DIARY

Book 625

April 13 - 15, 1943

- F - (Continued)

- O -

- P -

- S -

- T -

United Kingdom
See Gold

War Savings Bonds
See Financing, Government

April 13, 1943
9:08 a.m.

HMJr: Hello.

Operator: Mr. Gamble calling you, Mr. Morgenthau.

HMJr: All right. Hello.

Ted Gamble: Good morning, sir.

HMJr: Hello, Gamble.

G: How are you this morning?

HMJr: Fine.

G: I have had a half a dozen very good reports, and reports that I'd take some stock in, about your radio talk.

HMJr: You have?

G: Yes, sir. And I have sent over to find out how fast we can get the transcription. I'll let you know just as soon as I hear.

HMJr: Good. I'm going to speak to Stauffer over at O.W.I....

G: Yes.

HMJr: ....and I'm going to ask him if he can make a check....

G: Yes.

HMJr: ....through N.B.C. and their stations.

G: Uh huh.

HMJr: I think he's just as good as anybody.

G: He is just as good, and....

HMJr: I hear Vincent Callahan was up there, because I tried to get him this morning.

G: Yes, he was there. He was in the Hall last night.

HMJr: Yes. Well, what was he doing?

G: Well, he had - he was there on other business, as a matter of fact. He wasn't responsible for....

HMJr: Well, I'm not going to say anything to anybody, but Rainey was there and he was supposed to be. Well, don't let's rehash the whole thing. Okay.

G: Well, I just wanted to tell you that I had - from people whose opinion I value, and - and they all thought it was very good. I'm now talking about your part of it.

HMJr: I know.

G: They didn't like the barbs either, and they could tell them over the air.

HMJr: Right.

G: You see, Davis did that right at the offset....

HMJr: Yeah.

G: ....and - but other than that, it was very good.

HMJr: Well, cheer up, we - we always can learn....

G: Right.

HMJr: ....and next time it just won't be.

G: That's right. Well, I will - I'll call you as soon as I know about the transcription.

HMJr: Thank you.

G: All right, sir.

April 13, 1943
9:20 a.m.

Ted Gamble: Hello.

HMJr: Ted, I was trying to get Callahan and he's not here....

G: Yes.

HMJr: He - was he supposed to come back?

G: Well, he - I don't think he was coming back until tonight, Mr. Secretary.

HMJr: All right. Now will you do this for me and do it right away?

G: Yes, sir.

HMJr: I'd like somebody, yourself preferred, to contact the Bell Telephone Company....

G: Yes, sir.

HMJr: ....and see what reports they got on my speech.

G: Yes, sir.

HMJr: That's No. 1.

G: Yes, sir.

HMJr: And No. 2, I know these - there - there are two different agencies which check and tell you how many people are supposed to listen....

G: Yes.

HMJr: ....you see?

G: Yes.

HMJr: I don't know what they call that.

G: The Crosley and....

HMJr: And the Hooper.

G: Yes, that's it.

HMJr: And I'd like to get that as promptly as possible.

G: Yes.

HMJr: Maybe the Bell Telephone - do you know Arthur Page?

G: I know him very well.

HMJr: Well, I wish you'd call him up yourself.

G: I'll call him myself.

HMJr: And I want to know what reports they get and could they find out from the Hooper and Crosley and let you know....

G: How many people listened.

HMJr: How many people listened....

G: Yes, sir.

HMJr: ....and what they get from their various places, you see?

G: Right.

HMJr: That I personally would like to know, see?

G: I'll get that information for you.

HMJr: If you please.

G: And the transcriptions are on their way here.

HMJr: It is?

G: Yes, they should be here in a few minutes.

HMJr: Oh, really?

G: Yes.

HMJr: Well, let me know.

G: I understand N.B.C. took one off the - of their system here....

HMJr: Well....

G: ....and they have one and they're sending it over.

HMJr: But let's find out what they get, and I want - just the unvarnished facts.

G: Yeah, I'll get that for you. Did you see the New York papers this morning?

HMJr: Very good.

G: The Times, I thought, was excellent.

HMJr: Excellent.

G: All right, sir. Goodbye.

April 13, 1943
10:04 a.m.

HMJr: Go ahead.

Operator: All right. There you are.

HMJr: Hello.

Donald Stauffer: Hello.

HMJr: Mr. Stauffer?

S: Hello, Mr. Morgenthau.

HMJr: Can you hear me?

S: Yes, I can.

HMJr: Did you hear me last night?

S: I certainly did, and I thought you did a wonderful job.

HMJr: You did?

S: I really did. I've talked to a number of people here today who heard you, and -- as a matter of fact, I feel a little embarrassed about saying this -- but everybody thought you did a magnificent job.

HMJr: Well, the reason - I - I don't - I want the truth is because the people in Carnegie Hall couldn't hear me.

S: They couldn't?

HMJr: And the thing, as far as the Hall went, was a - was a flop.

S: Are you sure about that?

HMJr: Yeah.

S: Well, now I haven't talked to anybody who was at the Hall....

HMJr: Yes.

S: ....but from every report that I have gotten here your talk outside was simply wonderful.

HMJr: Well, that's what I wanted to know, because as far as the people in the Hall went it was a flop.

S: Well, now what kind of a p.a. system did they have in the Hall?

HMJr: That was the trouble. It was no good.

S: The what?

HMJr: The - the loud - the p.a. - the public address system didn't function.

S: Was that tested before you went on?

HMJr: Well, that I don't know.

S: Well, of course, that should have been tested very carefully because a p.a. system - any good p.a. system you don't have to talk any more - any louder than you ordinarily do anywhere.

HMJr: Well, evidently it wasn't tested because the Treasury people there, they just couldn't get it.

S: Oh, well, that is just criminal.

HMJr: Yeah. Well, that's what I thought.

S: What - what report did you get about your speech from over the air?

HMJr: Well, the few people I've talked to have been very enthusiastic.

S: Yeah.

HMJr: And I've asked Gamble to get in touch with Arthur Page and to find out from the Bell Telephone System: one, what they've heard; and, two, about -- if they could -- how big an audience I had.

S: Yeah. Well, they - they can do that for you. As a matter of fact, it will probably take them - Crosley or Hooper to give you a check....

HMJr: Yes.

S: ....on that, probably within - oh, three or four days.

HMJr: Well, that's what I have asked them to do, but I was particularly anxious to speak to my coach.

S: Well, I honestly thought it was awfully good, and everybody that I have talked to who heard it on the air -- I didn't talk to anybody who was in the Hall....

HMJr: No.

S: ....thought it was swell.

HMJr: Good. Well, that's all I wanted to know, because I - I was quite uncertain about it, the whole thing. Because I just poured myself into that.

S: Well, as a matter of fact, that's one of the things that the people I talked to commented about. They said that - that you really seemed to feel what you were talking about.

HMJr: That's right. Well....

S: And here's one thing though, Mr. Morgenthau, I think that you ought - ought to have whoever is responsible for your speeches....

HMJr: Yes.

S: ....you ought to get to him and have him see to it that your p.a. system is checked very carefully.

HMJr: Well, it will be in the future, but it wasn't last night.

S: Well, that's a shame.

HMJr: Yeah.

S: Well, after all, your - your big job was - was not to those few thousand people there but to the millions who were listening to you outside.

HMJr: That's right. Well, thank you, but I - I just wanted to know how you felt and I knew you'd tell me.

S: Well, I thought it was simply swell.

HMJr: Okay.

S: Thank you, Mr. Morgenthau.

HMJr: Goodbye.

April 13, 1943
10:13 a.m.

Ted Gamble: ....have come over.

HMJr: They have?

G: Yes. And I talked to Mr. Page. He told me that it would be - would take them two weeks to get the Crosley reports and the Hooper's, but that normally their audience is 12 million people....

HMJr: Yes.

G: ....and that he would make some checks of his own today and advise us.

HMJr: Good.

G: And he seemed well pleased with everything that went on.

HMJr: And the thing is downstairs?

G: They're in my office. I'll send them down.

HMJr: Send them down, and I may go down a little later.

G: All right, sir.

HMJr: Thank you.

G: You bet.

April 13,
1943

Ted Gamble

Secretary Morgenthau

Please write a letter for me today, and get it to Mrs. Klotz not later than two o'clock, thanking Mr. Green and Mr. Murray for going on at Carnegie Hall, and also be enthusiastic in the letter about their speeches.

I also want to thank Mr. Parkinson of the Equitable Life.

And I want to write a letter to the leader of the band and thank him and the band for what they did.

Also, write letters to the Coast Guard quartette.

And I also want to write to Madeleine Carroll.

letters submitted 4/14/43

April 13,
1943

Ted Gamble

Secretary Morgenthau

Today is Tuesday - if you get those letters to me by Wednesday at two o'clock, it will be plenty of time.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 13, 1943.

TO Secretary Morgenthau

FROM Stuart Peabody S.P.

Several of us heard your talk here in Washington over the radio. We thought you gave it a splendid reading and it came over the air beautifully. Judging from the applause its reception must have been equally gratifying in Carnegie Hall.

April 13, 1943
11:15 a.m.

FINANCING

Present: Mr. Robbins
Mr. Gaston
Mr. Odegard
Mr. Peabody
Mr. Smith
Mr. Gamble
Mrs. Klotz

H.M.JR: Why I asked you gentlemen to come in here for a very few minutes is this: I have been able to get Mr. Smith to be loaned to us for as much as we need him during the drive.

What I want him to do, with the help of you people in the room, is to get the feel of what we are doing in public relations, which is his field.

I want him to have an opportunity to see everything that we are doing where we hit the public; and then after he has done that, Peabody, if you will take him in and see that he gets a chance - I don't know - if he wants to meet Dr. Likert, for instance, and this man I just sent down to Norfolk, I want him to meet - Waldman - who is back--

MR. PEABODY: He has a report.

H.M.JR: Which I won't be able to get, but I would like Mr. Smith to get. He went down to the Newport shipyards to make a report on buying of bonds.

On anything, Peter, where he can get the feel of where the Treasury touches the public, I want him to make recommendations - what does he like, and where does he think it is wrong. I don't care how set it is, if he thinks it is wrong - if it is wrong, we will change it if we agree on it, that is all.

That is the first - what can I do most to help for the next three weeks - particularly, where can I be of the most help. So if he can stay awake - he didn't get to bed until four--

MR. SMITH: I will try.

H.M.JR: And if you want to ask these people anything, I mean, where you want - where would you start him off?

MR. ROBBINS: Is he going to be directly tied to your office, sir, or to--

H.M.JR: Me, personally.

MR. ROBBINS: Where are you going to make your office?

MR. SMITH: I am not going to be here all the time. I am commuting.

H.M.JR: You take care of that, Mrs. Klotz.

MR. GAMBLE: I should think that Peter would be able to give him, probably, the best picture of the things that have gone on around here.

H.M.JR: Mrs. Klotz will fix you up with a room. The idea is, really, where can I be of the most use, and in doing that, he has got to know what War Bonds is doing - he has to know what it is doing.

MR. ROBBINS: Then you will take the initiative on coming to us, or you will--

MR. SMITH: I will come with Stuart.

MR. PEABODY: In the first place, he will have everything we planned - everything we are doing on this drive - and then I think, as Ted said, that Peter can probably give him a better all-over background than anybody.

MR. ODEGARD: I was just going to suggest, Mr. Secretary, if Mr. Smith is concerned with general Treasury public relations, of which the present drive and the War Savings program are merely parts, he ought to begin with Mr. Gaston, who certainly has been here longer and has his fingers closer to the pulse of what the Treasury has been doing in the last nine years.

H.M.JR: Well, he has got to get the whole Treasury thing, and Mr. Gaston urged me to get Mr. Smith to come down here, because just like - you take a look at the editorials in the Patterson papers this morning, and the Scripps-Howard last night - I mean, they try their damnedest to say something unkind about War Bonds because they are sore about taxes. So you can't - they don't want to disassociate me from one or the other, so you can't overlook it. Is that right?

MR. SMITH: That is right.

H.M.JR: It is the whole field. Where do the Treasury and I come in contact with the public - what can we do to improve the whole picture, and where can I for the next three weeks be of the most use? I think that is the whole story.

MR. ROBBINS: That is all right.

MR. GASTON: I would suggest that you just reverse what Peter suggested. I suggest he start in with Mr. Peabody and get a picture from him, then go to Peter and get a picture from him, and then come to me and I may put him in touch with Randolph Paul and one or two other people.

H.M.JR: I think he can start with Peabody. After all, they are both in the same profession. We won't be so damned polite about it. Start somewhere. (Laughter)

One little thing - I love to make suggestions, sometimes I get somewhere and sometimes I don't. My batting average isn't too good. (Laughter)

It is that kind of thing which we got out at the last minute with the help of the Advertising Council, which I think you could still do.

MR. PEABODY: We have got that in color, now, in the room - two colors.

H.M.JR: Really? That is for you. (Poster entitled "Right in Der Fuehrer's Face!" in New York Post, Monday, April 12, handed to Mr. Peabody.) Everybody is hungry for stuff.

MR. PEABODY: That is a good poster.

H.M.JR: That is about all. And then I will see you tonight, Smith, at seven-thirty.

MR. SMITH: Where?

H.M.JR: At my house.

MR. SMITH: All right.

H.M.JR: Sometime between two and three - those who weren't at Carnegie Hall and didn't hear the speech, I am going to play it sometime between two and three this afternoon. It is here - plus the OWI-White House movie. (Laughter) How is that?

MR. PEABODY: That is coming in today?

H.M.JR: Is that all right the way I put it?

MR. ROBBINS: I certainly want to see it.

H.M.JR: Is that all right, the way I put that?

MR. PEABODY: Yes, sir. (Laughter)

MR. ROBBINS: You mean the breeze on the White House porch? (Laughter)

H.M.JR: Between two and three.

MR. ROBBINS: I have heard just enough about it so I would almost crash that. (Laughter)

H.M.JR: These people got the President up to something.

MR. PEABODY: Certainly did. I told Bill, if I thought the circumstances would be what they were, you couldn't have gotten me within a hundred miles of Washington with wild horses, even to meet the President. (Laughter)

H.M.JR: Have you taken care of Steve Early?

MR. PEABODY: Yes, sir.

H.M.JR: The commendatory letter to Eugene Meyer?

MR. PEABODY: He called Early and wanted the President to give him a letter on a very splendid thing they did on Sunday for War Bonds. I don't know whether you saw it. They published a two-column article by a lieutenant colonel called "This is My America," or something like that; a very good inspirational job. Mr. Early referred it here, and I am now in the process of writing, for your signature, if you care to send it, a letter to Mr. Meyer.

H.M.JR: I am very glad that the White House is getting conscious of what the newspapers are doing.

May I compliment whoever did this, Peabody? I think that was excellent. (Indicating "The April Bond Basket" Guide in the New York Herald Tribune, dated April 12, 1943.)

MR. PEABODY: Yes, I think the Herald Tribune and our New York organization cooked this up, Mr. Secretary. We had not sent this out in this form from Washington. I think it was a job done up there, locally.

H.M.JR: I think that that could be used. When we get something good like that do we merchandise it?

MR. PEABODY: We send it right out.

MR. ROBBINS: That was done before by the Tribune in the December drive.

MR. PEABODY: That has the print of George Wanders on it, I would think.

H.M.JR: Is that all going - would something like that be used on the Hill?

MR. GAMBLE: We are not describing the securities.

MR. ROBBINS: We have the pamphlet.

H.M.JR: Couldn't you have that done on a big board so that they could get it? They want to know. I had to go all through - leave it with all the people, and Wright Patman - explain it to him.

MR. GAMBLE: All that information is given out - two hundred sets of material given out to all the people.

H.M.JR: But if you had a board so they could read it - think about it.

MR. GAMBLE: Frankly, I am against it, and I will tell you why. I think it is going to invite a lot of discussion on the quantity of the seven-eighths percents and other issues that you might not invite if you don't have this up there in this form.

H.M.JR: Tell Smith what we are doing tomorrow, and I hope he is here and will go up there with us. Get his reaction on that.

O.K.

FROM: MR. SCHWARZ'S OFFICE

TO: The Secretary

The Treasury Correspondents Association is asking if you will see a committee of five some time this afternoon to listen to their appeal for daily figures on the Bond drive. The press association representatives say they are being swamped by queries from their member papers asking for such information, that they would be satisfied with a total of daily telegraphic reports from the Federal Reserve districts. Callahan and I previously took up their request with Peabody, but I understand Dan Bell prefers to rely on the Daily Statement.

CD 4/13
12 noon

FROM: MR. SCHWARZ'S OFFICE

TO: The Secretary

Mr. Bell has agreed to receive a recommendation, from a publicity meeting scheduled for 2:30 o'clock this afternoon, on the subject of daily figures on the non-banking sales. It might be well to hold off the correspondents until he considers that recommendation.

4/13
1:20 pm

COPY

WAR SAVINGS STAFF
TREASURY DEPARTMENT
EXPENSES OF LOANS
RADIO SECTION

STRAIGHT WIRE

MR. MARK WOODS, PRESIDENT
THE BLUE NETWORK
30 ROCKEFELLER PLAZA
NEW YORK, NEW YORK

APRIL 13, 1943

ON BEHALF OF THE TREASURY DEPARTMENT I WANT TO THANK YOU, YOUR PERSONNEL AND ALL STATIONS AND ARTISTS AFFILIATED WITH THE BLUE NETWORK FOR THE OUTSTANDING RADIO PROMOTION OF YESTERDAY WHICH HELPED TO LAUNCH THE SECOND WAR LOAN. THE COOPERATIVE EFFORT AND INITIATIVE OF THE ENTIRE RADIO INDUSTRY IN MAKING RADIO DAY SUCH A TREMENDOUS SUCCESS IS MOST GRATIFYING AND DEEPLY APPRECIATED BY ME AND EVERYONE ASSOCIATED WITH THE TREASURY'S SECOND WAR LOAN DRIVE. RADIO HAS MADE AND I KNOW WILL CONTINUE TO MAKE A GREAT CONTRIBUTION TO OUR CAMPAIGN TO RAISE THIRTEEN BILLION DOLLARS TO HELP FINANCE THE WAR.

HENRY MORGENTHAU, JR.,
SECRETARY OF THE TREASURY

MLS:lt

COPY

WAR SAVINGS STAFF
TREASURY DEPARTMENT
EXPENSES OF LOANS
RADIO SECTION

STRAIGHT WIRE

APRIL 13, 1943.

MR. WILLIAM S. PALEY, PRESIDENT
COLUMBIA BROADCASTING SYSTEM
485 MADISON AVENUE
NEW YORK, NEW YORK.

THE COOPERATIVE EFFORT AND INGENUITY OF THE COLUMBIA BROADCASTING SYSTEM IN HELPING TO MAKE RADIO DAY SUCH A TREMENDOUS SUCCESS IS INDEED GRATIFYING TO ALL OF US IN THE TREASURY CONNECTED WITH THE 2ND WAR LOAN. ON BEHALF OF THE TREASURY, I WANT TO THANK AND EXPRESS OUR SINCERE APPRECIATION TO YOU, YOUR PERSONNEL AND ALL STATIONS AND ARTISTS AFFILIATED WITH THE COLUMBIA BROADCASTING SYSTEM. RADIO HAS MADE AND I KNOW WILL CONTINUE TO MAKE EVERY EFFORT TO HELP RAISE THIRTEEN BILLION DOLLARS TO HELP FINANCE THE WAR.

HENRY MORGENTHAU, JR.,
SECRETARY OF THE TREASURY.

MLS:lt

COPY

WAR SAVINGS STAFF
TREASURY DEPARTMENT
EXPENSES OF LOANS
RADIO SECTION

STRAIGHT WIRE

MR. MILLER MCCLINTOCK, PRESIDENT
MUTUAL BROADCASTING SYSTEM
1440 BROADWAY
NEW YORK, NEW YORK

APRIL 13, 1943

THE COOPERATION OF THE MUTUAL BROADCASTING SYSTEM YESTERDAY TO HELP MAKE RADIO DAY SUCH A TREMENDOUS SUCCESS IS MOST GRATIFYING TO ME AND EVERYONE IN THE TREASURY CONNECTED WITH THE SECOND WAR LOAN. I WISH TO THANK AND EXPRESS OUR SINCERE APPRECIATION TO YOU, YOUR PERSONNEL AND ALL STATIONS AND ARTISTS AFFILIATED WITH THE MUTUAL BROADCASTING SYSTEM FOR THE INGENUITY AND INITIATIVE USED TO PROMOTE THE SECOND WAR LOAN. I KNOW THAT YOU AND THE RADIO INDUSTRY AS A WHOLE WILL CONTINUE TO PROMOTE OUR CAMPAIGN TO HELP FINANCE THE WAR.

HENRY MORGENTHAU, JR.,
SECRETARY OF THE TREASURY

MLS:lt

COPY

WAR SAVINGS STAFF
TREASURY DEPARTMENT
EXPENSES OF LOANS
RADIO SECTION

STRAIGHT WIRE

APRIL 13, 1943.

THE TREMENDOUS SUCCESS OF RADIO DAY IS MOST GRATIFYING TO EVERYONE ASSOCIATED WITH THE TREASURY DEPARTMENT'S 2ND WAR LOAN DRIVE. I WISH TO CONGRATULATE AND EXPRESS OUR SINCERE APPRECIATION TO YOU, YOUR PERSONNEL AND ALL STATIONS AND ARTISTS AFFILIATED WITH THE NATIONAL BROADCASTING COMPANY FOR THE COOPERATION AND INITIATIVE DEMONSTRATED YESTERDAY TO HELP LAUNCH THE 2ND WAR LOAN. THE NATIONAL BROADCASTING COMPANY INDEED MADE A GREAT CONTRIBUTION, AND I KNOW THAT YOU AND RADIO AS A WHOLE WILL CONTINUE TO PROMOTE OUR CAMPAIGN TO HELP FINANCE THE WAR.

HENRY MORGENTHAU, JR
SECRETARY OF THE TREASURY

TO:
MR. NILES TRAMMEL, PRESIDENT
NATIONAL BROADCASTING COMPANY
30 ROCKEFELLER PLAZA
NEW YORK, NEW YORK.

April 13, 1943
2:20 p.m.

Operator: Go ahead.

HMJr: Hello.

Speaker Rayburn: Hello.

HMJr: Henry talking.

R: Yes, sir.

HMJr: You - you called....

R: Sam Rayburn of Texas.

HMJr: This is Morgenthau of Dutchess County, the home....

R: (Laughs) The apple grower.

HMJr: The home of the President.

R: The apple grower.

HMJr: Yes, sir!

R: Farmer Morgenthau.

HMJr: Right.

R: Well, I think everything's quiet on this part of the Potomac River today. It was a little heated down there Saturday for a few minutes, wasn't it?

HMJr: (Laughs)

R: That was the funniest thing. (Laughs)

HMJr: Wasn't that funny?

R: Well, I'm glad they got it out of their system where they had an audience.

HMJr: That's right.

R: Huh?

HMJr: They went back 12 years.

R: Damned if we didn't.

HMJr: That's right.

R: Henry?

HMJr: Yes, sir.

R: Did you find out anything about that Mexican money business?

HMJr: No, I gave a memo to Gaston, but I haven't got an answer yet.

R: Uh huh.

HMJr: But we're working on it.

R: All right. Well, old Sid Richardson down at Fort Worth was just saying that he'd heard - got an intimation they might cut the money off - I mean, cut the money off going into Mexico. And he's got some interests down there, and he wanted to know. Now another thing, some of the boys - or one or two of them on the Committee on Banking and Currency over here wondered what your reaction would be if Henry appointed himself or one or two to sit in with you sometime on this....

