th Army has made a slight advance North of BENEVENTO. Weather continues bad and movement is restricted to roads.

Yugoslavia More railways have been cut by partisans 70 miles East of Zagreb, North of Montenegro and near the junction of the GREEK-BULGAR-YUGOSLAV boundaries.

Burma On the ARAKAN Front a British patrol has successfully ambushed 100 Japanese North of MAUNGDAI killing 24 with only slight losses. Japanese advance elements have driven back forward posts of our levies into the Chin Hills some 20 miles Southeast of FORI WHITE.

Russia See D.D.M.I.'s telegram to Military Attache.

3. AIR OPERATIONS Western Front 10th 162 Fortresses attacked MUNSTER dropping 397 tons with "fair to good" results. 86 other U.S. Aircraft attacked other objectives, mainly COESFELD (West of MUNICH) and ENSCHEDE. Bombers report 81 and supporting fighters 19 enemy Aircraft shot down. 30 Fortresses and 2 Thunderbolts missing. 39 Liberators flew an uneventful sweep over the North Sea.

Italy 8th/9th Wellingtons dropped 105 tons in the ISERNIA FORMIA areas.

Greece 9th 115 Fortresses and 35 escorted Mitchells dropped total of about 350 tons in effective attacks on Airfields at LARISSA, SALONIKA, ELEUSIS and ARGOS. 5 Enemy Aircraft were shot down.

Aegea. 9th 37 Liberators bombed airfields in CRETE and RHODES. A Formation of Lightnings escorting H.M. Ships intercepted 25 JU 87 and 1 JU 88. 16 Enemy Aircraft were shot down without loss.

TREASURY DEPT

1943 OCT 12

SECRETARY OF

Regraded Unclassified



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

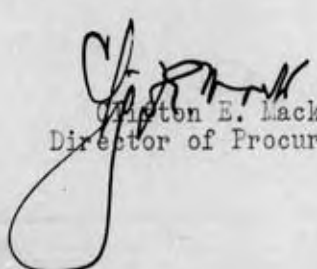
SECRET

October 12, 1943

MEMORANDUM TO THE SECRETARY:

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

It is proposed that an increased tonnage of Lend-Lease cargo for the USSR will move from the East Coast. Present plans are to export 250,000 tons during this month, and 300,000 tons during November, such figures include cargo to be made available by the Procurement Division.



Clayton E. Lack
Director of Procurement



LEND-LEASE
TREASURY DEPARTMENT, PROCUREMENT DIVISION
STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
AS OF OCTOBER 6, 1943
(In Millions of Dollars)

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous & Undistributed</u>
Allocations	\$3965.3 (3965.2)	\$1976.8 (1976.8)	\$1557.5 (1557.5)	\$109.7 (109.7)	\$11.0 (11.0)	\$310.3 (310.2)
Purchase Authoriza- tions (Requisitions)	\$3141.6 (3063.2)	\$1695.6 (1628.5)	\$1254.0 (1252.5)	\$43.6 (43.5)	- -	\$148.4 (138.7)
Requisitions Cleared for Purchase	\$3005.6 (2983.5)	\$1592.5 (1585.4)	\$1232.4 (1220.9)	\$43.1 (42.9)	- -	\$137.6 (134.3)
Obligations (Purchases)	\$2928.6 (2907.7)	\$1571.7 (1560.9)	\$1196.2 (1190.6)	\$43.0 (42.8)	\$8.3 (8.1)	\$109.4 (105.3)
Deliveries to Foreign Governments at U. S. Ports*	\$1342.9 (1329.6)	\$935.7 (928.0)	\$370.6 (366.9)	\$19.2 (19.2)	- -	\$17.4 (15.5)

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

Note: Figures in parentheses are those shown on report of September 29, 1943.

UNITED KINGDOM TREASURY DELEGATION

BOX 880
BENJAMIN FRANKLIN STATION
WASHINGTON, D. C.