HMJr: Yeah.

R: ....on your discussions on this international bank thing.

HMJr: Well, they brought that up and I've been meaning to talk to Cordell Hull about it and I haven't. Could you wait a day or so?

R: Yup.

HMJr: What?

R: Yes, sir.

HMJr: And I'll speak to Cordell....

R: Any time.

HMJr: Because if I set the pattern, then....

R: Yeah.

HMJr: ....then it'll hit Cordell much harder than it hits me.

R: Yeah, yeah, yeah. Well, you - you talk to him and see if he has got any....

HMJr: I'll do it.

R: ....adverse reaction and you let me know.

HMJr: Now have you got anything else?

R: Not a thing, Henry.

HMJr: Because I've got something.

R: Yeah.

HMJr: After you and Martin exchanged courtesies yesterday, where do we go from here?

R: Well, I don't know. We're just sitting on the ball.

HMJr: Yeah.

R: I think we got it away from him yesterday, don't you?

HMJr: I kind of thought so.

R: I got the - the - the whole press was under that impression.

HMJr: Yeah.

R: The gallery up here. Well, we'll just wait them out a few days and see what they do.

HMJr: He - he can't get enough votes to discharge the Committee, can he?

R: Oh, hell, no!

HMJr: What?

R: Oh, hell, no!

HMJr: No.

R: No, he can't do that, in my opinion. I don't think he can get....

HMJr: No.

R: ....as many votes as he got on the other thing.

HMJr: I thought that was a good meeting here Saturday. Took those boys - we fed them orange juice until they got it out of their system. (Laughs)

R: (Laughs) Well, I think they'll both be better now.

HMJr: All right, Sam.

R: All right. Goodbye.

HMJr: Thank you.

April 13, 1943
2:32 p.m.

Operator: Go ahead.

HMJr: Hello.

Mayor LaGuardia: Hello, Henry.

HMJr: Hello, you banker, you.

L: How are you?

HMJr: I've - I've recovered.

L: You have? (Laughs)

HMJr: I've....

L: Yes.

HMJr: I wondered what's the word you used last night when you said you and I were the only something-or-other - I couldn't get it.

L: Well, I was giving a fancy name. That whole crowd was "agin" us, you know?

HMJr: You're telling me!

L: Oh, I thought you didn't know it. I don't think you and I had seven friends in there, unless it was a couple of the cops I brought with me.

HMJr: Well, I think that would be about all.

L: Yes. Say, Henry, what do you know about this fellow, Hanes?

HMJr: Hanes?

L: Yeah.

HMJr: Which one?

L: You had him for awhile.

HMJr: Uh....

L: He was Under Secretary, wasn't he?

HMJr: That's right. John W.?

L: That's the fellow, yes. Where did you get him?

HMJr: Where did I get him?

L: Yes.

HMJr: I got him from the S.E.C.

L: Is he a New Yorker?

HMJr: Yes and no. His home is at Winston-Salem, North Carolina, but....

L: Uh huh.

HMJr: ....but he's lived up in New York now for some time.

L: Is he any good?

HMJr: I think so.

L: Well, why - why did he leave you?

HMJr: Uh - (laughs) - so he could campaign for Willkie.

L: (Laughs) You certainly get hooked up with nice people, don't you?

HMJr: I mean - that's a slight exaggeration but that's what he did.

L: Uh huh.

HMJr: What's he....

L: You know, he's joined in the report with this fellow, Delos Walker....

HMJr: Yes.

L: ...and it's the craziest thing you ever saw. It's not honest at all, and I'm going to go after them.

HMJr: Did you appoint him?

L: No! Dewey did.

HMJr: To do what?

L: To find out - that was my reference last night....

HMJr: Oh.

L: ....to New York City. They said it was a ghost town, that we were through, that we were dead....

HMJr: Oh.

L: ....no future for us, you see.

HMJr: Oh, I understand.

L: And I'm - I'm going after them, so - so I wanted to get a line on him.

HMJr: Well, Hanes was - while he was here he was all right, but then when he left here he went awfully sour on Roosevelt.

L: Yes.

HMJr: And nobody was more bitter during the campaign against Roosevelt....

L: But....

HMJr: ....than he was.

L: ....how did you get him in the first place?

HMJr: I got him through the - they - he....

L: Oh, yes, you told me, the S.E.C.

HMJr: He was here with the S.E.C.

L: Yes.

HMJr: He's a very likeable fellow.

L: He is?

HMJr: Got a lot of charm....

L: Uh huh.

HMJr: ....and he's a - he's a fine person, but he'd made his success over there and he kept talking about getting capital and labor together, and I thought that he could help us here.

L: Yes.

HMJr: But....

L: Is he able?

HMJr: He's quite able.

L: He is able?

HMJr: Yes, he is.

L: Uh huh.

HMJr: He's not a good debater though....

L: Uh huh.

HMJr: ....if that's what you have in mind.

L: No, I wouldn't worry about that.

HMJr: No, he's not a good debater.

L: All right, thank you, Henry.

HMJr: Now that's just for you.

L: Yes, certainly.

HMJr: What?

L: Certainly....

HMJr: But....

L: Certainly, sure.

HMJr: But he was very bitter against Roosevelt.

L: Oh, yeah, that I knew.

HMJr: Yeah.

L: Yeah. Well, I'll - I'll get you that ?

HMJr: (Laughs) All right.

L: (Laughs)

HMJr: Goodbye.

L: Goodbye.

MEMORANDUM

TO: Secretary Morgenthau

April 13, 1943.

FROM: Mr. Surrey

Mr. Paul requested that I transmit the following information to you:

"There is one parliamentary possibility that should be kept in mind in connection with policy dealing with pay-as-you-go. It is that any bill may be withdrawn from consideration of the Committee to which it was referred and considered by the whole House after it has been in Committee 30 legislative days. The Forand-Robertson bill has been in the Ways and Means Committee 20 legislative days on Saturday, and would, therefore, be available for discharge by 218 signatures to a discharge petition on Thursday, April 22. It is that possibility which may have prompted Joe Martin to predict that there would be no Spring vacation starting April 22.

"I think it would be unfortunate for the Democrats if it transpired that Martin collects about 200 signatures for this discharge petition on the Republican side and then makes up the other necessary signatures out of the Democratic ranks. The bill would then be forced to the floor in spite of the Committee and would be open to amendment on the floor. Assuming that a good bill came out of the chaos, the Republicans would get all of the credit for it.

"I think the Secretary should be advised of this possibility and that he may wish to advise the President. John McCormack has the possibility in mind though he did not mention it at our conference."

4-16-43

Miss Chauncey

The Secretary gave this letter to Mr. Gaston and me to read. It is being returned for your files.

From: MR. SUMNER

April 13, 1943

Arthur Hays Sulzberger, Esq.,
New York Times,
New York, N. Y.

PERSONAL

Dear Mr. Sulzberger:

I recall a pleasant evening that some of us spent with you and Eddie Greenbaum a few years ago, in which I was much impressed by your desire to have the New York Times be as fair as possible. Having that in mind, I am writing to you about the manner in which in some of your editorials you have stated the facts concerning the position of the Treasury with respect to pay-as-you-go taxation. I am particularly interested because of what seems to have been inaccurate statements bearing on the conduct of Randolph Paul. He is generally regarded as the ablest, most experienced tax lawyer at the Bar. I can tell you that my colleagues on the bench heave a sigh of relief when they find that Mr. Paul, in one of his several text-books, has discussed a tax problem which has come before us for decision. As Judge Learned Hand said the other day, Paul, in his books, not only goes into every aspect of the question but he does so with a beautiful dispassionateness. That the United States, in so critical a period, should have in the Treasury a man so experienced, gifted and honest is something for which we ought to be deeply thankful. Paul has made very substantial financial sacrifices in serving the Treasury, and it happens that, had the Ruml Plan gone through for 1941 as originally proposed and opposed by him, it would have personally benefited him by some $35,000 or $40,000.

I shan't discuss the merits of the Ruml Plan or the desirability of a pay-as-you-go taxation method. I want merely to point out what seemed to me to have been important inaccuracies in your editorials.

1. In your editorial of April 2, 1943, you said: "Mr. Ruml suggested his pay-as-you-go plan last Summer. The Treasury then turned it down. Congress, following Treasury guidance, failed to consider it." The record shows that Mr. Ruml presented his plan to the Senate Finance Committee on July 27, 1942. He did so at the suggestion of the Treasury; he had been discussing the matter previously with Treasury officials; Mr. Paul has informed me that, after advising Mr. Ruml that the Treasury was not itself in favor of Mr. Paul's plan, he recommended to Mr. Ruml that he himself present the plan to the Finance Committee. Mr. Ruml did so. After careful consideration, the Finance Committee rejected the plan by a vote of 13 to

3. It cannot, therefore, be said that the Treasury has ever tried to prevent the Ruml Plan from having a full and fair hearing or that the plan did not have such a hearing.

3. This same editorial contained the following statement: ". . . the Treasury should have recognized last Summer the vital importance of the withholding tax. If it had done so, and had recommended such a tax to Congress, the tax could easily have been put into effect beginning on January 1 of this year." The implication is that the Treasury did not recommend the adoption of the withholding principle. This is in direct contradiction of the facts, facts which the Times has acknowledged in earlier editorials.

Recognizing the threat of inflation, the Treasury, as early as the Autumn of 1941, recommended the adoption of a 15 percent withholding tax. In an editorial on November 7, 1941, the Times characterized this proposal as "ideally suited to the needs of the moment," but expressed apprehension over the anti-inflation tax program already presented at that time: "It is necessary to put the brakes on inflation; but there is such a thing as jamming on the brakes so hard that the passengers go through the windshield."

In a statement to the House Ways and Means Committee on March 3, 1942, Secretary Morgenthau again emphasized the pressing need for collection at source, saying: "Because of the threat of inflation and because of large increases suggested throughout the existing rate scale, it becomes essential to afford a more convenient method for the payment of income taxes. The best available expedient for this purpose is a provision for collecting at the source for those incomes that are paid periodically including wages, salaries, bond interest, and dividends." The following day, the Times said editorially: "In the light of the heavily increased income taxes, Secretary Morgenthau's proposal for deduction of a part of the tax at the source is highly desirable." In an editorial of May 22, 1942, the Times commented favorably on "the Treasury's request for authority to deduct at the source up to 10 percent of wages, salaries and other things, as a means of collecting the new income taxes." That request was originally directed toward establishment of collection at the source by July 1, 1942.

During the course of the Revenue Bill of 1942, the Treasury repeatedly emphasized the importance of adopting a withholding plan for the income tax. I am told that in 1942 the Treasury staff conducted an extensive field investigation, interviewing nearly 500 employers and many employees with a view to devising the most acceptable scheme of collection at source. Until the Victory Tax was inserted into the Revenue Bill of 1942 by the Senate, the Bill contained a Treasury-endorsed provision for collection at source of the individual income tax at a rate of 5 percent in 1943 and 10 percent thereafter. Later, before the Senate Finance Committee, the Treasury suggested a 15 percent withholding rate, with a reduction of 1942 liabilities by 10 percentage points in order to facilitate the transition to this high rate, and I am told that this proposal lost only by the close vote of 10 to 9.

These are the facts. The record, including the Times columns, clearly shows that the Treasury, under the guidance of Mr. Paul, was in the vanguard of those who urged pay-as-you-go taxation by means of collection at source to make the income tax more effective in combating inflation and to adapt it more closely to the budgeting habits of millions of small income recipients.

3. The April 2 editorial states: "Even if that program [a withholding tax] had gone into effect, the Treasury would already have lost hundreds of millions of dollars by the delay." This statement is both ambiguous and misleading.

First, if the editorial means, that the Treasury will lose taxes through evasion, the figure of "hundreds of millions of dollars" is certainly exaggerated. As a matter of fact, the Treasury has called to the attention of Congress the probability of loss in collections if withholding should not be adopted.

Second, if the editorial refers to the difference between 1943 and 1942 liabilities on wages and salaries, it confuses a delay in collection with a failure to collect. The tax liabilities involved are the same whether or not they are collected at source.

Third, if the editorial considers the "withholding tax" as a separate tax which would impose new liabilities, it confuses the issue. The collection at source which the Treasury has recommended, and which the Congress has considered during 1942 and 1943, is not a separate tax, but rather a means of collecting the regular individual income tax.

4. The editorial states further: "Let us hope that the Treasury would then make a better job of the matter than it did before the House Ways and Means Committee in February. Let us hope that it would be more eager to present some constructive plan on its merits, and less eager to 'beat Ruml.'" Contrary to the implication of your statement, Mr. Paul's statement to the Ways and Means Committee on February 2, 1943, not only analyzed the payment problem, but also set forth the general principles to be followed in putting the income tax on a pay-as-you-go basis. In the midst of the confusion on "pay-as-you-go" taxation it was basically more constructive to develop and clearly outline the general principles against which any specific plan should be tested than it would have been merely to forward a set of technical proposals labeled "plan." The statement specifically supported collection at source as a means of putting wage and salary recipients on a pay-as-you-go basis and suggested simplified quarterly income statements as the basis for current collection from recipients of non-wage incomes.

It was emphasized that the problem of transition to a pay-as-you-go system could not be considered apart from our over-all revenue needs. Mr. Paul, in his statement of February 2, 1943, said: "It seems more equitable to collect at least to a substantial degree the tax

liabilities which have been imposed by past legislation than to forgive a year's liability and raise the additional revenue by increases in rates." He noted, however, that some discount or a certain amount of forgiveness might be desirable to avoid hardship. In the course of the Ways and Means Committee executive sessions, the Treasury indicated which of the plans before the Committee conformed to the basic principles outlined by Mr. Paul.

5. The editorial refers to "the Treasury suggestion to apply the Ruml Plan to 90 percent of the taxpayers." This reference apparently applies to the so-called Robertson proposal to cancel 1942 liability to the extent of 6 percent of normal tax net income and 13 percent of surtax net income. This proposal would apply, not just to 90 percent, but to all taxpayers. Although this plan has often been attributed to the Treasury, Mr. Paul's testimony before the Ways and Means Committee makes it entirely clear that the plan was not advocated by the Treasury. I am reliably informed that the Treasury stated its preference for another plan (the first Doughton plan) in executive sessions of the Ways and Means Committee, although it did also state its preference for the Robertson plan as against the Ruml plan.

Your editorials have emphasized that the Treasury has opposed the Ruml plan because it would "wipe out ten billions of 'Treasury Assets,'" and have consistently ignored the chief basis of Treasury opposition to the Ruml plan tax-forgiveness -- namely, its bad effect on the distribution of tax burdens. The Treasury has not argued that the Ruml plan would reduce current receipts. It has stated, through Mr. Paul, that if 1942 income goes tax-free, if individuals pay four years' taxes instead of five, nine instead of ten, and so on, an eventual revenue loss is inevitable because no taxpayer lives forever -- unless tax rates are increased to make up the difference. Mr. Paul has plainly said (1) that it will be necessary to increase taxes to make up this difference and (2) that, since tax rate increases will of necessity fall mainly on the middle and lower income groups, and (3) since the Ruml plan confers a disproportionately high benefit on the high income groups, (4) the Ruml plan would effect a redistribution of tax burdens which ~~that~~ directly violates the principle of ability to pay.

Since there appears to be so much confusion about the Treasury's position on pay-as-you-go taxation (see, for exampoe, your editorial of April 8), you may find it profitable to re-examine Randolph Paul's statement to the Ways and Means Committee on February 2, 1943. In this, the opening statement before the Committee, Paul presents the findings of the Treasury's studies on pay-as-you-go taxation. He makes no specific recommendations but confines himself to describing the defects of the present payment system and stressing the need for and describing in detail the requirements of an adequate pay-as-you-go tax plan. In addition, he discusses the problem of transition to pay-as-you-go taxation. You will find in that statement a dispassionate examination of the Ruml plan, and partial forgiveness plans, of the plan to collect simultaneously 1942 and 1943 taxes, and of the plan to

spread 1942 taxes over a period of years. Paul concludes his statement with a summary of the issues and "the best judgment of the Treasury as to their solution." As I re-examine this statement in the light of what has occurred since February 2, I am impressed with its objectivenessand comprehensiveness.

This letter is not for publication or quotation. I do hope that it will lead to a face-to-face discussion between you and Mr. Paul in the near future. If you arrange such a discussion, perhaps you'll let me be present.

Sincerely,

Jerome N. Frank

OFFICE OF WAR INFORMATION

WASHINGTON

OFFICE OF THE DIRECTOR

April 13, 1943

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

Dear Mr. Morgenthau:

Mr. James Rogers of this Office would like to talk to you about some information which he feels would contribute to the informative quality of my broadcast next Friday night. I should appreciate it if you would receive him and give him such information as you may find possible.

Cordially,

Elmer Davis

Elmer Davis
Director

Saw Rogers 4/14/43.

OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

SECRET

April 13, 1943

MEMORANDUM TO THE SECRETARY:

There is submitted herewith the operating report of Lend-Lease purchases for the week ended April 10, 1943.

A plan to develop an inventory control system is now in process with the objective of providing the greatest flexibility in the handling of Lend-Lease supplies. I shall keep you advised as to further developments.

Clifton E. Mack
Director of Procurement

SECRET

LEND-LEASE
TREASURY DEPARTMENT, PROCUREMENT DIVISION
STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
AS OF APRIL 10, 1943
(In Millions of Dollars)

	Total	U. K.	Russia	China	Administrative Expenses	Miscellaneous & Undistributed
Allocations	$2925.6 (2925.6)	$1545.7 (1545.7)	$1066.6 (1066.6)	$103.4 (103.4)	$6.1 (6.1)	$203.8 (203.8)
Purchase Authorizations (Requisitions)	$2390.1 (2362.8)	$1371.5 (1347.5)	$ 917.1 (916.6)	$ 41.8 (41.7)	- -	$ 59.7 (57.0)
Requisitions Cleared for Purchase	$2282.6 (2257.4)	$1305.8 (1291.9)	$ 880.5 (870.6)	$ 41.7 (41.6)	- -	$ 54.6 (53.3)
Obligations (Purchases)	$2223.2 (2198.9)	$1290.2 (1272.7)	$ 838.7 (833.9)	$ 41.2 (41.1)	$4.8 (4.6)	$ 48.3 (46.6)
Deliveries to Foreign Governments at U. S. Ports*	$ 983.6 (965.6)	$ 731.1 (724.4)	$ 224.1 (213.7)	$ 17.5 (17.0)	- -	$ 10.9 (10.5)

*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 April 3, 1943.

Treasury Department
Division of Monetary Research

Date April 13, 1943 194

To: Miss Chauncey

The Secretary inquired, with regard to the attached clipping: "What is the answer"?

L. Shanahan

MR. WHITE
Branch 2058 - Room 214½

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 13, 1943

TO Secretary Morgenthau

FROM Mr. White HDW

Subject: British Repayment of Belgium Gold

1. We were not advised of the repayment by Britain of the gold borrowed from Belgium until almost a month after it had been done.

The first indication we had of this repayment was a sentence in the regular monthly report we received from the British giving their gold and dollar holdings in March. The statement was made in this letter "You will remember that the Belgium gold was paid off on March 9th".

This is the only official word we have had on this matter.

BELGIAN GOLD AIDED BRITAIN TO SURVIVE

Loan in March, 1941, Helped to Tide Over Period Before Lend-Lease Operated

PURCHASED U.S. MATERIALS

Belgium's Finance Minister Relates Episode—Money Subsequently Repaid

By MILTON BRACKER

Wireless to THE NEW YORK TIMES.

LONDON, April 10—How Belgium lent Britain 3,000,000 ounces of gold in March, 1941, to help pay for vitally needed war materials was revealed tonight in a radio broadcast to the occupied homeland by Camille Gutt, Belgian Minister of Finance.

M. Gut described the tense meeting between himself and Sir Kingsley Wood, Chancellor of the Exchequer, in the British Treasury Office which, "as if by chance had been spared by bombs."

"I shall always remember that short, poignant conversation," he added. "It was an interview between two men placed by destiny at that particular moment at one of the turning points of the war."

Britain had bled herself white to pay for war materials ordered from the United States, he declared. She had used to that end not only her gold but also a large part of her foreign investments. When the financial effort of Britain during the war can be made known in its entirety, it will arouse admiration, M. Gutt said.

At a time when American opinion was being stirred by Britain's effort, but with the Lend-Lease Act before Congress and an indefinite number of days lying ahead before its passage, there grew up the risk that deliveries might be stopped if Britain could not obtain gold.

So the mightiest of the Allies at that time asked one of the tiniest nations to help with the equivalent of 3,000,000,000 francs. The Belgian Council of Ministers unanimously approved the loan, M. Gutt went on. He asserted:

"We were proud to show once again by an unmistakable gesture the solidarity with which we were united to Britain in the struggle she was maintaining at that time practically alone, against our common enemies; proud, too, that we were able to give our help in this way because, in other respects, tragic circumstances had reduced the part that we could play."

M. Gutt explained that the gold had been removed from Belgium before the German invasion, two-thirds going to America and to the British Empire. But the other third, he charged, was "stolen by the Vichy Government and handed over to Germany." The Belgian National Bank then started proceedings in New York to obtain a writ of attachment equal in amount against the gold held by the Banque de France in the United States.

M. Gutt said Britain had since repaid the Belgian loan in full.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau April 13, 1943

FROM Frances McCathran

CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Tax: Pay-As-You-Go - Yesterday's developments on the "tax front" appear to have ended temporarily in another stalemate. By a vote of 16 to 9, the House Ways and Means Committee tabled a motion made by Representative Daniel A. Reed to reopen consideration of pay-as-you-go tax legislation as soon as Secretary of State Hull concluded his testimony on the Reciprocal Trades Act. Only Republican member to vote against the motion was Representative Gearhart. Whether Republican committee members are planning another maneuver to force immediate action on the pay-as-you-go tax issue is not certain, however. After yesterday's committee vote turning down Representative Reed's motion in favor of considering their present program, Representative Jenkins observed that "the Committee was not called together to decide on a date for opening of the Reciprocal Trade hearing" and thus a point of order could be raised on the grounds that these hearings were not properly called. Later in the day Representative Doughton said on the floor of the House that, since both the Ways and Means Plan and the Ruml Plan contained "identical provisions as to a withholding tax, which seems to be what the country is most concerned with at this time," he would introduce a simple withholding tax bill, shorn of any question of forgiveness, "if the leadership of both parties will agree." Both House Democratic Leader McCormack and Speaker Rayburn promptly indorsed the proposal as an "effective stab at inflation." Representative Disney also urged House acceptance in view of the fact that the Treasury Department, which must print and distribute some 200,000,000 blanks, would need to begin about May 1 in order to get the job done in time for a withholding levy by the first of July, according to Commissioner of Internal Revenue Helvering's estimates. But Republican Leader Martin engaged in a bitter verbal battle with Chairman Doughton over the latter's suggestion. According to Martin, Representative Doughton simply "wants to pass that

part of the legislation which he is in favor of and leave the rest of the legislation which the country is demanding." Martin also indicated later that unless the Ways and Means Committee changes its position in the next few days he will initiate a discharge petition to relieve them of all further consideration of the matter. This would require a majority vote of 218, which Republicans claim they could muster, but since such legislation, according to House procedure, can only be acted upon on the second and fourth Mondays of each month, April 26 would be the earliest possible date for House action, even if the petition obtained the necessary signatures. In House debate yesterday, Representative Jenkins also differed with the basic principle of the Doughton proposal, asserting that he and others did not favor a withholding tax in intself but only if it were accompanied by certain other provisions. Meanwhile, Representative Forand is expected to attempt to poll House sentiment by letter on its willingness to consider his compromise plan under a rule barring amendments. Republicans are said to be favoring reconsideration of the Forand Plan as a strategy for returning the tax issue to the floor after which they would move that the Carlson-Ruml Plan be substituted.

2. Reciprocal Trade Agreements - Secretary Hull, after warning the House Ways and Means Committee that repudiation of the Reciprocal Trade Agreements Act now would indicate that "this country, which in war, is bearing its full responsibility, will not do so in peace," came in for cross-fire from Republican members yesterday. However, no serious opposition is expected to develop to continuation of the policy. Republican amendments reportedly most likely to secure acceptance would grant Congress veto power over agreements made, and would limit the extension of the authority under the act to less than the previous three-year periods.

NOT TO BE RE-TRANSMITTED

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 121

Information received up to 7 A.M., 13th April, 1943.

1. NAVAL

A Greek submarine while on patrol in the AEGEAN sank a 1,000 ton ship and a 1,200 ton Italian auxiliary patrol vessel. Photographic reconnaissance of LA MADDALENA shows that the Italian Cruiser TRIESTE is sunk and the GORIZIA is damaged. A homeward bound convoy was attacked 800 miles west of IRELAND yesterday and 3 ships torpedoed of which one is beyond salvage. Liberators attacked 2 U-boats in the vicinity.

2. MILITARY

TUNISIA. To 6 P.M. 12th. 8th Army. SOUSSE occupied 8 a.m. No further details. Our armoured forces advancing northwards from EL DJEM had by last light 11th reached a line from east of DJEMMAL to within 8 miles east of KAIROUAN where contact was made with patrols of the 1st Army. The advance was slowed down by demolition mines and difficult country. Contact with the enemy was not regained until last night when 19 enemy tanks were encountered northeast of DJEMMAL. On the 12th our patrols further advanced to a line HAMMAM-SOUSSE to 8 miles east of KAIROUAN.

2nd. U.S. Corps. Clearing of battlefields continued. 1st U.S. Armoured Division remain concentrated in SBEITLA-FAID area.

1st Army. 9th Corps. Advancing on KAIROUAN our armoured forces found the place in flames. After occupying the city they turned north and reached SBIKHA. During this advance 25 enemy tanks were engaged 10 miles northwest of KAIROUAN some of which were destroyed, the remainder withdrew. About 660 prisoners were taken. On the 12th prisoners were still coming in and our Armoured forces had reached a position 2,000 yards north of SBIKHA where they were delayed by minefields though no resistance encountered. Contact was established with 8th Army and the French. 5th Corps. The advance north eastwards in the Northern Sector has continued. After an enemy withdrawal a position was reached astride the BEJAMATOUR Road about 2 miles west of Station DE NOIR (17 miles south west of MATEUR). In the French sector the eastward movement continues.

BURMA. On the ARAKAN front an attempt by the enemy to block the coastal road north of KYAUKPANDU with small parties who had infiltrated through the hills from the east on the 8th had been unsuccessful and our forces have continued their withdrawal in the direction of MAUNGDAW.

RUSSIA. 12th. No substantial changes. In the VOLKOV area and south of BALAKLEYA German attacks in considerable strength were beaten off.

3. AIR OPERATIONS

TUNISIA. 10th. 18 U.S. Mitchells attacked the landing ground and N.T. at ENFIDAVILLE. 10th/11th. 35 Wellingtons attacked MENZEL TEMIME landing ground (45 miles east of TUNIS). 11th. Fortresses bombed TUNIS Harbour and hit a large ship.

SICILIAN CHANNEL. 11th. Lightnings destroyed 31 enemy aircraft including 25 transport type, 4 Lightnings missing. 11th/12th. A Wellington torpedoed and sank a ship of about 4,000 tons off PALERMO. Naval Albacores probably sank a 7,000 ton ship off MARSALA.

ITALY AND SICILY. 10th. 13 U.S. Liberators dropped 26 tons on NAPLES docks. 10th/11th. 6 Liberators dropped 16 tons in Harbour area PALERMO. 11th. Fortresses bombed MARSALA and TRAPANI hitting a small freighter and 3 ships. 12th. 8 Spitfires carrying bombs successfully attacked the railway and factory buildings at POZZALLO.

(Classification)

..... ENCLOSURES 52

COPY NO. ..... (For Record Section only)

MILITARY INTELLIGENCE DIVISION W. D. G. S.

MILITARY ATTACHE REPORT

FINANCIAL STABILITY, AS OBSERVED IN FINLAND (Country report on)

Subject COMPULSORY LOAN. (Brief descriptive title) I. G. No. 725

From M. A. Helsinki Report No. ..... Date april 13, 1943.

Source and degree of reliability: "Aftonbladet", Helsinki, april 6 and 7, 1943.

A - 2.

SUMMARY.—Here enter careful summary of report, containing substance succinctly stated; include important facts, names, places, dates, etc.

1. War expenditures 1942 approximately Fmks. [illegible] billion
   Civil " " " [illegible] "
   Total " " 20.5-22 "

2. Income from taxes 1940 Fmks. [illegible] "
   " " " 1941 10.3 "
   " " " 1942 13. "
   Est." " " 1943 14. "

3. Total indebtedness March 31, 1943 Fmks. [illegible] "
   Indebtedness to Bank of Finland 16.3 "

4. In 1943 roughly 6 billions of internal loans were floated.

5. Estimated expenditures in 1943 Fmks. 27-28. "
   Estimated revenues " " 18. "
   " loans " " 6. "
   Deficit 4. "
   Note circulation still increasing.

6. Inconsiderable increase in cost of living for the period September, 1942 - March 1943.

7. Planned compulsory loan of 3% of taxable property as of December 31, 1942 to be repaid after 4 years and paying 3-1/2% interest annually.

Distribution by originator .....

Routing space below for use in M. I. D. The section indicating the distribution will place a check mark in the lower part of the recipients' box in case one copy only is to go to him, or will indicate the number of copies in case more than one should be sent. The message center of the Intelligence Branch will draw a circle around the box of the recipient to which the particular copy is to go.

GHQ	G-1	G-2	G-4	WPD	ONI	State	Comm.	Trans.	F. B. I.	A. W. C.	C. & G. S. S.	Ind. Coll.	Export Control
					3	2	x	x					

A. C. of S. G-2	Chief IB	MA Sec.	FL Sec.	Rec. Sec.	Trans. Sec.	CIB	SSG	P. and T.	Inf. Cont.	Coord. Sec.	OLLA	Tank Center	Coord. of Inf.
				x									

Air	BE	CE	SE	EE	WE	FE	LA	Sit.	Cont.	Dissem.	Field Pers.			ASW	USW	ASWA
				2												

CHIEFS OF ARMS AND SERVICES

Inf.	Cav.	FA	CAC	AC	AAF	Sig.	Armd.	Ord.	QM	CWS	Med.	Engr.	Fin.

Attaché at	CG Phil.	CG Pan.	CG Haw.							

Enclosures:

(Classification)

20-15954
WAR DEPARTMENT
O. C. S. 17 (Rev.)

Financial Stability, War Expenses and Planned Compulsory Loan.

This report supplements report No. 625-5000 ("Financial Stability and War Expenses"). V. Tanner, Minister of Finance, held a speech at a meeting of the Economic Council, in which he characterized the trend of Government expenses during the past and present year as follows:

1. Expenditures show a growing tendency. In 1941 the total expenses were 26.1-27 billion Finnmarks, whereof war expenditure was roughly 19 billions or 1.6 billions monthly. In January 1942, the monthly amount was highest, or 1.37 billions, and then war expenditures dropped gradually until the end of the year when they rose again only to payments for war materials. The civil expenses amounted to [illegible] of 8 billions yearly, but will increase to about 500 millions this year, on account of higher salaries to Government workers and interest on the bonds issued to cover war damages.

2. Taxes and other revenues showed a considerable increase. In 1940 the taxes yielded 9.8 billions, in 1941 10.3 billions and in 1942 over 12 billions. In comparison with the previous year, the income and property tax rose in 1942 from 1.79 billions to 3.2 billions, the inheritance tax from 1.6 billions to 2.5 billions, and the excess profits tax from 200 millions to 900 millions. The new taxes introduced last year yielded in the autumn 400 millions. Considering the extra profits, for to be levied this year, it may be assumed that the taxes will yield altogether at least 14 billions in 1943. Also other items of revenue show an increase; for example the revenue of state railways rose from 590 millions in 1941 to 670 millions in 1942, and the Government forests from 150 millions to about 200 millions. In 1942 the ordinary revenues were about 17 billions or 60% of the ordinary expenditures, in 1941 52% and in 1940 [illegible]. In 1943 the ordinary revenues may be estimated to reach at least 19 billions.

3. Government indebtedness increased in 1942 approximately as much as during the two preceding years, viz., by about 9.5 billions, as 4 billions during the first two quarters and 5.5 billions during the last two quarters. Of this amount about 3.9 billions were borrowed from the Bank of Finland (apparently against short-term treasury bills), while the amount during the two preceding years was about 5 billions in each year. In 1943 about 2.3 billions were borrowed during the first two quarters and 1.5 billions during the last two quarters so that an improvement in this respect is noticeable. During the first quarter of 1943 the total indebtedness has increased from 30.6 billions at the end of 1942 to 40 billions and the indebtedness to the Bank of Finland from 14.6 billions to 16.3 billions; this relatively large borrowing was necessary, because revenues from taxes were low in February and March. Since taxes will increase beginning with April, the borrowing from the Bank of Finland will decrease.

4. This borrowing was caused by the insufficient flotation of island loans. In 1942 roughly 6 billions were floated, but 3.5 billions were taken up by banks, savings banks, insurance companies, etc., so that only a comparatively insignificant amount was subscribed by the public at large. In 1943 550 millions of 4% and 5% Government stock have been taken up by savings banks and insurance companies. These figures show that a reduction of the purchasing power of the population, which is a vital element in the maintenance of the stability of the Finnmark, has not been attained in the desired degree.

5. If the current year the war expenditures may be estimated at

From: M/A., Helsinki, Finland. Report No. 725. Date: April 13, 1943.

Financial Stability, War Expenses and Planned Compulsory Loan.

10-12 billions and the ordinary expenditures at 9-10 billions altogether 27-30 billions. As said before, the ordinary revenues may be expected to yield 19 billions and it may be assumed that loans will yield the same amount as in 1942, viz., 6 billions, so that there remains a deficit of 4 billions, or approximately the same amount which was borrowed from the Bank of Finland during the preceding year. The growth of notes in circulation shows an unfavorable tendency. From 7.6 billions at the beginning of 1942 it increased to 9.6 billions at the end of the year, while accounts current in the private banks increased from 6 to 7.2 billions during the same period. At the end of March 1943, the note circulation was 10.2 billions and the accounts current amounted to 7.7 billions. The measures adopted up to the present have not been able to check the note circulation to a desirable extent.

6. A more favorable picture is presented by the development of prices and wages. After the adoption of the financial program last year, the increase in prices has been retarded perceptibly. The index of living costs rose from 150 to 181 during 1942, or by 20%. From August 1939 to the end of 1942 the increase was 91%, or an average of 2% monthly. During the last four months of 1942 the monthly increase was only 0.5%. During the first quarter of 1943 the increase has been 3%, which is due not to increasing living costs, but to increasing taxes. Also the increase in wholesale prices during the last four months of 1942 rose inconsiderably, from 259 to 261, while the index of the value of industrial shares dropped from 332 to 293. As long as the prices for necessaries of life can be kept on the present level, there will be no need for an increase in wages. In spite of the favorable development of the past months, it is too early to assert that the measures adopted hitherto will prove an effective check on inflation. It is, however, evident that a balancing of the budget will have to be effected by other means than a further increase in rates and taxes.

7. For this reason the Economic Council suggested that a compulsory war loan be floated, to comprise 5% of the property declared as taxable on December 31, 1942, to be levied either in cash or in Government bonds. Property below 100,000 Finnmarks will be exempted, and likewise a deduction of 50,000 Finnmarks will be made from property exceeding 100,000. The loan will be redeemed after 4 years and a 3-1/2% interest will be refunded at redemption. It is calculated that the loan will yield at least 3 billions.

The Economic Council believes that the increased forest tax introduced last year should be also levied this year, which would yield about [illegible] billions, and that the tax on cinema tickets be increased from 20-30% to 40-60%, which would yield about 40 millions. It is also suggested that insurance for lost property, which cannot be replaced immediately, such as lost ships, should be retained by the Government so as to prevent the acquisition of other real estate, which would have an inflating effect. It is furthermore recommended that 40% of the excess profits tax be invested in a compulsory loan, to be repaid without interest after the war, and that the Bank of Finland be induced to sell its considerable holdings of shares of industrial undertakings.

x x x

HAGE DANIELS,
Lieut.Colonel, G.S.C.
Military Attache.

From: M/A., Helsinki, Finland. Report No. 725. Date: April 13, 1943.

(Classification)

..... Enclosures

Copy No. .....
(For Record Section only)

MILITARY INTELLIGENCE DIVISION W. D. G. S.

Military Attache Report SPAIN
(Country reported on)

Subject National Wealth (Brief descriptive title) I. G. No. 5000

From M. A. Madrid Report No. 8061 Date April 22, 1943

Source and degree of reliability:
Madrid newspaper "ARRIBA"
C-3

Summary.—Here enter careful summary of report, containing substance succinctly stated; include important facts, names, places, dates, etc.

Report contains a table showing the Spanish wealth in 1941, as compared with computations made in 1919, 1935 and 1940.

Distribution by originator C.G.E.T.O., London.

Routing space below for use in M. I. D. The section indicating the distribution will place a check mark in the lower part of the recipients' box in case one copy only is to go to him, or will indicate the number of copies in case more than one should be sent. The message center of the Intelligence Branch will draw a circle around the box of the recipient to which the particular copy is to go.

GHQ	G-1	G-2	G-4	WPD	ONI 3	State	Comm. 1	Treas. 1	F. B. I.	A. W. C.	C. & G. R. S.	Ind. Coll.	Export Control
A. C. of S. G-2	Chief IB	MA Sec.	FL Sec.	Rec. Sec. /	Trans. Sec.	CIB	SSO	F. and T.	Inf. Cont.	Coord. Sec.	OLLA	Tank Center	Coord. of Inf.
Air	BE	CE	SE	EE	WE 3	FE	LA	Sit.	Cont.	Dissem.	Field Pers.	ASW /	USW /	ASWA
CHIEFS OF ARMS AND SERVICES														
Inf.	Cav.	FA	CAC	AC	AAF	Sig.	Armd.	Ord.	QM	CWS	Med.	Engr.	Fin.
Attaché at	CG Phil.	CG Pan.	CG Haw.										

Enclosures:

28-15954
WAR DEPARTMENT

5000

The daily Madrid paper "ARRIBA" of April 13, 1943 published a table of the national wealth, as taken from the "Anuario Financiero" recently published by Sr. Guillermo Ibáñez. While this evaluation of Spanish wealth appears to be pretty accurate, it has no other guarantee than the personal reputation of the financial expert who compiled it from a number of sources, including official statistics. An extract of the above referred to table is as follows:

	MILLIONS OF PESETAS			
	1919	1935	1940	1941
Agricultural wealth	124,620	148,600	182,000	200,000
Live stock	5,000	12,000	25,000	30,000
Urban real estate	33,200	40,900	35,000	76,000
Mines	6,500	7,500	8,000	8,000
Forestry and game	600	660	750	750
Fishing and canning industries	1,000	1,140	2,500	2,500
Industrial wealth (Limited companies not included) ...	5,500	8,400	8,800	9,500
Foreign trade	3,000	4,000	2,500	2,500
Interior trade	7,500	9,400	9,600	9,000
Limited companies (stock)	16,000	27,000	23,383	25,000
Public Debt	11,926	22,102	29,809	28,934
Municipal and other local debt	-	-	3,100	2,900
Foreign investments by Spaniards	2,500	2,500	2,500	2,500
Gold in the Bank of Spain (Reserves)	2,508	2,536	-	-
Silver in the Bank of Spain (Reserves)	617	688	-	-
Silver in circulation	352	350	-	-
Jewelry (trade and individuals)	500	820	900	1,050
Totals	221,323	288,596	333,842	398,634

COMMENTS:-

Due to the decrease in purchasing value of the peseta during the last few years, particularly since the World War began, the national wealth as regards certain of the above items has considerably swollen. However, it is expected that when the war is over, prices of real estate, live stock, etc. will experience considerable reduction.

For and in the absence of the Military Attaché.

F.D. STEPHENS,
Lieutenant Colonel, MIS.,
Asst. Military Attaché.

From: M. A., Madrid Report No. 8061 April 21, 1943.

(Classification)

Enclosures
Copy No. ..... (For Record Section only)

MILITARY INTELLIGENCE DIVISION W. D. G. S.

MILITARY ATTACHE REPORT

FINLAND (Country reported on)

Subject: BANKING IN MARCH 1943. (Brief descriptive title) I. G. No. 5060

From M. A.: Helsinki Report No.: 724 Date: April 13, 1943.

Source and degree of reliability: "Uusi Suomi", Helsinki, April 9, 1943, and "Hufvudstadsbladet", Helsinki, April 12, 1943.

B - 3.

SUMMARY.—Here enter careful summary of report, containing substance succinctly stated; include important facts, names, places, dates, etc.

1. Deposits in Finnish private banks increased during March by 856 million Finnmarks to 19.5 billions, which exceeded the outstanding credits (12.9 billions) by 6.6 billions. The bond holdings decreased by 40.7 millions to 6.3 billions, while cash on hand increased by 667.6 millions to 2 billions. Credits increased by 139 millions to 12.9 billions. The liquid assets of the commercial banks totaling 8 billions on March 31 represented 35% of the grand total of their balance sheets, which was 22.9 billions.

2. The "Hufvudstadsbladet" points out in an editorial that credits granted during the first quarter were about 50 millions lower than during the corresponding period a year ago. Under normal conditions, credits are required in March for forestry work which apparently is insignificant this year. Although large sums will be required in April for the extraordinary property tax, it appears that the liquid assets of the private banks are sufficient for this purpose and, generally speaking, the position of the banks is comparatively favorable and should enable them to meet all future demands.

x x x

AAGE HOLDIN,
Lieut.Colonel, G.S.C.,
Military Attache.

Distribution by originator .....

Routing space below for use in M. I. D. The section indicating the distribution will place a check mark in the lower part of the recipients' box in case one copy only is to go to him, or will indicate the number of copies in case more than one should be sent. The message center of the Intelligence Branch will draw a circle around the box of the recipient to which the particular copy is to go.

OHQ	G-1	G-2	G-4	WPD	ONI	State	Comm.	Treas.	F. B. I.	A. W. C.	C. & G. S. S.	Inf. Coll.	Report Control				
					3	2	x	x									
A. C. of S. G-2	Chief IB	MA Sec.	FL Sec.	Rec. Sec.	Trans. Sec.	CIB	SSO	[illegible]	Inf. Coll.	Coord. Sec.	OLLA	Tank Center	Coord. of Inf.				
				x													
AF	SR	CE	SS	XE	WS	FE	LA	Sz.	Cent.	Dissem.	Field Pers.			AEW	USW	ANWA	
				2													
CHIEFS OF ARMS AND SERVICES																	
Inf.	Cav.	FA	CAC	AC	AAF	Sig.	Armd.	Ord.	QM	CWS	Med.	Engr.	Fin.				
Attached at		CG Fld.	CG Pac.	CG Haw.													

Enclosures:

April 14, 1943
9:20 a.m.

INTERNATIONAL STABILIZATION

Present: Mr. Bell
Mr. White
Mr. Thompson
Mr. O'Connell
Mr. Speck
Mrs. Klotz

H.M.JR: We have this thing that happens on the Hill. The Speaker says in Banking and Currency they are wondering about having this Andresen thing. Andresen introduced a bill in which he said he wanted observers on our monetary conference.

MR. O'CONNELL: I never heard of it.

MR. SPECK: I have seen this thing. I am sure that was included in one of the excerpts that we prepared.

H.M.JR: I can't read that stuff. Somebody has got to take enough interest to say, "All right, find out what Mr. Morgenthau wants to do about a thing like this." This thing happens to be important because it depends upon - I can't function on that thing without finding out from Mr. Hull because if we have an observer it means the same on every treaty that he conducts. It is important. It has significance.

MR. SPECK: Wait a minute, let me correct myself. I haven't seen that. The one I saw pertained to the food program. That may have been in today's Record, sir.

H.M.JR: It was in all the newspapers. How many men work down there with you?

MR. SPECK: There are four altogether.

MR. O'CONNELL: Only two work on legislation.

H.M.JR: Well, as far as I am concerned, this thing doesn't exist. I do this thing about every three months, as Norman knows.

(Mr. Bell entered the conference.)

H.M.JR: White was there. Sullivan was there. I have got to have somebody look after this business for me.

Dan, this is a question of watching the Hill - this Andresen bill.

(Mr. White entered the conference.)

H.M.JR: Harry, we are talking about this Andresen bill.

We are supposed to have a legislative section that looks after the Hill and brings things to somebody's attention down here -"What are you going to do about it?"

Did you ever have any contact with the legislative section? Did they ever come around and ask you, "What about this?"

MR. WHITE: The legislative section here?

H.M.JR: Yes.

MR. WHITE: They always, to my knowledge, informed me of anything significant, and they informed me of that, as you did. You said to speak to you about it soon, which was a couple of days ago.

H.M.JR: The Speaker called up yesterday and wants an answer.

Where is the bill? This man is supposed to - I won't pick on you (Speck). Joe can take it. The General

Counsel is supposed to look after me on the Hill.

MR. O'CONNELL: That is right.

H.M.JR: And you don't. You don't even know what bill I am talking about. The bill should be here. It is important because as we decide it - I can't decide it, I have to see Mr. Hull, and this happened - when did it happen, Harry, last Wednesday or Thursday?

MR. WHITE: It was on the ticker last Thursday, I think - just on the ticker - and the bill came out, I think, yesterday or the day before.

H.M.JR: Look, can you go down to your shop and get this bill?

MR. SPECK: Yes, sir. I am afraid I don't have a complete understanding.

MR. WHITE: The bill was presented by Congressman Andresen, in which he calls for - it is a resolution, and it is not a bill, to my knowledge - a resolution that Congress appoint a committee to participate and sit in with the conferences which are to be held on international monetary arrangements. It was very brief.

(Mr. Speck left the conference.)

H.M.JR: Didn't I ask you to remind me?

MR. WHITE: Yes. You said, "Speak to me some time."

MR. BELL: Is the thing urgent now?

MR. WHITE: Well, there--

MR. BELL: There are a lot of bills introduced that you don't want to bother about.

H.M.JR: It is urgent because what with the food conference and the President keeping the newspaper reporters out, we have got to - it will blow up any time in our face, because Andresen is making quite a lot of this thing, and I just can't follow all these facets, Dan.

MR. BELL: You are not supposed to, that is right.

H.M.JR: But we have a legislative section. The fellow is dead from the neck up. I don't know what he does.

MR. THOMPSON: He sends out, every day, transcripts to every office.

H.M.JR: Well, look, this girl, Miss McCathran, that we pay - I don't know what - she thinks more and brings more to my attention about the ticker and uses her imagination more than this man. I would put her in charge of the thing because she has got some imagination.

Do you suppose Mrs. Klotz would occupy the position she does if she didn't think a little ahead for me, and always carry the stuff around?