October 12, 1943

TELEPHONE EXECUTIVE 8080

SECRET

Dear Dr. White:

The gold and dollar figures for September 1943 are as follows:

	<u>Sept. 3</u>	<u>Sept. 10</u>	<u>Sept. 17</u>	<u>Sept. 24</u>	<u>Sept. 30</u>
Total Gold	973	969	970	974	965
Official Dollar Balance	<u>502</u>	<u>507</u>	<u>534</u>	<u>541</u>	<u>538</u>
Total Gold and Dollars	1475	1476	1504	1515	1503
Scattered Gold	245	244	241	237	234
Gold Reserve against immediate liabilities	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
AVAILABLE GOLD AND DOLLARS	<u>1220</u>	<u>1222</u>	<u>1253</u>	<u>1268</u>	<u>1259</u>

Yours sincerely,

D. H. Robertson

D. H. Robertson

Dr. D. White,
Assistant to the Secretary,
United States Treasury,
Washington, D. C.



**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE
WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO.

With the compliments of British Air Commission
who enclose Statement No. 106--Aircraft Despatched
--for week ended October 5, 1943.

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

October 12, 1943.

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE

WASHINGTON, D. C.

TELEPHONE HOBBART 9000

Copy

PLEASE QUOTE

REFERENCE NO. _____

RECEIVED FROM THE BRITISH AIR COMMISSION
envelope addressed to The Honourable Henry
Morgenthau, Jr.

Addressee or his Secretary.

October 12, 1943

STATEMENT NO.106

Aircraft Despatched from the United States
Week Ended October 5, 1943

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>CONSOLIDATED</u>					
Liberator GR V	U.K.	U.K.		10	
Catalina IV	U.K.	U.K.		2	
<u>GLENN MARTIN</u>					
Mariner GR I	U.K.	U.K.		5	
Marauder II	M.E.	M.E.		1	
Baltimore V	M.E.	M.E.		2	
<u>STINSON</u>					
Reliant	U.K.	U.K.	6		
AT 19	U.K.	U.K.	8		
<u>RTISS</u>					
Kittyhawk	Australia	Sydney	20		
Helldiver	Australia	Sydney	10		
Kittyhawk	N.W. Africa	Casablanca	8		
Seamew	U.K.	U.K.	5		
<u>NORTH AMERICAN</u>					
Harvard	M.E.	M.E.	9		
Harvard	New Zealand	Auckland	4		
<u>FAIRCHILD</u>					
Cornell PT 26	S. Rhodesia	Capetown	21		
<u>BEECHCRAFT</u>					
Beechcraft	M.E.	M.E.	7		
<u>NORDUYN</u>					
Harvard	India	India	11		
<u>GRUMMAN</u>					
Farpon	Mombasa	Mombasa	3		
Hellcat	Mombasa	Mombasa	3		
Martlet V	U.K.	U.K.	2		
Hellcat	U.K.	U.K.	1		
<u>VULTEE</u>					
Vengeance	India	India	1		

mmh

Movements Division
 British Air Commission

Total 119 20 0

October 9, 1943.

Regraded Unclassified

C
O
P
Y

London, W.I. 12th October, 1943

Dear Mr. Morgenthau,

I thank you for your letter of 14th September and for the enclosed revised preliminary draft of the proposal for an International Stabilization Fund, which I have read with great interest.

It was most kind of you to refer in your letter to my conversations with the Treasury experts, and I can assure you that it is a source of deep satisfaction to me if my collaboration with them has proved in any way useful.

May I on behalf of my Government avail myself of this opportunity to express to you our warm admiration for America's unceasing endeavours to lay the foundations of a new world system based on the collaboration of all countries and on the recognition of the community of interests existing between them.

Yours sincerely

K. Varvaressos

K. Varvaressos.

Mr. H. M. Morgenthau,

Secretary of the Treasury,

WASHINGTON.