Why am I fussing? I want to call up Mr. Hull and get the thing settled before I go on the Hill at twelve and they ask me again about this thing. I go through this thing regularly about every three to six months. We always talk about reorganization, and nothing ever happens.

MR. O'CONNELL: I think I know the answer to this. We have people who spend an hour - they come in at eight o'clock every morning to go through the Record and see what has happened on the Hill the day before. They make a memorandum on it, which is supposed to include all the significant things. Now, what we probably lack is that I should, on the basis of that information, call your personal attention to things that I think are significant and urgent. I can't see how we can do it any more quickly, though, than in the morning.

H.M.JR: Right. Well, now, wait a minute. This thing of having observers, that is something new. It has never happened before - "Here is a thing; what are we going to do about it?"

I mean, it isn't - the next year and three-quarters, Joe, get nearer all of these things. Andresen gets up - he has to be watched. I mean, when this man White - I mean Smith of Ohio - I haven't seen what he said. I don't know whether he should be answered. Isn't that a job for the legislative section?

MR. O'CONNELL: What Smith said was included in the memorandum yesterday.

H.M.JR: I can read the ticker. I don't know what you pay this man, but that isn't the kind of service I want. This girl outside does that. What I want is somebody with some intelligence who can weigh the thing and say, "This is unimportant," or "This is important, Mr. Morgenthau" - or Mr. Bell, or Mr. White.

"Who is handling this thing? They should be pushed until they do something about it." God knows they push me around enough.

MR. O'CONNELL: In fairness to Mr. Speck, he has called my attention to what things Dr. Smith said yesterday. I didn't think what Smith said was worth calling to your attention.

MR. BELL: I thought Ford answered it completely. You wrote Ford a letter thanking him; I thought that closed the book at that time.

H.M.JR: I don't know where that came from. It came from you, didn't it?

MR. BELL: Speck sent me a copy of what Smith said in just his daily routine, and then Harry thought it would be a good idea to send a letter to Congressman Ford thanking him.

H.M.JR: Joe, it is the difference between having a law clerk and a man with a brain. Now, don't tell me you can't get them.

MR. O'CONNELL: We have them. We have two new assistants, whom you haven't met, and I think either I can handle it, or one of them.

H.M.JR: Those two new assistants - you ask once - I don't see it - they have been here for ten days.

Norman sends in word yesterday, "I have a few things I would like to clear." During the day Norman comes in.

I can't remember about those two damned assistants. Somebody should stand outside and say, "When Mr. Morgenthau has got three minutes, he can give me a minute." But this always waiting for me - what I am saying to you is seventy-five percent for Paul.

MR. O'CONNELL: In this case I was waiting for Paul because he was going to bring them in. I could bring them in in two minutes.

H.M.JR: Don't sit around waiting for me always to take the initiative. I cannot do it. I can't always wait for the General Counsel's office - for me to walk down there and see these people.

Now, you are here; you are running the shop. Paul is away; he is on the Hill. I told you I have got to depend upon you. I hate to scold; I don't enjoy it. But for gawd's sake stand on your own feet and push; and the day I say that I am being pushed around too much, that is time enough. Don't just sit back and wait for me to ring for you, will you, please?

MR. WHITE: Who has the responsibility, now, on the legislative end, for the Stabilization Fund? That is not clear. I am speaking because I know it is not clear, Mr. Secretary, and there is some doubt about it. I think it should be made clear.

H.M.JR: In my mind it is perfectly clear - Sullivan. He called me last night at the house at six o'clock about it.

MR. O'CONNELL: In that connection, that was about my understanding, too, and I have had our people--

H.M.JR: I am glad it has your hearty approval.(Laughter)

MR. WHITE: No, I don't think it has my hearty approval because I think when you pull some things out of the legal section it diminishes their general feeling of interest and responsibility. I think it pulls the legal section back. Sullivan is used to seeing that - to contacting the men on the Hill, because you felt that it was desirable to do so, and to see what you should do. But that having been done, I don't think that John should pull out, but I think there may be many things come up now, and the legal section ought to be brought back in and have it as their responsibility, too. I don't know why an exception should be made of that. It is not more important than a lot of other legislation.

H.M.JR: I will tell you why, Harry, because - well, I don't want to keep criticizing - I don't get any service out of the legal section. I mean, I am short-handed all the time.

MR. BELL: Well, there was a good reason for it because you wanted John to go to the top and talk to the Speaker and the Majority Leader, and he is well known up there. I think there was a good reason for John doing certainly the preliminary work, but when it got into committee, I think from there on the General Counsel might follow it.

MR. O'CONNELL: Just such things as following the committee - being in touch with the committee to see we give that service - I am assuming we will continue to do that. I will assume that is all we were expected to do.

MR. WHITE: Well, if you are satisfied--

MR. O'CONNELL: It isn't a question of being satisfied.

MR. WHITE: John has done a good job. I am not questioning that.

H.M.JR: Aren't you in the picture?

MR. O'CONNELL: As I say, we would certainly expect to and are following the bill, and being in touch with the committees, and do such things as write the committee report on the bill when the committee is ready to report it out, and such mechanical things as our routine operations would call for; but we are not working on it in any other capacity.

H.M.JR: To see that the bill gets through, and everything, is your (White's) responsibility. You can call on anybody that you want to. I mean, I am looking to you (White).

MR. WHITE: All right. I think the legal division ought to be at the hearings.

H.M.JR: You manage it. You are manager on the Hill, Harry. Harry, did you hear what I said?

MR. WHITE: I did. It doesn't meet my original objection, but it is fine if everybody is clear as to what should be done. It is O.K. - fine.

H.M.JR: Well, you are going to manage the hearings; you have up there whomever you want.

(Mr. Speck re-entered the conference. Copy of House Resolution 204 handed to the Secretary, copy attached.)

MR. WHITE: When did this come in?

MR. BELL: April 9 it was introduced.

MR. WHITE: If I may make a suggestion, Mr. Secretary - it might be helpful - that in all these resolutions, instead of deciding what is important and bringing it to your attention - before they do that, any resolution that deals at

all with any one of the sections, Norman's or Dan's or someone else's, it ought to be somebody's job in your (O'Connell's) office to contact personally - not by a memo, but to contact personally and talk over resolutions, because the men who will be more apt to know how important it is, in addition to your own judgment, are the men whose particular matter it is.

Then, as a result of that conversation, you (O'Connell) will be in a better position to know whether to bother the Secretary and what to proceed on. But I think the initial step should be that whenever there is any resolution, that somebody in your shop ought to talk to somebody in the division or section who is particularly responsible for it, and talk it over personally - either a telephone call or a call. In that way you will be certain.

MR. SPECK: This thing in the memorandum - it shows in the memorandum on the day it appeared in the Record and was referred to Monetary Research and to the Secretary.

You say you don't read those?

H.M.JR: Sending me a memorandum means nothing. I mean, I can't spend all my days and nights reading. I used to do it. I used to read at night and get up at five o'clock in the morning and read. I can't do it any more.

MR. SPECK: I think the significance of this thing escaped my attention, frankly, if I saw it. I don't recall having seen it. It possibly was one of the days that I was on the Hill in the morning, and the memos go out anyhow. They don't wait for me to review them. They are circulated as soon as they are compiled.

MR. O'CONNELL: There are two things we can do that we haven't done. One is that I can have these called to my attention the first thing in the morning, with the idea of calling the Secretary's attention to the significant things. We can also do what you suggest.

H.M.JR: Don't call it to my attention if anybody else in the Treasury can take care of it. I don't want it. What I want is the people around here to be brought in the first thing - "Can you take care of this?" Then if the answer is no, they can come and see me as a last resort. But I don't want them in the first instance if Harry or Bell or somebody around here can take care of it. Then if they say, "No, we can't", then it is up to them to say, "We have got to see the boss about it."

MR. BELL: I think it is being done, Mr. Secretary, to a certain extent. This may have missed, but every day bills come along and reports are written. Many times we are asked by the committee to write reports. If we think it is important enough to write a report and we don't get a request, then we write a voluntary report on these bills and I sign them.

MR. WHITE: They don't come to you, personally. There is this one that just went through today - that silver bill, which you will hear more about, but that - there is a good deal of work being done.

MR. THOMPSON: There are fifteen or twenty reports a day and they go over my desk. It just happened, the one that should get attention didn't.

(The Secretary held a telephone conversation with Mr. Hull, as follows:)

April 14, 1943
9:36 a.m.

HMJr: Hello.

Operator: Secretary Hull.

State Operator: He'll be right on, Mr. Secretary.

HMJr: Hello.

Cordell Hull: Hello, Henry.

HMJr: Good morning, Cordell.

H: How're things coming?

HMJr: Oh, pretty well.

H: Well, that's good.

HMJr: Your throat doesn't sound too good.

H: Well, I was on the witness stand five hours day before yesterday.

HMJr: Good heavens!

H: And yesterday I got exposed to the weather, and I'm in bed this morning for a few hours to head off a cold.

HMJr: Well, I'm sorry they bothered you. I just called your office.

H: That's all right.

HMJr: Cordell, they introduced - Andresen introduced into the House a Resolution 204.

H: Yeah.

HMJr: And the kernel of the thing is that they want representation when we hold our monetary conference.

H: Now is that the Congressmen?

HMJr: Yes, the Committee on Banking and Currency....

H: Yeah.

HMJr: ....Foreign Affairs, and Coinage, Weights, and Measures. They're going to appoint a committee....

H: Yeah.

HMJr: ....and they want to sit in when we have our International Monetary Conference. Now the Speaker called me up yesterday and wanted to know how we wanted it handled.

H: Yeah.

HMJr: And inasmuch as I'll only sit in at one and you'll have about ten conferences on post-war....

H: Yeah.

HMJr: ....I told the Speaker that I wanted to get your advice before I answered him.

H: Yes. Well, they - they put on a bunch of Senators and Congressmen, you may remember, for the London Economic Conference, but we haven't - they haven't tried to get on to our South American conferences. Now on this international thing....

HMJr: Yeah.

H: ....I'm inclined to think that you could very well consider picking out one or two that would be decent just to keep the pettifoggers over there from continually hammering like they are hammering the President on this press matter.

HMJr: That's right.

H: I think he made a great mistake. I told him that it was against my judgment.

HMJr: Yeah.

H: There's no earthly reason for making that rule as I can see.

HMJr: No.

H: And they're going to just give him and all the others the devil. So I believe when you can pick up somebody that way and stop these professional shouters, you know.

HMJr: Well....

H: I'm sort of a hand to do that.

HMJr: Well, I - I tell you what I did. They asked me, you see....

H: Yes.

HMJr: ....when we had this meeting, did I mind if one or two of them dropped in as observers?

H: Yeah.

HMJr: And I said, "No, of course not." I didn't mind. I - I'd welcome them.

H: Yeah.

HMJr: Then - then this fellow, Andresen, gets through this formal resolution.

H: Yes. Has he got it through the committee?

HMJr: No, no. No, I guess the Speaker's holding it up, and....

H: Why don't you tell them that you are expecting to invite - invite somebody from both houses, appropriate persons - and they'll find, of course, that this is purely - this is largely a technician ....

HMJr: Yeah.

H: ....conference, and they won't find much use for it.

HMJr: In other words, to keep it on an informal basis.

H: Yes, keep it only on an informal basis for the present.

HMJr: And say that....

H: That you had planned to pick up one or two of them, or two or three, although it being purely a technical conference....

HMJr: Yeah.

H: ....you didn't see why any laymen would come in very well at this stage.

HMJr: Well, that sounds like good advice. Now at the London Economic Conference, were they there through some Congressional resolution....

H: No.

HMJr: ....or on your invitation?

H: No, they were put on the delegation.

HMJr: Oh.

H: And, between us, they were all - they were Garner's, you know....

HMJr: Yeah.

H: ....and just raising hell all the time.

HMJr: Key Pittman, particularly, wasn't he? When....

H: Well, Key Pittman and that - that Michigan Senator....

HMJr: Yes.

H: ....Couzens....

HMJr: Yes.

H: ....and things like that, you know.

HMJr: I see.

H: It was terrific, but that's why if you drop along and pick two or three fellows....

HMJr: Yeah.

H: ....and take them in - in and tell them the situation.

HMJr: Yeah.

H: They won't get anything out of it, but let them go back and tell their fellows.

HMJr: Well, I'll do just that. I'll tell that to Sam.

H: Yes, all right, Henry.

HMJr: And take care of yourself.

H: Yes, thank you.

H.M.JR: What Hull says is this - look this up, because I couldn't get it - he said at the London economic conference he had Senators and Congressmen; he said they were put on the delegation. But it isn't clear to me whether they were put on by Congressional authority or how. Will you look that up?

But he said to tell them to invite them in on an informal basis and tell the Speaker to tell Sol Bloom to kill this. I will do that, you see.

But I mean, a thing like this, especially on account of the food conference - and that is what he said. He said on account of the food conference this has such significance, and he thinks the President made a mistake on the food conference.

That is why I am so conscious of the thing, because look what they are doing with the President on the question of keeping the reporters out. And this isn't just a normal resolution; it has great political significance.

MR. WHITE: This would probably receive a lot of support. It would receive a lot of support in Congress, I think.

H.M.JR: Yes, it isn't just a passing thing.

MR. BELL: There is no international monetary conference called - or one contemplated - until after all these informal conferences are held?

H.M.JR: That is right.

MR. BELL: Then isn't that a complete answer, that since that--

MR. WHITE: I don't think so. It is when the conference will be held that they want to sit in.

MR. BELL: Let's keep this out until such time as we finish our informal conferences and see whether one is necessary.

H.M.JR: Do you understand?

MR. O'CONNELL: Yes, sir.

H.M.JR: All right. Norman, please watch this.

MR. THOMPSON: Yes, sir.

78TH CONGRESS
1ST SESSION

H. RES. 204

IN THE HOUSE OF REPRESENTATIVES

APRIL 9, 1943

Mr. AUGUST H. ANDRESEN submitted the following resolution; which was referred to the Committee on Rules

RESOLUTION

1 *Resolved*, That there is hereby created a select committee
2 to consist of the chairman, ranking majority member, and
3 the two ranking minority members of each of the following
4 standing committees: The Committee on Banking and Cur-
5 rency, the Committee on Foreign Affairs, and the Committee
6 on Coinage, Weights, and Measures. The committee shall
7 select one of its members as chairman.

8 It shall be the duty of the committee to attend at the
9 international monetary conference to be held at the invitation
10 of the United States during 1943 and thereafter, and to make
11 reports to the House (or to the Clerk of the House if the
12 House is not in session), from time to time, with respect to

1 the progress of such conference and the various proposals be-
2 ing considered and acted upon by the conference and by
3 committees thereof.

4 The committee, for the purposes of this resolution, shall
5 have power to sit and act in the United States or elsewhere,
6 whether or not the House is sitting, has recessed, or has
7 adjourned, to employ and fix the compensation of such
8 experts and other assistants, and to have such printing and
9 binding done, as the committee deems necessary.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE
April 14, 1943.

TO Secretary Morgenthau

FROM Joseph J. O'Connell, Jr.

The Congressional members of the Delegation to the London Economic conference were appointed by the President on his own initiative and not pursuant to Congressional direction. These members were Senator Pittman and Representative McReynolds (Dem.), and Senator Couzens and Representative Morrison (Rep.).

The only Congressional action taken in connection with the conference (other than an appropriation), was the adoption by the Senate of Senator Wheeler's Resolution expressing the sense of the Senate that the United States delegates should work unceasingly for international agreement to remonetize silver on a fixed and definite ratio 16 to 1.

A similar House Resolution was reported by the House Committee on Foreign Affairs, but was not adopted. Likewise, a House Resolution, requesting the Secretary of State to instruct delegates with respect to arrangements affecting Spain, Mexico and Germany was reported by the House Foreign Affairs Committee but was not adopted.

Joseph J. O'Connell Jr

Treasury Department
Division of Monetary Research

Date April 14, 1943 19

To: Secretary Morgenthau

From: H.D. White

I find I received unmerited credit in your office this morning for the letter to Congressman Ford; I only initialed the letter.

The letter that I did send to Congressman Ford on the same day, and the one I for the moment thought D. Bell was referring to, related to Ford's discussion of the international stabilization plan but was not the letter you referred to. The Legal Division deserved the credit for being on the job.

H.D.W.

Copies to: Mr. D. W. Bell
Mr. O'Connell

April 14, 1943
10:05 a.m.

LEND-LEASE IN REVERSE (CHINA)

Present: Mr. Bell
Mr. White
Mrs. Klotz

MR. WHITE: There is being prepared - and discussions will go forward very soon - a Lend-Lease in Reverse arrangement with China. There is just one point on that which I want to bring up with you before I do an Executive order to execute - carry it out.

The Lend-Lease in Reverse arrangement was prepared by the State Department, apparently, and Lend-Lease, and was sent to us yesterday morning. It contains this paragraph: "The Lend-Lease Administrator, the Secretary of the Treasury, the Secretary of War, and the Secretary of State are the duly authorized representatives, and in collaboration shall determine and establish an appropriate exchange rate to be used in the accounting of the Chinese currencies made available under this agreement."

H.M.JR: What is the committee?

MR. WHITE: Lend-Lease Administrator, Secretary of the Treasury, Secretary of War, and Secretary of State shall determine the exchange rate.

H.M.JR: Better never let Hull see that paragraph. That is what you call "Protocol in Reverse." (Laughter)

MR. WHITE: This is mixed up in the order here. "The designated representatives of Lend-Lease Administrator, Secretary of State, Secretary of the Treasury, and Comptroller General of the United States shall establish in collaboration rules and regulations with regard to Chinese currency," and so forth.

I sent one of my men over with instructions that that has to be changed. The Treasury's responsibility is to determine exchange rates. Before I raised it with you I wanted the draft changed, because I hadn't shown it to you, but that is the traditional method.

H.M.JR: Who changed it?

MR. WHITE: They changed it after discussion. "The Secretary of the Treasury in consultation with Secretaries of State, War, and Lend-Lease, shall determine and establish an appropriate exchange rate."

H.M.JR: Is this Oscar Cox again?

MR. WHITE: I don't think so, no. Oscar Cox apparently doesn't bother with such details. They have a lot of new men down the line.

We also changed the fourth paragraph. We closed out the fourth paragraph, "That the Secretary of the Treasury in consultation with the Comptroller General shall determine the accounting." That is just Treasury and Comptroller General business.

There is one point now on which we need your approval.

MR. BELL: I question whether the Comptroller General needs to get in on it. You fix the rate, and he has to take it as the accounting rate.

MR. WHITE: Not the rate - I mean the question of accounting. You can consult with him or not, as you like. The responsibility is the Treasury's.

In the Lend-Lease in Reverse is just one clause that we thought you might object to - the rest is all satisfactory - and that is that the expenditures - the currency expenditures of civilian establishments as well as of Army, Navy, and others, can be charged on Lend-Lease. In other words, the net effect is this, that we can ask the Chinese Government for actual currency, cash, with which to pay for all our civilian expenditures, which would include anything - State Department, Lend-Lease, Treasury, and so on.

They in turn can ask us for money to pay for--

H.M.JR: Madam Chiang Kai-shek? (Laughter)

MR. WHITE: Or anyone else they care to send over.

H.M.JR: She is too great a luxury for me. (Laughter)

MR. WHITE: Including that in a Lend-Lease arrangement, that is something entirely new, and we think undesirable to have civilian establishments a part of Lend-Lease establishments.

H.M.JR: Check.

MR. BELL: Yes.

MR. WHITE: Then we will say this, "The Treasury" - the only other point is the question of personnel, which relates to the first problem.

MR. BELL: Well, I discussed that a little with the Secretary on the telephone.

H.M.JR: I would like to make my recommendations on the record. I made two different suggestions to Bell. Bell spoke to me last night on the foreign exchange. He raised the question of Archie Lochhead, and I said, "No." In the first place, Archie would cry all over the place if he had to give up twenty-five thousand dollars a year. I suggested instead of that Frank Dietrich; and then for the accountant I suggested Himmelblau of Northwestern University in place of - who was it - in place of Szymczak.

MR. WHITE: Szymczak wasn't to be an accountant. He was to be comptroller of the banks.

MR. BELL: That is the same thing. I don't know that I was yet ready to suggest Szymczak, but I had his name down.

H.M.JR: Those are just the two. Himmelblau is a very able man. He was a very good lieutenant commander

of the Navy during the last war. He did a good job here in the Treasury.

MR. BELL: I am having him looked up, so you will get a memorandum on his background. He might be all right from what you say about him, that he has - you say - a hundred and twenty-five accounts, something like that - businesses small and large, which he has been advisor to for a number of years.

H.M.JR: And he can think originally.

MR. BELL: And he is a practical fellow.

H.M.JR: He can do original thinking. All of his accounts have always been small business. He has always specialized in small business accounts.

Do you have any suggestions, Harry?

MR. WHITE: No.

MR. BELL: It is hard to find people.

H.M.JR: What else? Do you have anything down for three o'clock this afternoon for me? Were you able to reach the CIO people?

MR. WHITE: No. He is in Pittsburgh, but will be back tomorrow morning.

H.M.JR: How about Walsh?

MR. WHITE: I don't know.

MR. BELL: Is the hearing off tomorrow?

H.M.JR: Sullivan called me last night. It is now going to be Friday morning and Friday afternoon.

If that is off this afternoon, will you be around here, Harry? I wish you would come in at three - you and Sullivan.

MR. WHITE: There is a prepared statement.

H.M.JR: Then just you today at three.

MR. WHITE: I take it you will use the same statement for the Senate and House.

H.M.JR: Would you come in just alone, or do you want somebody from your office - who would it be?

MR. WHITE: E. M. Bernstein.

H.M.JR: O.K., three o'clock.

April 14, 1943
10:40 a.m.

Operator: Go ahead.

HMJr: Hello.

Speaker Rayburn: Yes, Henry.

HMJr: Sam?

R: Uh huh.

HMJr: On that matter that you called me up about, I talked to Cordell - hello?

R: Yes.

HMJr: And Cordell feels this way, that these people that we're bringing together, in the first instance, are just some experts.

R: Uh huh.

HMJr: Hello?

R: Yes.

HMJr: And they'll not be here on any fixed date, but that we should say, in which I concur, that we'd be very glad to have some of the members come in and meet the experts and sit down with them on an informal basis, and keep them posted.

R: Uh huh.

HMJr: But not to formalize the thing.

R: No.

HMJr: What?

R: No, I think that was their idea, just be informal.

HMJr: But - you see, I told - well, not the way the resolution reads, Sam. I got it in my hand.

R: Who's passed a resolution?

HMJr: Andresen.

R: Oh.

HMJr: A Resolution 204.

R: Did it pass?

HMJr: No, but I took it that's why you were calling me.

R: No, I don't want anything - I - I didn't know anything about Andresen.

HMJr: No, it's Resolution 204.

R: Patman and some of the boys just spoke to me. They thought it would be a good thing if some of the members of the Committee on Banking and Currency were kept a little current about this.

HMJr: Well, we'll keep them current, and as these fellows come in, we'll - I'll have them invited....

R: Well, we're not going to fool with this damn - or Andresen.

HMJr: Well....

R: I don't think his resolution, I'm certain, went to the Committee on Rules.

HMJr: Well, I don't....

R: I'll look it up. 204?

HMJr: 204.

R: Yeah.

HMJr: Now another thing....

R: Is it a House Joint Resolution or just a House Resolution?

HMJr: Just House.

R: Yeah.

HMJr: Now another thing, Sol Bloom asked me to call him back and - to tell him how I felt about this....

R: Uh huh.

HMJr: ....the day I appeared there. Would - now would you mind telling Sol what you decide?

R: Yes.

HMJr: What?

R: No, I'll tell him.

HMJr: Will you tell him?

R: Yeah.

HMJr: But you can assure these fellows as we go along we'll have them down, we'll consult with them, and keep them informed.

R: That'll be fine. You haven't found out anything about the Mexican money yet?

HMJr: (Laughs) They're working on that.

R: (Laughs) All right. Well, I'll - that'll quiet the nerves of these fellows all right.

HMJr: All right. But we - we will follow the procedure of keeping them informed before we make up our minds.

R: Fine.

HMJr: How's that?

R: Thank you, that's fine.

HMJr: The Mexican money, by God, we'll take care of that.

R: All right, fine.

HMJr: Thank you.

April 14, 1943.

My dear Mr. Speaker:

You asked me the other day whether any action was in effect or contemplated to stop the flow of money into Mexico.

I have no doubt that the matter in which you are primarily interested is the considerable transfer of funds through normal business and banking channels that has been occurring in recent months and earlier. You are probably familiar with the measures instituted by the Foreign Funds Control Division of the Treasury Department. These measures consist of preventing the transfer of any funds in blocked accounts and the requirement that currency carried across the border in either direction must be in the form of $2 bills. There are no evidences of any substantial transfers of currency.

As to bank funds, however, we know that the movement has been of considerable size and has caused some concern to Mexican authorities. In a speech on April 6th Eduardo Villaseñor, Director of the Bank of Mexico, said that restrictions might be placed upon the entry into Mexico of foreign money as part of the battle against inflation. He added that the total inflow of capital since October, 1940, had exceeded $100 million. The annual report of the Bank of Mexico, issued on February 24, 1943, linked up the inflationary problem in Mexico with the entry of foreign capital, which, it was stated, had been added to the monetary circulation of the country but had not been accompanied by a corresponding addition to capital goods or real investment. A New York banker, with close connections with Mexican financial houses, estimates that at least $50 million of private capital has been invested in Mexico in the past six months. Mexico has been dealing with this matter as an internal inflationary problem. Measures undertaken in 1942 by the Bank of Mexico included the raising of reserve

requirements for commercial banks, the introduction of qualitative credit controls, and the partial sterilization of bank deposits in excess of those held on October 31, 1942. Mr. Villasenor's statement of April 6 suggests that other more direct measures may be contemplated by the Mexican Government. There have been rumors to the effect that one such step might be an increase in the exchange value of the peso, but Finance Minister Suarez on April 11 informed the press that no change was contemplated for the present.

Some of the reasons commonly given for the transfer of funds from the United States to Mexico are: (1) effort of some Americans to avoid high United States taxes; (2) present opportunities in Mexico for short term investment and speculation; (3) commercial payments due to Mexico's favorable balance of trade; (4) hedging against the possibility of United States inflation, although this reason would not seem to have great force; (5) rumors of peso appreciation.

We have been watching this situation attentatively, but it has not up to the present seemed to warrant any further action by this government. We are, however, planning further investigations and, if the situation would seem to require it, consultations with Mexican officials as to mutual steps to deal with the problem.

Sincerely,

(Signed) H. Morgenthau, Jr

Secretary of the Treasury.

The Honorable Sam Rayburn
Speaker of the House of Representatives
Washington, D.C.

HEG/mah

File in Diary

Copy to Gaston

April 14, 1943.

WHG

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

Speaker Rayburn asked you, as noted in your memorandum of April 10, "Is there any move to stop the flow of money into Mexico?"

I have no doubt the Speaker refers to the movement of bank funds rather than to the flow of currency across the border. We have no means of measuring the balance of this currency flow, but since it is limited to $2 bills (barring of course any smuggling that might occur) this movement would not seem important.

There have, however, been heavy transfers of funds through normal business and banking channels, on which there are no restrictions on our side. A prominent New York banker, who has close connections with Mexican financial houses, reports that at least $50 million of private capital has been invested in Mexico during the past six months. Another estimate is that American funds are being transferred to Mexico at the present rate of about $600,000 a week. In a speech in Mexico City on April 6 Eduardo Villasenor said that restrictions might be placed upon the entry of foreign money into Mexico as part of the Mexican battle against inflation. Villasenor said that the total capital inflow since October 1940 was in excess of $100 millions. The United States is of course the principal source of this foreign capital. The flow may have been accelerated by reports that Mexico was contemplating increasing the exchange value of the peso as a measure to stop inflation, but on April 11 Finance Minister Suarez told the newspapers that no alteration was contemplated. Some of the reasons given for the transfer of funds from the United States to Mexico are: (1) purpose of Americans to avoid high taxes; (2) opportunities in Mexico for short term investment and speculation; (3) commercial payments due to Mexico's present favorable balance of trade; (4) hedging against United States inflation (this seems rather thin as it would appear more likely that inflation in Mexico would at least equal that in the United States); (5) the rumor of peso appreciation.

Harry White is planning to send a man to the border shortly and he will make some inquiries. A discussion through the normal diplomatic channels, or between treasuries, might be in order.

I am attaching a Monetary Research memorandum. Additional information above has been obtained from Mr. Pehle.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 13, 1943.

TO Mr. White

FROM Mr. deBeers and Mr. Lang

Subject: Speaker Rayburn's question to the Secretary regarding restrictions on the flow of money to Mexico.

Speaker Rayburn asked "Is there any move to stop the flow of money into Mexico," and he commented that a lot of money is going into Mexico. This question may have referred to (1) possible restrictions by Mexico on the movement of banking funds; or (2) United States Foreign Funds Control and the corresponding Mexican restrictions on the movement of United States currency.

1. Restrictions on banking funds have not been applied, but a step in this direction was suggested by Eduardo Villasenor, Director of the Bank of Mexico, when he stated on April 6 in Mexico City, that restrictions might be placed upon the entry into Mexico of foreign money as part of the Mexican battle against inflation. The newspaper reports of this statement, appearing on April 8, indicated that Mr. Villasenor was referring to the movement of capital in the form of banking funds, rather than to actual currency; he said that the total capital inflow since October, 1940, had exceeded $100 million. It may be noted that the United States was the principal source of this foreign capital.

The annual report of the Bank of Mexico, issued on February 24, 1943, similarly linked up the inflationary problem in Mexico with the entry of foreign capital, which has been added to the monetary circulation of the country but has not been accompanied by a corresponding addition to capital goods or real investment. According to a prominent New York banker who has close connections with the Mexican financial houses, at least $50 million of private capital has been invested in Mexico during the past six months. This capital was chiefly in the form of banking funds. Measures undertaken in 1942 by the Bank of Mexico to counteract the inflationary effects of this inflow of money included the raising of reserve requirements for commercial banks, the introduction of qualitative credit controls, and the partial sterilization of bank deposits in excess of those held on October 31, 1942. Mr. Villasenor's statement of April 6 suggests that other more direct measures may be contemplated. There have been rumors that one such step might be the appreciation of the peso, but on April 11 Finance Minister Suarez informed the press that no alteration in the exchange rate was contemplated.

2. The movement of United States currency into Mexico is restricted by Mexican law solely to $2 bills. The volume of such currency in transit at any particular time is relatively insignificant. However, United States currency of other denominations has been flowing into Mexico and back to the

United States because the enforcement of the regulations involves difficulties such as (1) the impossibility of patrolling the entire border, (2) the impossibility of a personal search of the thousands who daily cross the border, (3) the laxity of the Mexican enforcement measures, and (4) the difficulties of giving adequate publicity to the regulations. Despite these difficulties, the U. S. customs officials believe the volume of such currency movements to be quite small.

It is believed that the movement of dollar currency between Mexico and the United States results in a small net inflow into the United States. Speaker Rayburn, however, said that there is a lot of "money" going into Mexico, and hence it may be presumed that he did not have "currency" in mind.

April 14, 1943
11:05 a.m.

FINANCING

Present: Mr. Robbins
Mr. Gaston
Mr. Graves
Mr. Gamble
Mr. Peabody
Mr. Smith
Mr. Rogers
Miss Michener
Mr. Waldman

H.M.JR: This is a dress rehearsal for the Hill. Somebody go ahead and dress me up. (Laughter)

MR. GAMBLE: Here is a suggestion. (Memorandum handed to the Secretary, copy attached.)

H.M.JR: I thought you were going to have me tell a couple of funny stories. (Laughter)

Is that the way it is going to be done?

MR. GAMBLE: Yes, sir.

H.M.JR: Now what is the presentation? You don't mind if I don't do it this way?

MR. GAMBLE: No.

MR. PEABODY: It is an easel, Mr. Secretary, on which, topic by topic, we cover the things we are going to do. Robbins, incidentally, is going to cover part of that.

MR. GAMBLE: This is the easel presentation. This is a rough copy, but that is the substance - that is the text, the script. (Copy of presentation handed to the Secretary.)

H.M.JR: Can they see it? You know, a lot of the members of Congress are a little blind - a little deaf. (Laughter)

MR. GAMBLE: We have made arrangements to seat all of the committees in the auditorium of the Ways and Means Committee room. They are all going to sit up front so they can all be looking in the same direction.

MR. PEABODY: We are going to read it anyway.

MR. GAMBLE: Yes, as each page is turned Mr. Peabody will read the text of that page.

H.M.JR: And is some of the Senate going to be there?

MR. GAMBLE: Three committees of the Senate.

H.M.JR: Did you get any notice about publicity?

MR. GAMBLE: That is all taken care of.

H.M.JR: Ted doesn't want any publicity on this thing. He is so modest. (Laughter) Did you take care of it?

MR. GAMBLE: Yes.

H.M.JR: You had not?

MR. GAMBLE: I had not. I see no harm in it. You remember, last year without any invitation they just accepted it as a newsworthy event, crashed the doors, and did a pretty good job of handling it.

MR. ROBBINS: I will take care of the first eight pages of that presentation after Lindow finishes. When we get into the advertising phases of it I will turn it over to Stuart.

H.M.JR: How long will Lindow take?

MR. GAMBLE: Fifteen minutes.

H.M.JR: Does he stay down to fifteen minutes?

MR. GAMBLE: Yes, sir.

MR. ROBBINS: There is a thought that occurs to me that either you - or perhaps if you don't, that I should tell them that our program will be divided, really, into three parts, that Lindow will give his section of it, and that I will take care of a part of the presentation that has to do with the organization, and Peabody will take care of the advertising.

The thought that occurs to me is that somebody - either of us - might suggest that we have tried to build a program that we can give them in a rather concentrated form in the time at our disposal.

H.M.JR: What about questions?

MR. ROBBINS: That is what I am coming to, and suggest perhaps that we will be glad to stay at the end of the session and attempt to answer questions, but we believe in the limited time we will only be able to give them what we have.

H.M.JR: Who was with me when General Motors did their--

MR. GAMBLE: I was.

H.M.JR: Did they interrupt?

MR. GAMBLE: They started to, and you yourself said that you had people here who would answer all these questions and you would be glad to have them remain, as many as wanted to stay.

H.M.JR: I think what you had better do - when they begin asking questions I will either try to answer them myself or call on a particular person or ask them to wait.

MR. ROBBINS: Then we will make no mention of questions unless the problem comes up.

H.M.JR: If they ask questions, I will attempt to answer them; or if I can't, I will simply say, if there get to be too many, "Gentlemen, can we run through this?"

Who is going to preside?

MR. GAMBLE: Doughton. We don't want them to ask questions about the Lindow presentation.

MR. GASTON: If he starts out they may start asking economic questions and prolong the talk with Lindow indefinitely and get in the way of the other stuff.

H.M.JR: I question the Lindow stuff up there anyway. What we are trying to do, gentlemen - just let's think a minute - is to give these people a little idea, take them behind the scenes, and show them what we are doing, how we are going to go ahead and sell these thirteen billion dollars' worth of bonds to the people. We want them to know about it. We need their assistance. We are counting on them, and so forth, and so on.

Now, how much good is it to have it explained that the insurance companies are so much, and this is so much?

MR. GAMBLE: He is not going into that amount of detail. He is dealing more with the forty-five billions of dollars of surplus money that you are trying to get through these series of drives. It is the background.

Mr. Lindow's part of the program can be eliminated right now without any serious disturbance. We have prepared these tables, the same thing you sent out to newspapers.

MR. GASTON: I am a little afraid of the Lindow stuff, because it has some tax policy implications that might touch off a long series of questions and arguments.

MR. GAMBLE: We can give them this material and eliminate Lindow.

MR. ROBBINS: If we weren't faced with that problem of questions, we would have a better balanced job.

MR. GASTON: I agree with you. I think, though, if we do that there should be some word in advance of the fact that we have several people to appear and we hope that questions will be reserved to the end.

MR. PEABODY: The hazard is we may run out of our period right in the middle of the presentation. We hope to have Miss Elliott do a little talk, as you know, at the end; and if we have to stop right in the middle of this thing, we haven't accomplished what we set out to do.

H.M.JR: And what is that, in your opinion?

MR. PEABODY: As I understand it, it is to tell them what we are doing to promote the thirteen-billion-dollar Second War Loan.

H.M.JR: I am thinking - the purpose of this meeting is to give me a chance to put my mind on it for whatever it is worth. My thought is, I would like you to get over this presentation first. Then if they say - somebody presses me and says, "Well now, Mr. Morgenthau, you are going to get this all from the banks," I will say, "Gentlemen, if you wait, and if you want that, we have somebody here after we have the promotion stuff who will be glad to go into this." I know it isn't the normal way, but I want to get over the publicity to them.

MR. SMITH: I agree with that. I should think you would have a liability there if you are going to have reporters, and Lindow - there might be somebody unfriendly in that audience that would want to go on register with some questions.

MR. GAMBLE: Of course the press has seen everything that Lindow is going to do.

MR. SMITH: But he hasn't heard what somebody who doesn't like the Treasury Department might ask questions about.

MR. GASTON: That is right.

H.M.JR: When General Motors did it - and that was the first time we ever did anything like that - they did a straight, hard-boiled advertising presentation, just the same kind of thing that anybody wants to do who is trying to get a new client. Some of you fellows in this room understand what that means. (Laughter)

MR. GAMBLE: We can eliminate it and no one will ever know the difference.

H.M.JR: My feeling is this: I am not afraid of it, but if, for instance, we go into this thing and we show the banks, and so forth, and Wright Patman gets up and says, "Now, Mr. Morgenthau, why should you pay--" - he will have all of the things at his finger tips - "Why should you pay the banks so many million dollars' worth of interest a year? Couldn't you get this money without paying any interest?" Bingo! There goes your headline; there goes your meeting.

MR. SMITH: I think you could put Lindow along later if they show some sign - not in this meeting, but a closed meeting, together with the important committees, and say--

H.M.JR: Supposing they don't raise any of those questions. Supposing they just like this and say, "That is fine," and don't go into the economics. What is the matter with that? You don't like it?

MR. PEABODY: Yes, I do. I don't think anything is wrong with it. I think, as Bill said, the Lindow thing makes a good background, but, frankly, I have heard Lindow do this a lot of times, and I have never heard him do it that there wasn't a spontaneous outcropping of a lot of questions from the floor. Maybe it can be kept under control by a request from you. If it can't we are in a bad situation.

H.M.JR: If Wright Patman or Henry Steagall get started you won't get to one page of this thing, and you can't stop them because then I am being discourteous.

MR. SMITH: And if they see a reporter, they are going to get started.

H.M.JR: That is right. My hunch is, gentlemen, I would just simply - I won't pull a Mr. Davis on you-- (Laughter)

MR. ROBBINS: A green and red light problem? (Laughter)

H.M.JR: Did you hear the broadcast?

MR. ROGERS: Yes.

H.M.JR: Did you hear Davis?

MR. ROGERS: I didn't really hear what it was, just a lot of giggling and a few little remarks.

H.M.JR: Well anyway, I will just make a few remarks and then I think I will say, "Now Mr. Robbins, who is sales manager of this drive, will explain to you - we have some things we would like to show you that we are doing. When we are through with this presentation we will be glad to answer any questions," and so forth, and so on.

MR. ROBBINS: I think we have enough material to go along and fill the hour. As a matter of fact, we may have to press a little to get through it.

H.M.JR: Have Lindow there. What do you think, Harold?

MR. GRAVES: I think that is all right.

H.M.JR: What do you think, Rogers?

MR. ROGERS: I think that is right.

H.M.JR: I invited Mr. Rogers to go up on the Hill with us. We like to keep the Office of War Information informed. (Laughter) I personally - I hope it is a good idea. The idea is to keep Congress informed.

MR. ROBBINS: May I ask a question back behind all this? This is an idea that was generated here? Nobody over there asked for this? Is that correct?

H.M.JR: This is my idea; they did not ask for it. This is simply - this and the conversation came out when you and I talked originally about how we were going to contact the Hill, you remember.

MR. ROBBINS: That is right.

H.M.JR: What are we going to do to keep the Hill sweet - our very first conversation. This is an outcropping of that.

MR. PEABODY: Mr. Secretary, I think it is quite possible you may get a reflection of this new Bankhead bill. This thing constitutes a statement, really, of Treasury policy with regard to advertising.

H.M.JR: You mean on newspaper advertising?

MR. PEABODY: On all advertising. In other words, implicit in this whole presentation is the fact that we do not pay for space and time. Somebody may raise it.

MR. ROGERS: In fact, I think you get that emphasis quite strongly when you go through that presentation. If it is a good presentation you should get that.

MR. ROBBINS: What we are telling is what we got, and it didn't cost us anything.

H.M.JR: If I got on to that, I will simply say, "This is the Administration policy," which it is, isn't it? I mean, Gardner Cowles has told me that this is the way they want it.

MR. ROGERS: Yes.

MR. GRAVES: It is also a policy that is acquiesced in strongly by the committees on appropriations who will be there today. That is, that has been made perfectly clear at all of our hearings.

H.M.JR: It has been?

MR. GRAVES: That is right. They have approved this as their policy, too.

MR. ROBBINS: Will Senator Bankhead be in the group?

MR. GRAVES: He is a member of the Senate Committee on Appropriations.

MR. ROBBINS: I think there is your greatest potential discussion in the whole show, because you can't help going through this presentation - you can't help just taking a position for the Treasury Department against what the Bankhead Bill purports to do.

H.M.JR: Well, if they can get that without our pointing it out, that is the best kind of psychology.

MR. PEABODY: It is good, but it does constitute a statement, really, of Treasury policy up to date. I think it is a good thing to have it on the record. It will relieve us on some things. We are getting letters all the time, Mr. Secretary, from small newspapers and radio stations, and people like that, wanting - some of them actually wanting to know when they are going to get their money, and we have to say something about it. I think this is a good thing - no, don't mistake me, but I think it may come up and have to be answered.

H.M.JR: I am not quite as conscious of it as you are, because you have been getting it; I haven't. But if, as a result of this, we do sort of answer the Bankhead thing, that is good, isn't it?

MR. PEABODY: Yes.

H.M.JR: Who knows the Bankhead Bill, in case we are asked on that?

MR. PEABODY: Nobody knows it, officially.

MR. ROBBINS: I haven't seen anything in writing about it except the press.

MR. PEABODY: I have a copy of it.

H.M.JR: Have you?

MR. PEABODY: Yes, sir. Would you like to see it?

H.M.JR: No, but are you going to have a copy with you?

MR. PEABODY: I can have. I would think our position would be that we haven't seen the bill, however.

MR. ROGERS: I think so, too.

MR. PEABODY: Mr. Bankhead stated to the press that he had not consulted the Treasury on this.

H.M.JR: Is this Ways and Means?

MR. GAMBLE: Ways and Means Committee room, New House Building.

(The Secretary held a telephone conversation with Mr. O'Connell.)

(Miss Michener entered the conference.)

H.M.JR: If Wright Patman starts his stuff on, "Why do you pay interest?" - and all that, does Lindow know that stuff? Who knows that stuff - this banking stuff?

MISS MICHENER: Mr. Murphy does - Mr. Murphy knows it, definitely.

H.M.JR: Ways and Means at twelve o'clock, tell Murphy.

(Miss Michener left the conference.)

MR. SMITH: I think you ought to make every effort to avoid that discussion with reporters and Patman in the same room, if you could. Just say, "Look, we will have that a week from Tuesday, if you want it." Then, even if they get a discussion going on that, it is just going to wipe out all your publicity and everything as far as the newspapers are concerned - everything that the boys are going to put in.

MR. PEABODY: That is right.

MR. ROBBINS: Doesn't that argue again for what I think you plan to do, and that is, give us a little plea at the first, before you toss it to me, that "We would like to give you the show"?

H.M.JR: Then when we are through--

MR. SMITH: That is right. I was wondering if you ought to lock up Lindow some place and not have him around so you won't have anybody to answer questions.

H.M.JR: I am going to ask the chairman to let us go through with our show without questions. Then, if the bell rings for the Congress to meet at twelve o'clock and they get restless - if a few of them want to stay behind, I will say, "Now, gentlemen, if you care to sit down, Mr. Lindow is available at any time. He will be glad to come to your office and take up this question."

I have handled this thing so long that that doesn't worry me. Instead of putting him on first, I think we will keep him on ice.

MR. GAMBLE: We will take his charts down. They will not be in the room.

H.M.JR: Do you want to take a couple of minutes - this is a nice easy crowd to sell - try this idea on them, will you?

MR. SMITH: Well, it "ain't" cooked yet, quite.

H.M.JR: I know, but we have got them together - or would you rather not?

MR. SMITH: No, let's throw it in and see what comes out, because there may be some bugs in it.

What we were discussing was the possibility of the Secretary making another speech. We were wondering what

he could do that needed being done, that he could do better than anybody else.

Then I talked to Mr. Waldman and to some other people, and there seems to come out of that a very definite feeling that there is a dimension in here that is missing.

In other words, we are selling a hell of a lot of War Bonds to a hell of a lot of people, and are going to sell more of them, but there is, in a sense - in a sense it is a salesmanship process, and a lot of people don't really subscribe to all that a bond means - whatever that is.

They are buying bonds because they are being sold bonds and that is very successful and has to go on, but we are wondering if it wouldn't be a good idea to spend the last week of this drive - not to curtail anything, or to change anything that is being done now, but to call together the group of people who did such a tremendous job on the salvage operation - newspaper people - and say, "Look, we know and you know and everybody knows that the people just don't quite savvy this whole bond situation; they don't feel the war the way they should. Our own surveys indicate that a lot of people who are buying bonds have no particular feeling for the war. Consequently, let's you boys who have proved that you can do a job on these people that you know - your own subscribers - spend this last week, editorial-wise, trying to whip up some of the background that ought to be there - some of the foundation that is missing now."

Then we would prepare for them - for the committee to release to the newspapers - not for the Government to do - we should throw this thing over into the hands, I believe, as an experiment, of the individual editors, so they can say, "Look what we did," the same as on the salvage operation.

That will eliminate all the people who don't want to take orders from the Government and get them on the band wagon. We would prepare for them a statement, a package similar to the package that was delivered to those at the head of the salvage campaign. Somebody figured out what salvage was - it was Council, I guess - a plug. (Laughter)

Figure out just what has to be sold, put it into a package and say, "Here are all the channels we can go down; we will get you all the raw material you want."

We will round up Bill White and Robert St.John and all these people who know how to hate and have a feeling about the war, and send out raw material - not finished material at all - send out raw material through the committee to the individual editors and tell them "God Speed - go ahead."

Then we would set the tone for that on Sunday night, if the Secretary would go on Sunday night of the preceding week, and he would make a speech that would not be strictly a sales promotion speech; it would be more like the back end of his speech the last time. It would have all of the color and feeling and all of that.