NOT TO BE RE-TRANSMITTED

U.S. SECRET
BRITISH MOST SECRET

COPY NO 12

OPTEL No. 336

Information received up to 10 A.M. 12th October 1943

1. MILITARY Italy RICCIA has been captured by Canadian and PONTELANDOLFO by U.S. troops.

Dodecanese KAUYMNOS has been occupied by the Germans whose garrison on 10th was estimated at about 3000.

Burma 9th. Attack on our positions 10 miles North of FORT WHITE was repulsed but on 10th our garrison was slightly withdrawn owing to administrative difficulties.

2. AIR OPERATIONS Italy 9th. 92 fighters attacked roads near TERMOLO destroying 42 enemy motor vehicles and damaging 30.

9th/10th. Medium and light bombers dropped 32 tons on communications North of NAPLES. 10th. Gun positions and other objectives near CAPUA, TERTOLI, and NAPLES were attacked by medium and light bombers which dropped 55 tons and by 82 fighters.

Aegean Area 10th. Fortresses, 2 missing, dropped 112 tons at ATHENS/TATOI Airfield and 51 tons at MRAKOS airfield destroying 21 enemy aircraft on the ground and 4 in the air. Liberators dropped 42 tons on HERAKLION airfield GRETE and escorted fighter-bombers attacked the landing ground in KOS.

On 9th/10th and 10th, heavy bombers dropped a total of 64 tons on MARITZA and CALATO airfields (VRHODES) LEROS. 6 enemy raids by a total of 34 aircraft were made on the 9th and some guns were damaged. On the 10th about 150 enemy aircraft attacked the island causing heavy damage.

Burma 10th Vengeances (A31) dropped a total of 10 tons in the GANGAW and KALEWA areas. On 10th/11th Wellingtons bombed TAUNGUP and KALEWA.

Optel No. 335 not sent to J.S.M.

301 Preston Court Apartment
Charlottesville, Virginia
October 13, 1943.

Dear Mr. Morgenthau,

Thank you very much indeed for your letter about the success of the radio program from Monticello. I am so glad it was a success and it was a great honor to be on it with you.

Also I want to thank you for the citation for the service I was so proud to give. Such notice was far more than I feel that I deserved.

The whole experience was one which
was most interesting and a great deal
of pleasure to me.

It was an honor to have met you
and been with you that evening.

Most sincerely,

Sarah R. Truett.

C
O
P
YCOMMONWEALTH TREASURY,
CANBERRA, A.C.T.

13th October, 1943

My Dear Mr. Secretary,

Thank you for your letter of September 14th, with which you have forwarded me copy of the revised draft of the tentative proposal for an International Stabilization Fund, which has been prepared by the technical experts of the United States after discussion with the technical experts of the United Nations.

I appreciate your action in forwarding this draft to me, which I now propose to examine further with the Government's technical advisers.

I am glad to learn that Mr. Coombs and Mr. Brigden were able to make useful contributions to the discussions with your experts. Mr. Coombs has, of course, since returned to Australia and has reported to me fully on the matters discussed. He has expressed to me his appreciation of the courtesy and assistance that was extended to him and Mr. Brigden during the course of their discussions with your experts. I should like to take this opportunity of expressing to you my thanks and appreciation for the manner in which the Australian experts were received in Washington.

Sincerely yours,

/s/ J. B. Chifley

(J. B. CHIFLEY)
TreasurerThe Hon. Henry J. Morgenthau, Jr.,
Secretary of the Treasury,
WASHINGTON, D.C., U.S.A.

TELEGRAM SENT

EMW

October 13, 1943

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

10 p.m.

AMERICAN EMBASSY

CHUNGKING.

1474

FOR ADLER FROM SECRETARY OF THE TREASURY.

Please discuss the following matter with Dr. Kung.

The Treasury has received a number of complaints from missionary societies regarding losses resulting to these societies from the existing official exchange rate. The latest complaint received has been from the Maryknoll Fathers.