H.M.JR: The night of the 25th.

MR. SMITH: That, we feel, is missing now. And they would immediately, on the heels of that, all of these people would go to work on the following week and try to build that up.

There is a lot of thinking that has to be done - a lot of cooperation we have to get from other people. It wouldn't interfere with anything you are doing, because you still have to knock them over the head to get the money.

The only bug I can see at this particular stage is the possibility of the OWI complaining that we are infringing on their territory a little bit and yet we are doing it strictly on a War Bond basis.

I mean, we can't go on indefinitely selling people these things unless they begin to feel something of what the war is about and what the bonds symbolize.

Now, tear it apart.

MR. GASTON: What you are really talking about is a campaign about what are we fighting for, isn't it?

MR. SMITH: That is it. It is tied into War Bonds, and headed up by a man who sets the pace, and then all of the people pitch in and use their own ingenuity, and they have got a lot of it. If you turn it over to these guys and say, "Look, here is what we have got to do, boys, and here is a lot of raw material--" we can get people like John Steinbeck and people like that to write little hundred-word or five-hundred-word statements that we can send out and they can use them as they are, or they can crib them, which they would be glad to do in a lot of cases, and sign their names to it. (Laughter) And just give them all the material they need and put them out on their own and see what they do.

Then, if it works - at least, whether it works or not, we will have learned a lot at the end of the week, and then we can take what we learn and I would be in favor of setting up a permanent committee - a group of some sort to just follow through for the duration, always letting the newspaper people do it.

MR. GASTON: This is the problem of selling the war, which is, I would say, one of the main problems of OWI. Of course, it wouldn't be a question of our invading OWI's jurisdiction; it would be a cooperative enterprise in which OWI and the Treasury would have to work very closely together.

In other words, it would be the timing, with the cooperation of OWI, of an intensive selling-the-war campaign to coincide with the closing of our bond-selling campaign and tied into the selling of bonds.

MR. ROGERS: It seems so to me.

H.M.JR: What is your first reaction?

MR. ROGERS: I wouldn't have any feeling about that at all. It doesn't seem to me it encroaches on any area that is an OWI area. If you choose to sell bonds by the method that he describes, it is just tying the whole effort very closely in with the war and with the meaning of the war. That is a technique which you could use in selling bonds, it seems to me.

H.M.JR: You fellows would back us up?

MR. ROGERS: Sure.

(The Secretary left the conference temporarily.)

MR. ROBERS: The only thing I do question is whether it would be a good idea to get newspaper people down again, because the Secretary has gotten down--

MR. ROBBINS: I think they are organized - we could get to them without--

MR. SMITH: He told me this morning that they were all organized and anxious to do something.

MR. PEABODY: That is right. They are doing a good deal, now. I think we have to take a look at some time elements on this thing right now.

We have got a raft of material, as you know - all of it that we could catch - relating to the war. Let's say it isn't completely effective in the sense you are talking, and I don't think it is. I think there is a big idea here, but on timing, what we would have to do, physically, now, would be to get out a whole bunch of new stuff. That would push us up, at the earliest, to sometime late next week. I mean, physically, it couldn't be done, really, I don't think, before that. Then you are almost on top of your 25th date. Then you have got one more week for the newspapers to get it out and get it effective.

MR. ROBBINS: Stuart, on your production job, this is going to be relatively simple as related to the production of advertising copy.

MR PEABODY: It isn't if you are going to get name stuff like John Steinbeck. This thing has to be organized and done, and it just can't be done in twenty-four hours. It is a terrific concept that Fred has got here.

MR. SMITH: I am inclined to disagree. I think if we have to do it, we can; I really believe we can. I have been through these things - in Finnish Relief, for

example, where we did much the same thing I am outlining here. We got an idea for a Finnish Sunday, or something, nine days before Finnish Sunday, and by Finnish Sunday we had the country absolutely plastered with stuff and we had something like fifty top writers that had gotten stuff in to us to pass out by that time.

You can get them on the telephone and give them a quick idea of what we are trying to do, and say, "Look, will you give us a hand?" They will come through, ninety percent of them. If the other ten are going to kibitz, you can postpone theirs until the fourth week of the drive, which doesn't exist, but the ninety percent will come through for you. If these people - I think the question is whether the newspaper people will work as fast as this, and I am inclined to think they might, because I believe there would be a tremendous reception for this at the other end of the line. The newspaper editors have been told what to do; or they have felt that they have been told what to do.

Now we are saying, "Look, boys, all we know is what has got to be done. We have got the facilities for getting you raw material - all the raw material anybody ever has. You, as an editor, can't call up Bill White; we can - Mr.Morgenthau can, and here is what Bill White sends out to you."

That won't be a complete job. To do the thing right you ought to have the radio, the labor unions - you ought to have everybody, but you can't do everything. I will go along with that.

But here is something that - because the organization exists, because I believe the people - the editors are anxious to do something on their own, and because I believe we can reach out and get a lot of this raw material in very short order - and it will be good, because w e will limit it just to three or four things that we want to sell, boil it down - it won't be all over the map, and everything - pertaining to just these three or four things we want to sell. Then round that up, get it out, and set up a clearing house through the committee so that the material can go out through the committee to the editors. And then a letter

ought to go out from Mr. Morgenthau, personally, to these editors, commending the newspapers on doing this kind of a job, and the confidence he has that if you turn it over to them, it is their people - it is the people they are in touch with every day - and so on and so on, I believe that we would learn an awful lot. I think we would get a lot done.

MR. PEABODY: How about cutting the four networks in? Maybe I am over-conscious of this, but we have done an awful lot of planning with the newspapers, which is good, because they can do a wonderful job, but the radio and the networks have done a lot of planning for us.

I am beginning to get worried about all of the stuff going through newspapers when the newspaper publishers, in effect, are saying, "The Treasury is relying on us to do this job."

Isn't there some way we could cut radio in on it?

MR. SMITH: We certainly ought to clear it with radio. Say, "We are not doing this now with newspapers to the exclusion of you, but you are doing a hell of a lot now. If you want to do this more - this little bit more - we certainly want you to do it. We know you will add immeasurably to it." And if they will work along, that just makes it twice as good.

But I think you ought to put it to them on the basis that they are doing so much already, that--

MR. ROBBINS: If you started out to get big name people to do bits, you certainly wouldn't exclude the fellows who have big audiences over the air.

MR. SMITH: No, indeed you wouldn't.

MR. PEABODY: It is an integral part of it. It could take effect really quicker on radio.

MR. SMITH: Actually, the truth of the matter is, it would be more effective on the air than newspapers, but it might be a little more difficult to handle because there isn't the editorial phase to the radio that there is to newspapers.

H.M.JR: Robbins, why don't you get this group together again and continue this discussion?

MR. PEABODY: We ought to.

MR. ROBBINS: All right.

H.M.JR: You like it, Rogers?

MR. ROGERS: Yes, I think it sounds very good.

H.M.JR: I tell you what I am going to do. I am going to get Mike Cowles to come over and have lunch with me. Can you be with me tomorrow?

MR. SMITH: I have a meeting tomorrow. I can come back after tomorrow.

H.M.JR: I can't do it Friday. Your tax thing - does it have to be this afternoon? While you are getting your hat, supposing I call up Mike Cowles. Are you ready to see him?

MR. SMITH: I think so. Am I?

MR. ROBBINS: I think it is a gigantic idea, and I would be inclined to say that even if we didn't come off a hundred percent because of timing, that it would still be very effective.

MR. SMITH: I think if we came off thirty percent it would be close enough to make it worthwhile.

H.M.JR: Does anybody not like it?

MR. GAMBLE: The only thing is the timing.

It really doesn't have to be done during the drive. You could do it the first week in May. You could do it the middle of May. It is a swell idea.

MR. SMITH: I think it could be done continuously. I think this is a good time to start it.

MR. ROGERS: A good time - any time.

MR. ROBBINS: Get together in my office at two-thirty.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO The Secretary

April 14, 1943

FROM Ted R. Gamble

A. Purpose of the drive: to raise 13 billion dollars, of which 8 billion is to be raised outside of the banks. That it is but another step in the numerous operations that the Treasury will have to undertake in order to raise the staggering sums necessary to meet the ever mounting cost of the war.

B. That the 2nd War Loan has been launched quite successfully. That in the first two days the total sale of all securities has reached

C. The purpose in appearing before these several committees was not to request anything other than an opportunity to give all members of these committees, whose responsibilities are related to Treasury problems, an intimate picture of the magnitude of this sales promotional program.

Also you might add a light touch. That you are a little proud of the manner in which all the people that you have brought into this campaign have approached this unprecedented task.

You will then introduce Mr. Robbins, who will, after a few remarks, present Mr. Lindow, who will give the economic background, followed by Mr. Peabody, who will cover the presentation.

ATTACHMENTS WILL BE DISTRIBUTED SEPARATELY

UNITED STATES TREASURY WAR FINANCE COMMITTEE

WASHINGTON, D. C.

Bulletin
April 10, 1943

Chairmen, District War Finance Committees:

Next week you will receive from us a bulletin outlining the sort of general report from each Federal Reserve District which we would like to have on the Second War Loan drive at its conclusion. We know you are fully occupied in preparation for the opening of the drive on Monday but feel that you should know, at this time, that our plans contemplate such a report.

William M. Robbins
National Director of Sales

WFC - 14

UNITED STATES TREASURY WAR FINANCE COMMITTEE

WASHINGTON, D. C.

BULLETIN
April 10, 1943.

Publicity Directors, War Finance Committee:

We are very happy to announce that Mr. George Wanders, of the Financial Department of the New York Herald Tribune, who did such a fine job for us in December, will again help us on this drive.

Mr. Wanders will work with this office and will serve as coordinator of all publicity activities of the drive. He will be assisted by Mr. S. W. Prenosil of Mr. Buffington's office.

On urgent publicity matters, please do not hesitate to contact Mr. Wanders direct.

Stuart Peabody,
Head Advertising Specialist.

Copies to Presidents, Federal Reserve Banks
Executive Managers

ADV - 17

UNITED STATES TREASURY WAR FINANCE COMMITTEE

WASHINGTON, D. C.

BULLETIN
April 9, 1943.

Presidents, Federal Reserve Banks:

We are sending you herewith for your information a copy of the speech Secretary Morgenthau will make from New York on Monday night at 9:00 P.M., Eastern War Time, over the NBC Red Network. It is also being sent to the press for release Tuesday morning.

We are also enclosing a copy of a memorandum from the Secretary to newspapers giving the data upon which the speech was built. This should serve our own Publicity Directors as a valuable source for local speeches, articles, etc.

It is IMPORTANT that the release date of Tuesday, April 13th, be strictly observed.

Stuart Peabody,
Head Advertising Specialist.

Copies to Publicity Directors, War Finance Committee.
Executive Managers.

Enclosures (2)

ADV - 16

TREASURY DEPARTMENT • WAR SAVINGS STAFF
ADVANCE SCHEDULE OF RADIO PROGRAMS

SPECIAL NOTICE

2nd War Loan Radio Day

Monday, April 12

All stations in the country will devote their entire broadcasting day to the launching of the 2nd War Loan. Individual stations as well as the four major networks will do special broadcasts throughout the day.

Some of the Network programs will be:

Carnegie Hall Rally

Speakers:

Secretary Morgenthau
Governor Thomas E. Dewey
Philip Murray
William Green

Music:

U. S. Air Corps Band
Music Hall Glee Club

9 - 9:30 PM, EWT

National Broadcasting Company

Local Station: WRC

(continued)

THESE PROGRAMS PROMOTE THE SALE OF WAR BONDS AND STAMPS

TREASURY DEPARTMENT • WAR SAVINGS STAFF

ADVANCE SCHEDULE OF RADIO PROGRAMS

COLUMBIA BROADCASTING SYSTEM

TIME	PROGRAM
9:15- 9:30 AM	School of the Air
9:45-10:00 AM	This Life of Mine
11:00-11:15 AM	God's Country
12:00-12:15 PM	Kate Smith
12:15-12:30 PM	Big Sister
12:30-12:45 PM	Edna Wallace Hopper
1:00- 1:15 PM	Life Can Be Beautiful
1:30- 1:45 PM	Vic and Sade
3:15- 3:30 PM	Joe and Ethel Turp
3:30- 3:45 PM	Columbia Concert
4:15- 4:30 PM	Green Valley
4:30- 4:45 PM	Perry Como
4:45- 5:00 PM	Mountain Music
5:00- 5:15 PM	Madeleine Carroll
5:15- 5:30 PM	Mother and Dad
5:30- 5:45 PM	Argue with Genius
6:15- 6:30 PM	Mary Small
6:30- 6:45 PM	Keep Smiling America
8:00- 8:30 PM	Vox Pop
8:30- 8:55 PM	Gay Nineties Revue
9:00-10:00 PM	Cecil B. Deliille's Lux Radio Theatre
10:30-11:00 PM	Three Ring Time
11:30-12:30 PM	All Star Roundup

(continued)

THESE PROGRAMS PROMOTE THE SALE OF WAR BONDS AND STAMPS

TREASURY DEPARTMENT • WAR SAVINGS STAFF
ADVANCE SCHEDULE OF RADIO PROGRAMS

NATIONAL BROADCASTING COMPANY

TIME	PROGRAM
7:45- 8:00 AM	Reveille Roundup
8:00- 8:15 AM	World News Roundup
9:00- 9:30 AM	Everything Goes
10:00-10:15 AM	Robert St. John News
12:00-12:15 PM	Mirth and Madness
1:45- 2:00 PM	Carey Longmire News
2:00- 2:15 PM	Light of the World
2:15- 2:30 PM	Lonely Women
4:45- 5:00 PM	Young Widder Brown
6:30- 6:45 PM	Bill Stern
7:15- 7:30 PM	News of the World
7:45- 8:00 PM	Kaltenborn News
8:30- 9:00 PM	Voice of Firestone
9:30-10:00 PM	Dr. I. Q.
10:30-11:00 PM	Information Please
11:15-11:30 PM	Richard Harkness
11:30-12:00 PM	All Star Roundup

(continued)

THESE PROGRAMS PROMOTE THE SALE OF WAR BONDS AND STAMPS

TREASURY DEPARTMENT • WAR SAVINGS STAFF
ADVANCE SCHEDULE OF RADIO PROGRAMS

MUTUAL BROADCASTING SYSTEM

TIME	PROGRAM
11:30-12:00 AM	Yankee House Party
12:00-12:15 PM	Boake Carter
2:30- 3:00 PM	Mutual Goes Calling
3:15- 4:00 PM	Shady Valley Folk
4:30- 5:00 PM	Nobody's Children
6:00- 6:15 PM	Phillip Keyne-Gordon
6:30- 6:45 PM	Overseas Report
7:15- 7:30 PM	The Johnson Family
8:15- 8:30 PM	They're The Barries
10:15-10:30 PM	Our Morale
10:45-11:00 PM	Music That Endures

(continued)

THESE PROGRAMS PROMOTE THE SALE OF WAR BONDS AND STAMPS

TREASURY DEPARTMENT • WAR SAVINGS STAFF
ADVANCE SCHEDULE OF RADIO PROGRAMS

BLUE NETWORK

TIME	PROGRAM
8:00- 8:15 AM	Daily War Journal
9:00-10:00 AM	Breakfast Club (FD 9:58)
10:15-10:30 AM	Roy Porter
10:30-10:45 AM	Heinz Co. Baby Institute
10:45-11:00 AM	Gene and Glen
11:00-11:30 AM	Breakfast at Sardi's
11:45-11:59 AM	Little Jack Little
12:00-12:15 PM	Meet your Neighbor
12:30-12:45 PM	Farm and Home Hour
1:00- 1:15 PM	Paulinger Talking
1:15- 1:30 PM	Your Gospel Singer
2:30- 2:45 PM	James C. MacDonald
3:00- 3:15 PM	Morton Downey
3:45- 4:00 PM	Between the Book Ends
4:01- 4.30 PM	Club Matinee
4:30- 4:45 PM	Men of Land Sea and Air
6:20- 6:30 PM	Joe Rines' Orchestra
6:45- 7:00 PM	Sun Oil -- Lowell Thomas
7:05- 7:15 PM	Major Hoople
8:00- 8:15 PM	Earl Godwin News
8:30- 9:00 PM	True Or False
9:30- 9:55 PM	Coca Cola Spotlight Bands
9:55- 9:59 PM	Little Known Facts
10:00-10:15 PM	Raymond Gram Swing
10:15-10:30 PM	Gracie Fields
10:35-11:00 PM	All Star Roundup

THESE PROGRAMS PROMOTE THE SALE OF WAR BONDS AND STAMPS

UNITED STATES TREASURY WAR FINANCE COMMITTEE

Bulletin
April 13, 1943

Publicity Directors, War Finance Committee:

We are attaching hereto a schedule through Sunday, April 18, of special Second War Loan promotions which will be put on by various radio programs throughout each day. It is unfortunate that we could not get this to you earlier, but we were completely unable to get the information from the broadcasting people. The schedule will be helpful for your own use, and you may be able to reflect some of it to the field. We are working now on schedules for the succeeding weeks and will try to get them to you in time for more effective use.

You will remember that we asked for one star a day who would appear, preferably unexpected, on shows during the day and evening. The name of the star for each day appears after the righthand column.

Stuart Peabody
Head Advertising Specialist

Copies to Presidents, Federal Reserve Banks
Executive Managers, Victory Fund Committees

Attachments 5.

ADV-20

NETWORK PROGRAMS TO PROMOTE SECOND WAR LOAN WHERE INDICATED STARS WILL MAKE SPECIAL APPEAL

WEDNESDAY, APRIL 14

TIME - EWT		PROGRAM	NETWORK
10:00 - 10:15	AM	Morning Market Basket	Blue
11:45 - 12:00	Noon	David Harum	NBC
12:00 - 12:15	PM	Booke Carter	MBS
12:30 - 12:45	PM	Helen Trent	CBS
2:45 - 3:00	PM	Hymns of all Churches	NBC
3:00 - 3:15	PM	Crumit and Sanderson	CBS
3:00 - 3:15	PM	David Harum	CBS
4:00 - 4:15	PM	Backstage Wife	NBC
5:30 - 5:45	PM	Truman Bradley's News Call	CBS - Marlene Dietrich
6:15 - 6:30	PM	Mary Small & Walter Gross	CBS
7:30 - 8:00	PM	California Melodies	MBS - Marlene Dietrich
8:00 - 8:15	PM	Watch the World Go By	Blue
9:00 - 9:30	PM	Mayor of the Town	CBS - Marlene Dietrich
10:00 - 11:00	PM	Kay Kyser	NBC
10:15 - 10:30	PM	Gracie Fields	Blue - Marlene Dietrich
10:30 - 10:35	PM	Alec Templeton Time	Blue
12:00 - 12:30	PM	Point Sublime	NBC - Marlene Dietrich

NETWORK PROGRAMS TO PROMOTE SECOND WAR LOAN WHERE INDICATED STARS WILL MAKE SPECIAL APPEAL

THURSDAY, APRIL 15

TIME - EWT		PROGRAM	NETWORK
11:15 - 11:30	AM	Second Husband	CBS
12:00 - 12:15	PM	Meet Your Neighbor	Blue
1:30 - 1:45	PM	Andy & Virginia	Blue - Ann Southern
3:00 - 3:15	PM	News	MBS - Ann Southern
5:00 - 5:15	PM	Sheelah Carter	MBS
5:30 - 5:45	PM	Just Plain Bill	NBC
5:30 - 5:45	PM	Are You A Genius	CBS
6:45 - 7:00	PM	Lowell Thomas	Blue
7:15 - 7:30	PM	Sam Hayes	CBS - Ann Southern
7:15 - 7:30	PM	Harry James	CBS
8:00 - 8:15	PM	Singin' Sam	MBS
8:00 - 8:30	PM	Maxwell House	NBC - Ann Southern
9:30 - 10:00	PM	Rudy Vallee	NBC - Ann Southern
10:00 - 10:15	PM	Raymond Clapper	MBS
10:30 - 11:00	PM	Red Ryder	Blue - Ann Southern
11:30 - 12:00	PM	Maxwell House	NBC - Ann Southern

NETWORK PROGRAMS TO PROMOTE SECOND WAR LOAN WHERE INDICATED STARS WILL MAKE SPECIAL APPEAL

FRIDAY - APRIL 16

TIME - EWT		PROGRAM	NETWORK
9:00 - 9:30	AM	Everything Goes	NBC
9:45 -10:00	AM	The Breakfast Club	Blue
10:00 -10:15	AM	Songs of a Dreamer	Blue
11:30 -11:45	AM	Bright Horizon	CBS
11:35 -12:00	Noon	Yankee House Party	MBS
12:30 -12:45	PM	Enjoy Yourselves	NBC
2:15 - 2:30	PM	Joyce Jordon	CBS
2:30 - 3:30	PM	Phil.Symphony Orch.	MBS
6:00 - 6:25	PM	Charles Dant's Orch.	NBC - Adolphe Menjou
6:15 - 6:30	PM	Today at the Duncans	CBS
7:30 - 7:45	PM	Easy Aces	CBS
7:30 - 7:45	PM	Golden Gate Quartet	CBS
8:00 - 8:15	PM	Dinah Shore	Blue - Adolphe Menjou
8:30 - 9:00	PM	Meet Your Navy	Blue
9:00 - 9:30	PM	Hollywood Show Case	CBS - Adolphe Menjou
10:00 - PWT (Pacific Coast Only)	PM	Hollywood Legion Fights	Blue - Adolphe Menjou
10:00 -10:45	PM	Camel Comedy Caravan	CBS - Adolphe Menjou
11:15 -11:30	PM	Dinah Shore	Blue - Adolphe Menjou

NETWORK PROGRAMS TO PROMOTE SECOND WAR LOAN WHERE INDICATED STARS WILL MAKE SPECIAL APPEAL

SATURDAY, APRIL 17

TIME - EWT		PROGRAM	NETWORK
8:15 - 8:45	AM	Dick Leibert	NBC
9:30 - 9:45	AM	Garden Gate	CBS
10:15 - 10:30	AM	Mirandy of Persimmon Holler	Blue
12:30 - 1:00	PM	Stars Over Hollywood	CBS - John Garfield
1:00 - 1:30	PM	Chips Davis, Commando	CBS
1:30 - 1:45	PM	Sustaining	Blue
4:02 - 4:30	PM	Rigadoon to Rumba	MBS
5:00 - 6:00	PM	Navy Bulletin	MBS - John Garfield
6:00 - 6:15	PM	Frazier Hunt	CBS
6:00 - 6:15	PM	Russ Brown Orchestra	CBS
7:30 - 8:00	PM	Noah Webster Says	NBC - John Garfield
8:00 - 8:15	PM	Cosmos Jones	CBS
8:00 - 8:30	PM	Crumit and Sanderson	CBS
8:00 - 8:30	PM	The Fleet's In	MBS
8:30 - 8:45	PM	Harry Flannery	CBS - John Garfield
9:30 - 10:00 (Pacific Coast Only)	PM, PWT	Mystery of the Month	NBC - John Garfield
10:15 - 10:45	PM	Blue Ribbon Town	CBS - John Garfield
10:15 - 10:45	PM	Bond Wagon	MBS

NETWORK PROGRAMS TO PROMOTE SECOND WAR LOAN WHERE INDICATED STARS WILL MAKE SPECIAL APPEAL

SUNDAY, APRIL 18

TIME - EWT	PROGRAM	NETWORK
8:05 - 8:30 AM	Avenir De Manfred	NBC
10:00 - 10:30 AM	Fantasy in Melody	Blue
12:00 - 12:30 PM	Emma Otero	NBC
2:00 - 2:30 PM	Those We Love	CBS - Loretta Young
2:30 - 2:55 PM	World News Today	CBS
3:30 - 4:00 PM	Madrid Melodiana	MBS
5:00 - 5:45 PM	Family Hour	CBS
6:05 - 6:30 PM	Free World's Theater	Blue - Loretta Young
7:00 - 7:15 PM	Drew Pearson	Blue
7:00 - 7:30 PM	Jack Benny (Welles)	NBC - Loretta Young
8:30 - 9:00 PM	One Man's Family	NBC - Loretta Young
9:00 - 9:30 PM	Radio Readers Digest	CBS
10:00 - 10:15 PM	John B. Hughes	MBS
10:30 - 11:00 PM	What's My Name	NBC
11:30 - 12:30 PM	Standard Symphony	NBC - Loretta Young

April 14,
1943

Ted Gamble

Secretary Morgenthau

Is there any reason that we shouldn't give out through Chic Schwarz that we're going up on The Hill at twelve o'clock, and get some publicity? I think we should. Please give this your prompt attention if you agree with me. O.K. —

ASSISTANT SECRETARY OF THE TREASURY

April 14, 1943.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

Phil Murray called Lawrence Houghteling, but was unable to get him. Houghteling called him back this morning. Murray is tremendously angered and chagrined at being cut off on the Monday night broadcast. He said he had broken other engagements to make the speech and now he has been humiliated and embarrassed before all his people. He says this sort of thing is always happening to them. He says the CIO will go ahead helping with War Bonds, but as for himself, he is not going to accept any more invitations. We can take Bill Green around the country and let him spout for us but he, Murray, has had his fill. He doesn't think the Treasury was responsible, but he thinks there was a plot to injure the CIO. Houghteling thinks it would be a fine thing if you could find time to call Murray up and express your regrets and assure him that the incident was simply the result of stupid management of the broadcast schedule.

April 14, 1943
2:10 p.m.

HMJr: Hello.

Operator: Philip Murray.

HMJr: Hello.

Philip Murray: Hello, Mr. Secretary.

HMJr: How are you?

M: Quite well. How are you?

HMJr: Well, I'm all right. I think that that meeting up there in Carnegie Hall was the worst handled meeting I've ever attended.

M: Yes, it seemed to have been....

HMJr: I thought it was outrageous.

M: Yeah, yeah.

HMJr: And I was particularly chagrined - the fact that they didn't allow you enough time on the air.

M: Well, they gave me about ten seconds.

HMJr: Well, this man, Davis, was the worst presiding officer I ever saw.

M: Yeah, he mumbled a little too much there.

HMJr: And he took too much time.

M: That's right.

HMJr: I kept within the time they gave me.

M: Yes, I know you did, yes.

HMJr: But I - I felt very badly - and do you know that my wife, who was in the fifth row....

M: Uh huh.

HMJr: ....couldn't hear me - that the loud-speakers didn't work?

M: No, that's what I understand. The loud-speakers were not working half the time.

HMJr: And this man, Davis, who presided, I don't know whether he was in a fog or what.

M: It looked to me like as if the old fellow wasn't himself.

HMJr: I didn't - now we asked, you know, to let the Treasury run the meeting, but they wouldn't let us.

M: Yeah. Well, that was unfortunate.

HMJr: And - and Davis - Davis seemed to me to just be in his dotage.

M: Yeah, there was something the matter with him. I don't know what it was, but it seemed to me that he....

HMJr: And first - I mean, and then Mayor LaGuardia walked out, you know, and....

M: Yeah, yeah.

HMJr: ....I felt very badly, and while it's not my responsibility I wish that it was and that - if it had been, you'd have had your full time and....

M: Yes.

HMJr: ....plenty over.

M: It - it wasn't a question of myself. It was the - it's about the fifth or sixth time that it has occurred to me with this fellow, Green, in the program, see?

HMJr: Oh.

M: He usually gets through in pretty good shape, and, of course, I get trimmed about at the end of each one of those radio programs.

HMJr: You know when you've talked....

M: It's nothing new in my experience.

HMJr: But when you've talked here from the Treasury that's never happened.

M: No, no, no, I....

HMJr: You remember - you know you've talked here two or three times.

M: That's right. That's right.

HMJr: And Jim Carey has.

M: Yeah.

HMJr: And you've always had ample time.

M: Yeah. Well, it was an unfortunate experience insofar as the - the organizations were concerned. They sent in a lot of protests to me about it.

HMJr: Well, is there anything that I could do?

M: Not a thing, Mr. Secretary. There's nothing I know that can be.

HMJr: Well, I - I feel terribly, but....

M: Yeah.

HMJr: .....here the audience, as far as I was concerned, the audience - I might just as well have been in a telephone booth.

M: I wouldn't be surprised.

HMJr: And - and to bring a lot of those boys in high hats to a thing like that, I - I thought the whole thing was just disgusting.

M: Yes, it was - it was a badly arranged affair, I believe.

HMJr: Yes. Well....

M: All right, Mr. Secretary. I'm mighty glad you called.

HMJr: And I want you to - I mean I was much more chagrined than you under - and if there's anything that I could do or write a letter or talk to anybody....

M: No, no, that's perfectly all right.

HMJr: I'd like to do it.

M: That's all right, Mr. Secretary. I hope to see you soon.

HMJr: I hope so.

M: Very fine. Goodbye.

April 14, 1943
2:17 p.m.

Allen Sproul: ....Mr. Secretary.

HMJr: How are you?

S: Fine. How are you?

HMJr: I'm all right, Allen.

S: Did you get back home all right?

HMJr: I got back the same night.

S: Good.

HMJr: Allen, I'm calling you up because it's been drawn to my attention by Lawrence Houghteling that Philip Murray is very, very sore that he was cut off on the air. Hello?

S: Yeah.

HMJr: I called him up myself, and I - I would appreciate it if you'd do something. Hello?

S: Yes.

HMJr: You know, he only got barely started when they cut him off.

S: Yeah.

HMJr: Davis handled that thing, I thought, very badly.

S: Well, he was too slow.

HMJr: Yeah, there was something wrong anyway, and he fumbled there with those introductions to Dewey and all the rest of it. But could you write a letter or something to Murray or....

S: I think it would be an appropriate thing to do, yeah.

HMJr: I think so. I - I just got through talking to him, and - (laughs) the thing that - this - that seems to bother him, he says that it always seems to happen to him that Green gets the time and he doesn't, and he thinks it's a plot.

S: Yes, I see.

HMJr: But I just think a little note that it's one of these things and....

S: Well, it can do no harm and it might do some good. I think it would be an appropriate thing to do, and I'll do it this afternoon.

HMJr: I know it'll do good.

S: I'll do that this afternoon....

HMJr: Yeah.

S: ....and....

HMJr: I'd appreciate it.

S: ....I think it can be done so it ought to do some good.

HMJr: Right. And you certainly are making some sales up there.

S: Gosh, yes! I am more - getting more interested now in numbers than in dollars. The dollars don't bother me any more.

HMJr: I see. (Laughs)

S: (Laughs)

HMJr: You're going to sell a lot of people, are you?

S: I hope so, and we're going to begin immediately to reorient our people's ideas and our publicity towards that objective - not just get the quota -- yeah, that's - we're going to do that -- but we've got to not only top the quota but get more people into this.

HMJr: Wonderful. That's fine, and keep up the good work.

S: We'll be right after it.

HMJr: Well, thank you.

S: All right.

April 14, 1943
3:28 p.m.

John Sullivan: ....Somers....

HMJr: Oh.

S: ....on the power to devalue.

HMJr: Yeah.

S: But he thinks he sees a way around it.

HMJr: Yeah.

S: There'll have to be legislation for the matter that you discussed before those three committees last week, and if we could assure him that that legislation, when it was introduced, would be referred to his committee....

HMJr: Oh.

S: ....he thought that they would do it. Well, I said, "I don't think that the Secretary is in the habit of making any such trades," and he said, "Well, every other department does." I said that I would put it up to you. I think the furthest we could possibly go was that if he asked us where that legislation would go, we could say that since they had handled similar legislation in this other stabilization fund....

HMJr: Well....

S: ....that you would assume it would go there.

HMJr: I'll see you and O'Connell and White at ten o'clock tomorrow on this thing.

S: Yes.

HMJr: See?

S: Yes, sir.

HMJr: We'll talk about it then.

S: All right.

HMJr: Are you available at ten tomorrow?

S: Yes, I am. Now I was supposed to go to Baltimore at twelve....

HMJr: Yes.

S: ....to give a talk over there - yeah, I can cancel that if you think I should.

HMJr: No, well, I can't get in any earlier. I'm going to the doctor's in the morning for a check-up.

S: I see. Well....

HMJr: Were - were you going - if you leave on the eleven o'clock train....

S: No, no, I'll leave on the twelve o'clock.

HMJr: Oh.

S: Yes, I think there'll be plenty of time, sir.

HMJr: Well, that's all right.

S: Right. How are you feeling?

HMJr: Pretty good.

S: Thanks ever so much for that note you wrote to Patty.

HMJr: Oh, that's all right.

S: She thoroughly enjoyed it.

HMJr: Well, she's a nice kid.

S: (Laughs) Thank you, sir.

HMJr: All right.

S: Goodbye.

April 14, 1943
3:40 p.m.

HMJr: Yeah.

William Robbins: Cedar Rapids, Iowa, Sunday night, the 25th, at 7:30.

HMJr: No, you're moving a little bit (laughs) too fast for me now.

R: (Laughs)

HMJr: I want to wait until you see what's-his-name this afternoon.

R: Until I see Mike Cowles.

HMJr: And then I want to review this thing once more.

R: All right, sir, fine. But that - that's the way your mind is running?

HMJr: Well, Cedar Rapids is all right as far as I'm concerned, the 25th, but I - I want to - I want another look at this thing.

R: All right, sir. But that - that - I thought I could give you the flash on that because that seems to be the....

HMJr: Well, I - I want to - well, you can't do anything more tonight other than see Mike Cowles.

R: No, except that we're going to work on it. You see, we're dividing up the parts of the job now. Somebody will go to work on the so-called package of material and its preparation and somebody will have - have to go to work on clearing the air. That pulls in, of course, O.W.I. and its allocations....

HMJr: Yeah.

R: ....and those things will all have to move pretty rapidly. I'll give you a full report at seven after I've talked to Mike.

HMJr: Well, supposing you do that and then I may be able to give you a green light then, how's that?

R: All right. That's good.

HMJr: But I'd like to get his reaction.

R: Yes, well, I'll....

HMJr: How do you feel about it?

R: Oh, I think it's fine. I think it serves three purposes here really. In the first place, I - I want you, as I've told you right along, very much to go on the air again.

HMJr: Yeah.

R: In the second place, it provides us a good, high pitch for the end of - last week of our campaign, which is potential for further development even after the campaign.

HMJr: Yeah.

R: In the third place, it takes you into the Middle West and out of the big metropolitan areas, and I like all three of those things.

HMJr: Well, I don't know Cedar Rapids. I don't know - it's - whether it's....

R: Well, it's done a magnificent job on War Savings. The War Savings crowd - Ted Gamble is the one who really pulled Cedar Rapids out of his hat as being a typical town of that size in that part of the world which has just really gone to town on War Savings. They have a good organization; a live, wide-awake crowd; it's a town of just about the right size so that the town characters and the town people are known to each other. The spring-board for a job of this kind, I think, is - is rather - rather well-balanced.

HMJr: Is Cedar Rapids - is that near the Illinois border?

R: Wait a minute. I'll ask. I'm looking at a map here. (Talks aside: Where is Cedar Rapids? East or west? Near the Illinois border? Is that Waterloo or Cedar Rapids?) It's down in - down in southeastern Iowa and we haven't quite found it yet but it's apparently quite near the Illinois border.

HMJr: I wonder - anybody from Iowa knows. You see, if Wallace was here I could ask him, but he's not here.

R: Oh, you mean - knows what specifically, sir?

HMJr: Well, I mean - just - I mean, who's been there - knows the town.

R: No, I've never been to Cedar Rapids.

HMJr: Well, how much does Gamble know about Cedar Rapids?

R: He knows the - well, I didn't talk to him but Smith talked to him at lunch, and that's where the - the suggestion came and it was - Gamble's reaction was based primarily upon the exceptionally fine job that the War Savings organization had done.

HMJr : In Cedar Rapids.

R: In Cedar Rapids, that's right.

HMJr: Well, I would - before I'd settle on it, I'd suggest we'd call up our State Administrator of Iowa and ask - check with him.

R: Uh huh.

HMJr: See?

R: Yes, yes, we can do that.

HMJr: I'd call up the State Administrator and check with him.

R: Uh huh. Now I can tell you where it is. It's - it's in the eastern central part, not southeastern....

HMJr: Oh.

R: ....and it's about, I should say 100 miles from the Illinois River.

HMJr: Okay. Well, you call me tonight. I like the idea very much. I think it will give the zip to the end that we need.

R: Fine, fine, all right.

HMJr: Thank you.

R: You bet.

copy given to Mrs. M. 140

OFFICE OF WAR INFORMATION

Domestic Radio Bureau
Railroad Retirement Bldg.
Washington, D. C.

IN REPLY REFER TO:

April 14, 1943

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

Dear Mr. Morgenthau:

I thought you might be interested in a report I had yesterday afternoon from Mr. William B. Paley, president of Columbia Broadcasting System.

Mr. Paley was at Carnegie Hall Monday night and while he admitted that the P. A. system was considerably lower than it should have been, he stated definitely that the problem of hearing in Carnegie Hall itself was not as bad as you feared. He went on to say that he thought, without question, it was the best speech he had ever heard you make.

Sincerely,

Donald D. Stauffer

Donald D. Stauffer, Chief
Domestic Radio Bureau

DDS:eh

April 14, 1943

My dear ~~Mr. Meyer~~ Eugene:

I want to tell you how appreciative I am of your action in displaying Lt. Col. William A. Brewer's splendid appeal, "This is My America," on the front page of Sunday's Post. I was deeply moved by it, and I know your readers were, too.

I am aware of the fact that this is only one of many activities which the Post has planned to help us with the Second War Loan. For this help we are sincerely grateful.

Sincerely,

(Signed) Henry

Secretary of the Treasury

Mr. Eugene Meyer,
Editor and Publisher,
The Washington Post,
Washington, D. C.

SPeabody:ik

~~Photo~~ file in Diary

(Mailed out by Peabody's office)

S.P.

Washington Post
APR 11 1943

This Is My America

By Lieut. Col. William A. Brewer

THIS IS MY LAND, THIS IS AMERICA.

Her waters and her soil have nourished me, her air I have breathed, her trees and her hills have sheltered and inspired me.

I am one with her; her grasses and her minerals are flesh of my flesh and bone of my bone; and the sweet flesh of my ancestors has nourished her, and the blood of my ancestors fighting to keep her free, has watered her broad acres.

I am all hers and she is all mine.

Her flag is my flag; in it is not just what I see, but what I am; when I look at her flag I see only bunting and colors; but when I look into her flag I see wonderful things.

I see the breadth of her, from the spume rising where rollers of the Atlantic sweep in to the rocks of Maine to the Angelus bells ringing vespers on the hills hanging over San Diego.

I see the height of her, white spires rising through New England elms, and a pueblo throned on a red rock mesa in New Mexico, and the clouded summits of Shasta and of Washington.

I see the depth of her, the carved chasms of the roots of the skyscrapers of Manhattan, and the root cellar under the sod shacks on the prairies of Dakota, and the sweating rock a mile down in the Argonaut Mine at Jackson.

I SEE the blue waters of Pend Oreille, and the brown waters of the Missouri at St. Charles, and the white waters of Yosemite, and the red waters of the Tennessee, and the green waters of the Potomac; and all that they bring to the land, and to the people; and all that they take away.

Waking, I hear the birdsongs in Wisconsin elms, and drifting off to sleep I hear the long-tailed chat whistling at the moon above the black deeps of Tahoe, and the sea-mew piping the sun down beyond the Golden Gate.

I see the age of her, too; the dinosaur tracks in the stone in the prison yard at Carson City, the ferns imbedded in coal in the rich black heart of Pennsylvania, the ring upon ring storying splendor in the redwoods in the Trinity forest; and, more recently, the traces of the Indians at Canandaigua and at Reno; the westward wheel tracks of the '49ers, and the beacons of the skypaths of the airliners.

ALL these I see when I look into the flag, and in it, too. I see the men and women, my kind of men and women; their roots deep in old cultures by which they won their way to the light, and their heads high as they stand up and face the light and know that it is good.

I see the children, with the sweet soft faces on which no story yet is written; and the old people with their faces on which are written mysteries and heroic poems.

I see the pageant of America's people, led by the lordly and colorful ones, but mostly Joe and Mary and Tom and Harry and Beth, the ones the papers don't write about, the ones that never are told about in the histories, because they just live and work and give their hearts' warmth to keep America alive.

I see the starry few, Abe of Springfield and Tom Jefferson and Teddy and Steve Decatur the duelling man, and old Andy Jackson, puckery and fresh to the taste as a mountain plum, and Henry Thoreau bringing the world into the confines of Walden Pond.

I SEE these people and these things as a part of the flag and of the land, as I am a part of the flag and of the land; and I see the land and the flag as part of them, as the flag and land are a part of me.

I see America and I hear America, I hear the music of America.

I hear the winds and clouds making a great harp of the heart, and I hear the melody of America played on that harp. The mountains bow and the hills leap at that melody which no words can tell.

I hear America in song and the song is good, the voices of the waters and the winds and the riveting machines and the saws, the voices of the men and women singing, the men singing the good spirits in their hearts after their work, and the women singing to their children while they put them to sleep.

I hear America in song and the song is good; I see America in the light and the light is good. I touch America, the dark warm rich soil of America, and the red soil, and the sandy soil, and the loamy soil; and the soil is good.

THIS IS MY AMERICA, *and these are my people and these are my heartstrings on which the song is played; they are mine and I am theirs.*

Tomorrow American citizens will be asked to finance the greatest Government bond transaction in our history. Whatever the sacrifices entailed, this newspaper knows this unprecedented war bond campaign will be a success, for every real American citizen feels as Col. Brewer feels. Read "This Is My America" again and revise your war bond program—forward. Editor's Note.

APR 14 1943

My dear Mr. Seals:

The United States Flag Association is to be congratulated for its decision to devote this year's observance of National Flag Week to increase the sale of War Savings Bonds by 100 million dollars.

We honor our flag best by serving our country, and in these times of war, I know of no better way for civilians to serve than by buying War Savings Bonds to the very limit of their abilities. It is a task in which we all are partners.

I am therefore happy to accept your invitation to act as Co-Chairman of the National Council of the United States Flag Association, and to tell you that the Treasury Department is proud to be a part of the National Flag Week observance for 1943.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. William F. Seals, Director
United States Flag Association
Washington, D. C.

TG:vm

Copy and photostat of incoming in Diary

File to Thompson

Mr Gamble

THE UNITED STATES FLAG ASSOCIATION

Patriotic, non-sectarian, non-political organization -- Incorporated under Federal law April 10, 1924

WASHINGTON, D. C.

APR 5 1943

April 2, 1943

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

My dear Mr. Secretary:

As you know, we will devote the Fifth Annual National Celebration of Flag Week to the War Savings Program as outlined in the enclosed resolution. The activity is sponsored by our National Council of which Secretary of War Stimson is Honorary Chairman, and Mr. Walter D. Fuller, President, Curtis Publishing Company, is Executive Chairman.

On behalf of our Executive Board, I have the honor to invite you to serve as Co-Chairman of the National Council. This service is, of course, honorary.

Enclosed is a copy of Secretary of War Stimson's acceptance. If you find it possible to accept, I wonder if you will be good enough to write in your letter of acceptance a statement along similar lines.

You may count upon our most earnest efforts in support of the War Bond Program.

Sincerely yours,

William F. Seals

William F. Seals
Director

WFS:el
Enclosures

PRIVATE WIRE

War Finance Committee

Expenses of Loans, Act of 9/24/17,
as Amended & Extended

WASHINGTON, D.C., April 14, 1943

To Presidents, Federal Reserve Banks:

THERE HAVE BEEN SEVERAL INQUIRIES OF THE TREASURY CONCERNING THE PRESS DISPATCHES RELATING TO THE SECRETARY'S ANNOUNCEMENT THAT THE PUBLIC IS NOT BEING ASKED TO TAKE MONEY OUT OF SAVINGS ACCOUNTS FOR INVESTMENT IN UNITED STATES GOVERNMENT SECURITIES. WILL RELY ON YOU TO HANDLE SITUATION LOCALLY. WE EXPECT ALL CITIZENS WHO HAVE AVAILABLE FUNDS TO BE SOLICITED REGARDLESS OF WHERE THEIR FUNDS MAY BE LOCATED. ON THE OTHER HAND WE CANNOT ASK TREASURY DEPARTMENT OR FEDERAL RESERVE BOARD TO TAKE A POSITION WHICH MIGHT BE INTERPRETED AS AGAINST ANY ONE TYPE OF BANKING INSTITUTION, NOR CAN WE ALTER CONDITIONS OF PURCHASE ELIGIBILITY FOR DIFFERENT TYPES OF BANKING STRUCTURE. OUR SUGGESTION THAT YOU GO AGGRESSIVELY AFTER INDIVIDUAL CITIZENS WHO SHOULD BUY THESE ISSUES AND AVOID DISCUSSION OF BANKING PROBLEMS OR SOURCE FROM WHICH THEY WILL DRAW FUNDS.

ROBBINS

UNITED STATES TREASURY WAR FINANCE COMMITTEE

Bulletin
April 14, 1943

Publicity Directors, War Finance Committee:

We are reminded that April 20th is the birthday of Adolph Schicklgruber. Some districts (notably St. Louis) are taking note of this in bond promotions revolving around the intriguing possibility that it may be his last. This is for your information.

Stuart Peabody,
Head Advertising Specialist.

Copies to Presidents, Federal Reserve Banks
Executive Managers, Victory Fund Committee

ADV-21

MEMORANDUM

TO: Secretary Morgenthau

FROM: Mr. Surrey

April 14, 1943

SUBJECT: Pay-as-you-go

1. At your request, I conferred with the Clerk of the Ways and Means Committee and have checked the form of the simple withholding bill which Chairman Doughton may introduce tomorrow. The Clerk states that Chairman Doughton may make a statement tomorrow at noon and I plan to be at the House session in case anything develops.

2. Republican decision to defer action until next week was apparently dictated in part by the House rules which would not permit the starting of a discharge petition until next week and partly by the hope that the majority leadership may offer a compromise in the meantime. I understand that the ranking members of the Ways and Means Committee are so far sticking to the simple withholding provision proposed by Chairman Doughton and believe that support, of the nature expressed in today's editorial in the Washington Post, will increase.

Tax: Pay-as-you-go

148

O REPUBLICAN LEADER MARTIN SAID REPUBLICAN MEMBERS OF THE WAYS AND MEANS COMMITTEE HAVE DEFERRED ACTION UNTIL MONDAY ON STARTING A PETITION TO BRING A PAY-AS-YOU-GO TAX BILL BEFORE THE HOUSE. HE SAID NO PROPOSED TAX MEASURE CAN BE DECIDED UPON UNTIL NEXT WEDNESDAY AND THAT AT A MEETING OF THE REPUBLICAN COMMITTEE MEMBERS TODAY IT WAS DEEMED ADVISABLE TO POSTPONE FURTHER PRESSURE FOR BRINGING A TAX BILL ON TO THE FLOOR UNTIL THE FIRST OF THE WEEK.