These missionary societies indicate that most of their remittances are for relief purposes. Would it not be possible for Dr. Kung to grant these missionary societies the special rate which is reportedly being given to other relief organizations, at least for that portion of their remittances which are for relief purposes?

It should be pointed out to Dr. Kung that these missionary organizations, like the other charitable and relief organizations which have been sending funds to
China,

-2- #1474, October 13, 1943, to Chungking

China, not only make significant contributions to China's dollar earnings but also are important in educating the American people regarding China and in building good will in the United States for the Chinese people. On numerous occasions these missionary, relief, educational and similar organizations have indicated that they may be forced to discontinue all of their activities on behalf of China because of the artificially high character of the existing exchange rate.

Treasury does not desire to raise at this time the general question of a reduction in China's foreign exchange rate to a realistic level. Therefore, limit your discussion with Dr. Kung to the problems of missionary and similar organizations.

HULL
(AAB)

FD:FL:PAK

FE

EA

NOT TO BE RE-TRANSMITTEDU.S. SECRET
BRITISH MOST SECRETCOPY NO. 12OPTEL NO. 337

Information received up to 10 A.M. 13th October, 1943

1. NAVAL Azores A temporary combined headquarters has been set up in TERCEIRA ISLAND. Unloading is proceeding with full cooperation of the local authorities who are affording all facilities requested. One of H.M. Submarines is overdue in Mediterranean and must be considered lost. On 10th/11th motor torpedo boats in the ELBE area attacked a lighter escorted by an armed trawler and forced it to return to harbour. One of our motor launches has been destroyed during an air raid on LEROS. The crew is safe. 2 of H.M. Destroyers carried out a sweep west of LEROS on 11th/12th but found no enemy shipping.

2. AIR OPERATIONS Western Front 12th/13th An enemy aircraft which dropped some bombs on an airfield in SUFFOLK was subsequently shot down by a night fighter.

Italy 10th/11th Wellingtons dropped 97 tons on the Coast Road at TERRACINA North West of NAPLES and 24 medium and light bombers attacked troop concentrations in same area.

Corfu 11th. 36 escorted Mitchells bombed GARITZA landing ground. Fighter bombers hit a merchant ship in the harbour.

Dodecanese 10th. 11 escorted Lightnings bombed KOS airfield and at night six Halifaxes attacked CALATO airfield RHODES.

Burma 9th. 17 heavy and medium bombers attacked railway communications near MANDALAY and 7 Liberators bombed tin mines at KANBAUK 112 miles East South East of AKYAB.

TREASURY DEPARTMENT

1943 OCT 14 PM 2 02

OFFICE
SECRETARY OF TREASURY

Regraded Unclassified

OCT 14 1943

Dear Mr. Berle:

Please refer to my letter of September 2, 1943, in reply to your letter of August 21, 1943.

We are in receipt of a communication from the Embassy in London in response to the memorandum submitted to the British Treasury, a copy of which was attached to my letter of September 2. It appears from the response of the British Treasury, a copy of which is attached for your information, that the ownership of the 109,000 pounds sterling on deposit in London with the National City Bank of New York in a blocked account in the name of Charles B. McDaniel, Jr., is the subject of conflicting claims asserted by Mr. McDaniel and the Polish Ministry of Finance. Consequently, it would seem that there is nothing further that the Treasury can do until the ownership of the 109,000 pounds sterling is adjudicated.

Very truly yours,

(Signed) D. W. BEEL

Acting Secretary of the Treasury

Mr. Adolf A. Berle, Jr.
Assistant Secretary of State
Department of State
Washington, D. C.

Enclosure

LSLesser:als 10-7-43

OCT 14 1943

Dear Jesse:

Please refer to my letter of September 22, 1943.

Attached for your information is a copy of a communication from the Embassy in London incorporating the response of the British Treasury to our memorandum with respect to the release of 109,000 pounds sterling in a blocked account with the National City Bank of New York in London in the name of Charles B. McDaniel, Jr. As it appears that the ownership of this account is the subject of conflicting claims asserted by Mr. McDaniel and the Polish Ministry of Finance, it would seem that there is nothing further that the Treasury can do until the question of ownership is adjudicated.

Sincerely,

(Signed) C. W. BROWN

Acting Secretary of the Treasury.

The Honorable Jesse Jones
Secretary of Commerce

Enclosure

LSLesser:als 10-7-43

OCT 14 1943

My dear Mr. Secretary:

Please refer to my letters of August 18 and September 3, 1943, in response to your letter of August 16, 1943.

We are in receipt of a communication from the Embassy in London in response to the memorandum submitted to the British Treasury, a copy of which was attached to my letter of September 3. It appears from the response of the British Treasury, a copy of which is attached for your information, that the ownership of the 109,000 pounds sterling on deposit in London with the National City Bank of New York in a blocked account in the name of Charles B. McDaniel, Jr., is the subject of conflicting claims asserted by Mr. McDaniel and the Polish Ministry of Finance. Consequently, it would seem that there is nothing further that the Treasury can do until the ownership of the 109,000 pounds sterling is adjudicated.

Very truly yours,

(Signed) D. W. BELL

Acting Secretary of the Treasury

The Honorable

The Secretary of the Navy

Enclosure

LSLesser:als 10-7-43

Mr. White, Minister - orig.

OFFICIAL COMMUNICATIONS TO
SECRETARY OF STATE
WASHINGTON, D. C.



DEPARTMENT OF STATE
WASHINGTON

In reply refer to
70

September 20, 1943.

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of a paraphrase of telegram No. 6243, dated September 18, 1943, from the American Embassy, London, England, in which there are transmitted certain comments made by Fraser of Treasury in connection with the McDaniel case.

Enclosure:

Telegram No. 6243 (paraphrase), September 18, 1943, from the American Embassy, London, England.



PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London, England.
DATE: September 18, 1943, 7 p.m.
NO.: 6243

URGENT

CONFIDENTIAL

FROM CASADY FOR THE SECRETARY OF THE TREASURY.

Reference is made to the following telegrams from the Department: No. 5346, September 1, noon; No. 5667, September 16.

The McDaniel case, according to a statement made by Fraser of Treasury, has been for many months a source of great difficulty and annoyance to the Treasury. With regard to the latest request - embodied in the above reference telegrams - Fraser spoke with force and frankness and gave the Embassy authorization to transmit his comments which are as follows:

1. The suggestion made by McDaniel is incomprehensible to Treasury. McDaniel did not deliver any francs against the sum of pounds sterling 109,000 which was deposited with the National City Bank, London, in a blocked account in McDaniel's name, by the Polish Government.

2. Doctor Emauz, the Portuguese trustee, has confirmed the above statement. Dr. Emauz says that he has never received any francs and has instructed McDaniel to return the sterling to the Government of Poland. (It is Treasury's understanding that McDaniel made a promise to the former Polish Minister of Finance, M. Strasburger, that he would return the sterling when they met at the beginning of the year in Washington or New York.)

3. In view of McDaniel's failure to complete his part of the agreement to produce the 25,000,000 francs which he undertook to deliver, it would therefore appear that the amount of pounds sterling 109,000 is, in effect, the Polish Government's property and should be returned forthwith to them. The Polish Government, in fact, is at present considering what steps can be taken to enforce the return of the money.

4. His Majesty's Treasury originally advanced the money to the Polish Government from their Polish civil credit.

WINANT

Mr. White miss letter

OFFICIAL COMMUNICATIONS TO
THE SECRETARY OF STATE
WASHINGTON, D. C.



DEPARTMENT OF STATE
WASHINGTON

In reply refer to
8631.1561/16

September 20, 1943.

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of a paraphrase of telegram No. 6269, dated September 20, 1943, noon, from the American Embassy, London, England, concerning an additional statement made by Mr. Fraser of Treasury.

Enclosure:

Telegram No. 6269,
September 20, 1943,
From American Embassy,
London, England.



PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London, England
DATE: September 20, 1943, noon.
NO.: 6239

URGENT

FROM CANADAY, FOR THE SECRETARY OF THE TREASURY.

Reference is made to the following telegrams from the Department: No. 6245, September 1; No. 6667 of September 16. Reference is also made to No. 6243, dated September 18, 1943, from the Embassy.

Since Fraser feels that his comments as given in telegram No. 6245 from the Embassy might convey the impression that the Treasury has an uncooperative attitude, he wishes to add the following comment to his previous statements.

The Treasury is most anxious to help but regrets that it cannot see any feasible way of helping on this occasion. In the light of the above, it is hoped that the interested parties will understand the position that the Treasury has taken.

WINANT

651.1561/16

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

217

September 1, 1943

midnight

AMERICAN EMBASSY,
LONDON.

5345.

FOR CASADAY FROM THE SECRETARY OF THE TREASURY.

Please transmit the following message to the British Treasury:

QUOTE 1. This concerns a blocked sterling account of Mr. Charles B. McDaniel, Jr., an American citizen, at the National City Bank of New York in London, in the amount of 109,000 pounds sterling. This amount was deposited by the Polish Government in the name of Mr. McDaniel on March 19, 1941.

The history of the transaction as submitted by Mr. McDaniel is as follows:

In November 1940, representatives of the Polish Government negotiated with Mr. McDaniel to buy 25 million French francs to be used for Polish refugees in unoccupied France. Mr. McDaniel obtained a U.S. Treasury license for the transfer, #N.Y. 88629, dated December 19, 1940. On January 1, 1941, an agreement was executed by Mr. McDaniel with the Polish representative in Lisbon under which Mr. McDaniel undertook to deliver to the Polish Government's trustee the sum of 25 million francs in return for 109,000 free pounds sterling. The Polish representative had informed Mr. McDaniel that the British Government would permit the Polish Government to use free sterling for this purpose. Dr. Jose Emaux of the Bank of Portugal in Lisbon was designated as Trustee and Mr. McDaniel paid the francs to him in accordance with the above agreement. The Polish Government failed to pay over the 109,000 pounds in free sterling on the ground that the British Government would not permit them to use free currency. After further negotiations Mr. McDaniel accepted payment in blocked sterling and the Polish Government paid 109,000 pounds sterling into a blocked sterling account with the National City Bank of New York in London. This account still stands in Mr. McDaniel's name.

Mr. McDaniel

-2-

Mr. McDaniel asserts that he has fulfilled his part of the obligation under the above agreement with the Polish Government and that the Polish Government has no claim against this account.

2. Through a wholly owned corporation, Mr. McDaniel has a contract with Defense Supplies Corporation for a large quantity of mahogany from the West African Coast. He also controls the stock of Cabinda Company, a semi-official Portuguese corporation which has substantial concessions in Cabinda, Portuguese Malombe, just north of the Congo, from which most of the mahogany is to be produced. Large quantities of needed fats and oils are also available from this concession and surrounding areas. As part of this operation and to facilitate the shipment of these commodities, Mr. McDaniel proposes to construct a port and port facilities at Malembo Bay, Cabinda.

3. The proposed port and development project in Cabinda, Portuguese Malombe, has been endorsed by the following agencies of the United States Government: the Navy Department; the Department of State; the War Shipping Administration; and the War Production Board.

4. The proposal to extend a government loan to Mr. McDaniel to finance the project at Cabinda has run into complicated legal and political difficulties, due in part to the fact that operations in Cabinda must be carried on through a Portuguese company in which high government officials in Portugal and the Portuguese Government itself have a minority interest.

5. Because of these difficulties and in order to avoid further delay, Mr. McDaniel has expressed the willingness to finance the project with the funds blocked in his account at the National City Bank of New York in London. The Navy and State Departments have submitted letters to the Treasury urging the desirability of having these funds unblocked. It would therefore be appreciated if the British Treasury would reconsider its decision concerning this account and, if the facts are as presented to us, if it would see its way clear to release the funds for the above-mentioned purpose.

6. The Navy is pressing us for quick action. We have taken the matter up orally with Sir David Waley who asked that we submit a formal request. He promised to expedite a decision in London. UNQUOTE

HULL
(A.A.B.)

C
O
P
YOffice of Minister of Finance
Wellington, N.Z.,

14th October, 1943.

Mr. H. Morgenthau Jnr.,
Secretary of the Treasury,
WASHINGTON, D. C.

Dear Mr. Morgenthau,

This letter will serve to acknowledge yours to me of September 14th and also to say how much I appreciate your courtesy in forwarding the preliminary draft outline of a proposal for an International Stabilization Fund of the United and Associated Nations as revised to July 10th of the present year.

I was glad to hear that you would keep me fully informed on the subject and if necessary I will be glad to keep you advised with regard to the views of the New Zealand Government.

With kind regards,

I am,
Yours sincerely,

/s/ W. NASH

CONFIDENTIAL

ATTEMPT

220

Chungking

SECRET FROM A-70

Dated October 14, 1943

Rec'd 5 p.m. 27th

Secretary of State,

Washington.

A-70, October 8, 10 a.m.

CONFIDENTIAL

New efforts to enforce price control regulations drove commodities from the market. Black market trading in foreign currencies continued at about the same level. United States dollar notes being quoted at from 85 to 90 to 1. In Fanchuan, Burma rupees were reportedly quoted at 20 to 1. Rice crop prospects were generally bright throughout the Province with an exceptionally beautiful harvest in view in western Yunnan.

CAUSE

YMG/mtt

Chicago
11-1-43

NOT TO BE RE-TRANSMITTEDU.S. SECRETBRITISH MOST SECRETCOPY NO. 12OPTEL No. 338

Information received up to 10 A.M. 14th October, 1943

1. NAVAL

On 7th H.M. Submarine in the Aegean sank 2 Siebel ferried and damaged by gunfire 2 ships in convoy. On the 8th she sank a 1500 ton minelayer in Convoy. A U.S. Destroyer escorting a Convoy was sunk off PHILIPPEVILLE yesterday probably by U-boat. On 12th aircraft from a U. S. carrier escort sank 2 U-boats and probably sank a third North of the AZORES.

2. MILITARY Italy 13th. Small advances were made at several points on the Eighth Army front and light elements are pushing Westward along the FOGGIA-ISERNIA Road.

Aegean The Island of MYKONOS KYKLADES has probably been occupied by a small German force. Our troops have evacuated the Island of SYMI DODECANESE after heavy dive bombing which set fire to the town.

Russia On 12th the Russians crossed the River South East of GOMEL and are fighting immediately in front of the town. They have also enlarged their bridgehead South East of Kiev. to a further depth of 4 miles.

3. AIR OPERATIONS Western Front

13th. Spitfires damaged 8 locomotives in Northern France and destroyed a JU 88 off Lands End. A Beaufighter is missing from patrol in the North Sea.

13th/14th. 4 Mosquitoes bombed COLOGNE and 4 others DUISBURG.

Italy 12th. 24 Baltimores bombed road junctions in the area North West of TERMOLI. 66 War Hawks attacked CERCE MAGGIORE 43 miles West of FOGGIA and damaged 2 trains near PESCARA.

Rhodes 11th/12th. 10 heavy bombers (1 missing) dropped 17 tons on MARITZA airfield.

Leros 12th. Enemy aircraft made 5 attacks.

Kos 12th/13th Medium and light bombers attacked enemy shipping off the Island scoring direct hit on a 5,000 ton ship and setting it on fire.

India 11th/12th. 2 enemy flying boats dropped 14 bombs on MADRAS causing a few casualties. A third Flying Boat was shot down by a Beaufighter off TRINCOBALEE.

TREASURY

1943 OCT 14

SECRETARY

OFFICE

Regraded Unclassified