4/14--SB330P

April 14, 1943.

Dear Mr. Strickers

The Secretary is away from Washington, and I am therefore acknowledging your personal letter of April 12, which encloses a copy of one you have received from the Editors of TIME. I shall be glad to bring this to Mr. Morgenthau's attention on his return.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Mr. Sidney G. Strickar,
Ridge Road, Amberley Village,
R. R. 6, Box 31 A,
Cincinnati, Ohio.

File in Diary

GEF/dbs

SIDNEY G. STRICKER
RIDGE ROAD, AMBERLEY VILLAGE
R. R. 6 BOX 31 A CINCINNATI, OHIO

April 12, 1943.

PERSONAL

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

Dear Mr. Morgenthau:

Thought you might be interested in the enclosed copy of letter received last week from TIME, in reply to my last letter of March 18th.

Altho it might be interesting to inquire into the "background" of the Editors who inspired and wrote the scurrilous and malicious Article they published in their issue of January 25th, it would be a waste of energy to continue the discussion, and I am closing my files on the subject. Their letter does not merit the dignity of response.

As you say in your letter of March 25th: "well-reasoned remonstrances have their effect even though it may not be immediately apparent". TIME may hereafter be more restrained in its attacks on the Administration, although this is to indulge in a violent assumption, in which hope may be father of the thought.

With personal regard and appreciation of your splendid efforts in financing the WAR - the greatest national debt in all history, I am

Sincerely,

Sidney G. Stricker

Sidney G. Stricker

COPY

TIME

The Weekly newsmagazine

Time & Life Building,
Rockefeller Center
New York

Editorial Offices

April 7, 1943.

Dear Mr. Stricker:

I am sorry that my letter did little to convince you that TIME was writing objectively when it reported on Secretary Morgenthau.

We believe that TIME readers are interested to know the background of their leaders, and it is with such an interest in mind that Mr. Morgenthau's family, education, character, and political history were discussed. All bear upon his capacity for the job he holds, and it was simply to make some appraisal of the that TIME wrote as it did.

Sincerely yours,

Janet Morison (signed

Janet Morison
For the Editors

Mr. Sidney G. Stricker
Ridge Road, Amberley Village
RR 6, Box 21A
Cincinnati, Ohio

ms:4:sr:gl

TREASURY DEPARTMENT

WASHINGTON

OFFICE OF THE ADMINISTRATIVE ASSISTANT TO THE SECRETARY

April 14, 1943

MEMORANDUM TO STAFF OFFICERS:

In order to avoid delays in the preparation and handling of mail which is to receive the personal signature of the Secretary, the following rules should be observed:

(1) On incoming mail to which reply is to be prepared for the personal signature of the Secretary, such reply should be prepared on the day of receipt, if possible, or in any event with the utmost possible dispatch.

(2) Mail requiring the personal signature of the Secretary, after initialing of carbon by the Staff Officer by whom prepared, will be taken immediately by the secretary to such Staff Officer to other Staff Officers whose initials are to be obtained, following which it will be delivered at once to Miss Chauncey (Room 285). Staff Officers will be expected to cooperate in this direction by giving immediate attention to the initialing of mail thus presented to them.

(3) Where a series of identical letters is to be prepared for the personal signature of the Secretary, a draft of such letter should be first submitted for approval in the manner above prescribed. After approval by the Secretary, the letters then may be typed and submitted for his signature in the same manner.

(4) The above procedure will not preclude Staff Officers from presenting personally to the Secretary letters for his signature on occasions where such letters are to be discussed with the Secretary.

Administrative Assistant
to the Secretary.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau April 14, 1943.

FROM Joseph J. O'Connell, Jr.

The attached news article which appeared in today's Washington Daily News, is the first story that has appeared in the press with regard to the new Board of Directors for General Aniline & Film Corporation.

Joseph J. O'Connell Jr

Clipping attached.

Who'll Act as Rulers of Nazi-Seized Property?

By THOMAS L. STOKES

A fire is simmering behind the scenes in the Alien Property Custodian's office here over selection of a slate of American directors for one of the choicest morsels of German property seized by this Government—the General Aniline & Film Co. General Aniline & Film is a holding company for numerous German-American corporations. It was owned 97 per cent by I. G. Farbenindustrie, the German corporate giant, mother of cartels, which had many tie-ups with American interests involving strategic war materials.

These contracts, covering patents, prices and the division of world markets, were dissolved in a series of Justice Department anti-trust proceedings. Funds of General Aniline & Film in this country were impounded by the Treasury, and its property was seized by the Alien Property Custodian. The company produces drugs, chemicals, dyes and photographic supplies, among other things.

Smoke began to appear this past week in New York where there was circulated in financial quarters a list of nine new directors reportedly selected by Leo Crowley, Alien Property Custodian.

What excited interest was that two men on the list were directors of the Standard Gas & Electric Co., of which Mr. Crowley is president and chairman of the board at a reported salary of $75,000 a year. Another was a Chicago broker who deals in Standard Gas & Electric bonds. Others were tied up in interlocking directorates with one of the Standard Gas & Electric directors who is emerging at the top of a new industrial empire.

This is Victor Emanuel, president of the Aviation Corp., a rapidly expanding aviation enterprise. Mr. Emanuel, who is chairman of the finance committee of Standard Gas & Electric, heads the purported list of new directors of General Aniline & Film.

Mr. Crowley is a triple-job man. He holds two Government jobs—he is Alien Property Custodian and chairman of the Federal Deposit Insurance Corp.—as well as his private job at the head of Standard Gas & Electric.

The office of Alien Property Custodian is considered here to be extremely important. This same office was investigated after the first World War, with some unpleasant incidents.

Reports in New York were that a meeting of the board of directors of General Aniline & Film to pass on the new directors, had been postponed because of protests over the proposed slate, and intercession by Washington officials.

When the purported list of new directors was read to Mr. Crowley, he said that "some of them" were on the list of men being considered. He did not specify which. He said 25 or 30 men were being considered, and that this partial list was apparently being "peddled around" New York by certain interests for their own purposes.

APR 14 1943

Dear Bill:

Referring again to your note of December 3, 1942 concerning Madame Tubelis, I am glad to be able to advise you that apparently the matter has been brought to a satisfactory conclusion.

Through an arrangement whereby a personal allowance presently being paid by the Lithuanian Legation to Mr. Smetona was increased in the current budget of the Legation, it now appears possible for Mr. Smetona to increase the allowance he is giving Madame Tubelis from $100 to $200 per month. An appropriate Treasury license has been issued to the Lithuanian Legation reflecting this increase in the monthly budget so that additional funds can be made available to Madame Tubelis.

Yours sincerely,

(Signed) Henry

Mr. William C. Bullitt,
2447 Kalorama Road, N. W.,
Washington, D. C.

Copy in Diary

File to Paul's office

ICOlsen:bn 4/9/43

2447 KALORAMA ROAD, N. W.
WASHINGTON, D. C.

April 15, 1943.

Dear Henry:

I want to send you this brief note to tell you that I am very grateful to you for having given your personal attention to the case of Madame Jadwiga Tubelis.

I hope Madame Tubelis will have an easier time due to your action.

With every good wish, I am,

Bill

Yours very sincerely,

William C. Bullitt.

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

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking, China

DATE: April 14, 1943, noon

NO.: 540

This is message no. TF-109 from Mr. Adler for the Secretary of the Treasury concerning conditions in the occupied sections of China.

A. Financial conditions:

1. There was an announcement by the Japanese on March 24 that the withdrawal of military yen from circulation was contemplated. Until such withdrawal was completed the exchange rate between the CRB dollar and the military yen will remain at 100 to 16.

2. Only in the largest cities is the Japanese ban of last summer on the circulation of fapi effective. Elsewhere fapi continues to circulate not at the puppet regime's official rate of 2 to 1 but at the rate of 1.5 per CRB dollar. On January 11, therefore, the Japanese announced that after January 31 no fapi would be allowed to circulate in sections which they controlled and that there would be severe punishment of any infringement.

3. The capital of the Central Bank of "Manchukuo" last October was increased from "Manchukuo" $30 million to $100 million.

4. Under the new banking restrictions which are being enforced in North China money shops with less capital than FRB$500,000 must close down. Those with capital over $1,000,000 must reorganize as banks. Registration with the puppet Finance Bureau is obligatory for all local banks. They must also make a deposit of 20% of their assets with the Federal Reserve Bank of North China. The prior approval of the Federal Reserve Bank must be obtained before making any bank loans over $10,000. The number of money shops and banks in Tientsin alone has fallen from 380 to 90 because of the new restrictions, it is reported.

5. The new clearing house which was established on February 9 in Shanghai is open to all banks, Chinese and foreign.

6. The

6. The following monthly maximum of personal remittances to relatives living in occupied China from overseas Chinese living in countries occupied by the Japanese has been established by the Nanking Central Reserve Bank:

CRB ₱2,500 for family over five
₱2,000 for family of three to five
₱1,000 for family of two
600 for family of one

B. Economic conditions:

1. From mid-December to February the prices in Shanghai of staple commodities rose about 30 per cent. Coal, gas, sugar, shoes, cotton cloth, candles, matches, cigarettes and soap have been rationed by the Japanese in Shanghai. The ration quota per person per month has been reported to be one bar of soap, one candle and two boxes of matches.

2. For some time there has been a shortage of food in the part of North China which is occupied by the Japanese. Wheat flour cannot be obtained any more in Taiyuan (Shansi). Corn is being rationed by the Japanese at the rate of twelve ounces a day to everyone, Japanese included.

3. After the Japanese occupied Lwangchowan the prices there fell because of its severance from Free China which was its principal market but as a result of unstable currency they have since risen.

4. The opium trade in Hong Kong, Tientsin and Chungmow (Honan) has been monopolized by the Japanese authorities.

5. The rice producing areas in Anwei, Kwangsi and Chekiang have been divided into fourteen districts by the enemy who is buying all the rice on the market. Private merchants have been forbidden to make purchases. Supplies of wheat, cotton, etc. in these areas are also under the control of the Japanese.

6. Purchases of silk, cotton, flax, foodstuffs, minerals, tea, and wood oil from Free China with fapi obtained from the Nanking Central Reserve Bank are being encouraged by the Japanese. Reports indicate that applications for a few million fapi have been granted and these fapi are now turning up in Kansu and Shensi.

7. Attempts to recruit Chinese youth for overseas military service are being made by the Japanese in Central

China

China with the assistance of the Nanking regime. One man must be supplied from each 100 families. A total of 200,000 men is the objective.

8. Through evacuation by force of 30,000 people each month starting March 1 and continuing for six months, the Japanese are trying to reduce the present population of 900,000 in Hong Kong to reduce the food shortage. No technicians and the like are allowed to leave. They must register with the Hong Kong authorities. (The Bank of China was the source of this information).

Note by the Embassy: We believe that the Board of Economic Warfare and other offices in the Government will be interested in the foregoing report.

VINCENT

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau April 14, 1943

FROM Frances McCathran

CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Tax: Pay-As-You-Go - House Republican Leader Martin said yesterday that any Easter recess is "in my opinion, off until the House passes a Pay-As-You-Go Tax Bill," and House Majority Leader McCormack conceded that the prospects now looked "hopeless." Martin also announced that he would call a conference with Republican members of the Ways and Means Committee today to make plans for getting some kind of a tax bill to the floor through a discharge petition relieving the Committee of further consideration of the matter. Which of the tax measures now shelved in the Committee would be sought in the petition was not revealed by the Republican Leader, but it is generally expected to be the Forand-Robertson compromise measure. Martin is said to have indicated that so long as the bill is open to amendment, it doesn't matter to him which is made the vehicle for getting the tax issue before the House again. He reiterated, too, Republican refusal to consider separately a simple withholding tax measure as proposed by Representative Doughton, thus blocking enactment by July 1 of this device which has been called an "inflation curb" by both Republicans and Democrats alike. According to Mark Sullivan this morning (Washington Post, p. 14), however, the issues of withholding and forgiveness are incompatible and consequently should be considered by the House separately in two different measures, as would be the case if the Doughton suggestion is accepted.

2. Reciprocal Trade Agreements - Meanwhile, the House Ways and Means Committee continued to "sit tight" on the tax issue by going quietly ahead with its scheduled hearings on the extension of the Reciprocal Trade Agreements Act which expires in June. Yesterday's three witnesses, Secretary of Commerce Jones, Nelson Rockefeller, Coordinator of Inter-American Affairs, and Secretary of Agriculture Wickard, all agreed with Secretary Hull's previous testimony that abolishment of the reciprocal trades policy now would be interpreted by friendly nations as an indication that this

nation expected to retreat into its former isolation after the war and that little post-war international cooperation could be counted on from us. Opposition to the testimony developed from Republican Committee members, however. Representative Daniel Reed challenged Secretary Jones' argument that the Administration's foreign trade policy would strengthen our friendships with other nations as "plain bunk" and cited American steel shipments to Japan and Germany. Representative Gearhart also told Secretary Wickard that "misuse of the Reciprocal Trades Agreement Law for political purposes" was a contributing cause of the present war. Our policy of encircling Germany with "a ring of economic pressure by granting surrounding nations trade privileges we withheld" from her, was hardly "conducive to a peaceful frame of mind," he said. But Wickard replied that "Germany planned her present agression before those agreements went into effect." Gearhart nevertheless maintained that "power to make such agreements should not be in the hands of diplomats and politicians" in the State Department but instead should "rest in the hands of the Tariff Commission."

NOT TO BE RE-TRANSMITTED

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 122

Information received up to 7 a.m., 14th April, 1943.

1. NAVAL

Early yesterday morning our light forces attacked and set on fire an enemy trawler and a small ship off the Dutch coast. There were 5 casualties in one motor gun boat, including the loss of Lt. Cdr. Hichens, R.N.V.R. Last Night a west-bound coastal convoy was attacked by E-boats off the Lizard.

A Norwegian destroyer and one ship were torpedoed and sunk. On 13th the German outward bound blockade runner PORTLAND was sunk by a French cruiser south-west of FREETOWN. All officers and men were captured. During an air raid on SEVASTAPOL Russian aircraft claim to have sunk 3 ships totalling 13,000 tons, one 2,500 ton tanker and 3 E-boats. No more casualties reported in homeward Atlantic convoy, but the 3 ships torpedoed on 12th have sunk.

2. MILITARY

TUNISIA. To midnight 12th. 8th Army. Patrols moved forward slightly during afternoon and made contact with small enemy rearguards north of SOUESE. 1st Army. French troops were engaged in clearing up the Western Dorsale and were advancing north from KARACHOUM (30 miles northwest of KAIROUAN) to regain touch with the enemy. Contact was established with British armoured units pushing on north of KAIROUAN. In areas southeast and northwest of MEDJEZ EL BAB our patrols made no contact. Progress was made in northeasterly thrust from BEJA and our troops were in contact with the enemy throughout the day. Activity on the northern coastal sector was confined to patrolling. A channel 60 feet wide, 18 feet deep was cleared into SFAX by afternoon 11th. 3 berths are available in the harbour.

3. AIR OPERATIONS

WESTERN FRONT. 13th. A total of 23 Venturas attacked the railway centres at ABBEVILLE and CAEN. Whirlwinds and Typhoons bombed airfields at BREST, CAEN and ST. OMER. Fighter aircraft destroyed 2 F.W. 190's and damaged 3 others. 3 Spitfires are missing. A 5,000 ton ship off southwest NORWAY was probably hit with torpedoes. 13th/14th. Aircraft despatched: SPEZIA 221, including 10 mine-laying; leaflets 18; HAMBURG 2; WILHELMSHAVEN 2; BREMEN 2. 5 missing, 2 crashed in United Kingdom, 2 landed ALGERIA.

TUNISIA. On 11th, 11th/12th and 12th heavy pressure was maintained against the enemy. Airfields were bombed especially at STE. MARIE DU ZIT south-southeast of TUNIS. Much damage was done to M.T. on the roads. On 12th U.S. Fortresses dropped 72 tons on BIZERTA Harbour and hit one medium ship. During all operations enemy casualties 13, 7, 23. Ours 9 missing.

SICILIAN AREA. On 11th/12th a Wellington torpedoed a ship of about 4,000 tons off PALERMO. Naval Albacores hit a 2,000 ton ship which was left sinking. On 12th U.S. Fortresses bombed TRAPANI and obtained hits on a large tanker.

FROM: MR. SCHWARZ'S OFFICE

TO: The Secretary

The committee meeting with Stuart Peabody decided it would be better not to try to provide daily totals on the Bond drive. George Wanders has satisfied most of the boys by explaining that, while some of the districts are anmouncing promised subscriptions, we must wait until the actual subscriptions are received. I think you can readily say that, being occupied with other matters, you asked the committee to take up the request of the correspondents who asked to see you in order to expedite action. Fred Warner of the UP is the ringleader in the clamoring for the figures. 4/15 9:50 am

April 15, 1943
10:00 a.m.

FINANCING

Present: Mr. Gaston
Mr. Robbins
Mr. Peabody
Mrs. Klotz

H.M.JR: Gardner Cowles suggests we go to Emporia, the home of William Allen White, to make this speech. I don't think very much - it wasn't very hot.

I don't know whether Mr. Gaston has told you my suggestion--

MR. GASTON: No.

H.M.JR: Somewhere half way between Salina and Manhattan is a small town where Mrs. Eisenhower, the mother of the General, lives. My thought was to go to that town, then have her call up her son and speak to him, "How is the war going? We are going to get you enough money" - and so forth - "You don't have to worry about money." Have him speak to her and have it broadcast.

MR. PEABODY: That has some very interesting angles to it.

MR. ROBBINS: Of course, the quick thing that always goes through my mind is the disappointments to an international hookup.

H.M.JR: Well, at least she will be there. And he has two brothers there if we want local color - one, I think, keeps the drug store, and if we have any luck at all it would be just about the peak of the Tunisia campaign.

I would much rather go to a town like that where the mother of the commanding general of our European forces lives. If we are going to do this thing to stimulate interest in the war - I mean, the thing is to stimulate interest in the war - now, how could you do it any more than by going to the town where the mother of the commanding general is?

MR. ROBBINS: Regular "back porch" campaign. How big a town is it?

H.M.JR: If I am not mistaken - I don't know whether it is Salina or not.

MR. ROBBINS: It was written up in Life some time ago.

H.M.JR: It is a small town, but we are doing the thing - if I get what - we want to stimulate the interest in the war. That is the germ of the idea.

MR. ROBBINS: Yes, to relate the fighting to the financing.

H.M.JR: All right. If we could get that hookup, and even if the hookup fails, she is there and the brothers are there. There is an excuse - a reason. I think it is a good deal better reason than the William Allen White - I mean, William Allen White - there is no tie-up there as far as the war is concerned.

MR. PEABODY: None whatever. Of course, the way Mike arrived at that was that he felt that the Cedar Rapids thing was a little bit artificial, which I think it was. In other words, there is no particular reason for you being in Cedar Rapids, Iowa. He was groping around for a setup in which there would be a definite local hookup.

H.M.JR: This is entirely my own idea. Here is your war reason.

MR. PEABODY: That is right. There is one thing that we ought to consider; maybe we can get by it. The Army

has ruled definitely that they will not ask General Eisenhower to do anything of any sort or description while he is in the middle of this big offensive. We tried to get him, you know, for our regular pick-up.

H.M.JR: I have only got a minute or two now. I would like you to talk about it, the three of you. I think you would certainly have to approach Milton Eisenhower over at OWI, and see how he would feel about the family matter. I think the Army might make an exception.

Gee, this would be swell for the Army.

MR. PEABODY: It would - there is no doubt about it.

H.M.JR: And Herbert Gaston could find out from General Surles in about two minutes. The Army liked my speech. They wrote back that they were enthusiastic about the Carnegie Hall speech, and this is good stuff for the Army. Believe me, General Eisenhower needs a little publicity right now - good publicity.

MR. ROBBINS: We might even resort to a trick - get what he is going to say and have it whether it came through that night or not.

H.M.JR: That I don't know. But before - I sent word I want Cowles here for three o'clock, and Stauffer, and Rogers, and if you are going to do this thing then, I think we ought to have Eisenhower here, too - Milton.

MR. PEABODY: He is in OWI now, isn't he?

H.M.JR: He is the administrative man there. He has come to these meetings before with me.

Somebody ought to call up Mike Cowles and find out whether he likes it. Then, if he likes it, I think, Gaston, you would be the best man to call General Surles, if you would.

MR. GASTON: Yes.

H.M.JR: Then if they like it, invite Milton Eisenhower to the three o'clock meeting.

MR. ROBBINS: Three o'clock, here?

H.M.JR: Yes.

MR. ROBBINS: We want to find out a lot of things between now and three.

MR. PEABODY: We have to.

H.M.JR: I wanted to throw that at you.

MR. ROBBINS: It has very interesting possibilities.

H.M.JR: Well, if you do it, it would be a natural.

MR. PEABODY: It has all the elements in it we want, Mr. Secretary. There isn't any question about that.

H.M.JR: I watched your faces; I could tell you liked it.

MR. PEABODY: Yes.

H.M.JR: I mean, small town - the war - the mother--

MR. PEABODY: Out of the stuffed shirts - we want to get you out of the stuffed-shirt category this time.

H.M.JR: Well, you will.

MR. ROBBINS: I think it has great possibilities.

MR. PEABODY: So much better than another speech at a rally, or anything like Carnegie Hall.

H.M.JR: I don't care how small a town it is. I don't care how small the audience is, if I only have fifty people - if there is a little movie theater there,--

Now, one other thing. It is Easter Sunday, the 25th.

MR. ROBBINS: Yes, that is right.

H.M.JR: I don't know whether there would be any reaction--

MR. PEABODY: If we could keep a little bit flexible on the date, Mr. Secretary, not only for that reason, but also for the reason that this thing has big possibilities for listening, and we have to clear time. Sunday night is the hardest time to clear.

We can get a half hour Sunday night just by asking for it, but it is opposite Jack Benny, or it is opposite Charlie McCarthy, and they have got tremendous audiences, and we don't want to be in a spot like that if we can help it. So, if we had to make it another date--

H.M.JR: Well, Monday night--

MR. ROBBINS: There again we are playing for time to get the theme carried through.

H.M.JR: I asked Stauffer to come to this meeting.

MR. PEABODY: He has all of that.

H.M.JR: I have invited Stauffer, Cowles, and Rogers. If we are going to that town, I would like Milton Eisenhower, plus the three of you.

MR. ROBBINS: Three o'clock, here. We will know a lot more by that time.

H.M.JR: I don't see how you can tie up the war and War Bonds any better than that.

MR. PEABODY: I don't, either.

H.M.JR: I don't know how the Eisenhower family would feel about it, but my own feeling is, if anybody in the War Department is interested in Eisenhower, they would say yes.

MR. GASTON: We can't expect General Surles, of course, to give clearance on General Eisenhower. We can get his opinion on what he things about the idea.

H.M.JR: Another thing, his closest buddy - his confidant - is Butcher, manager for Columbia Broadcasting, so if it was going on Columbia, the chances of Butcher telling him yes would be better than if it were NBC. Harry Butcher is his--

MR. ROBBINS: His pal?

H.M.JR: Yes.

MR. GASTON: I don't know where Harry Butcher is now. He came here on a visit.

April 15, 1943
10:10 a.m.

INTERNATIONAL STABILIZATION FUND;
DEVALUATION POWER; SILVER; SHIPMENT
OF GOODS INTO BLOCKADE AREAS

Present: Mr. White
Mr. Sullivan
Mr. O'Connell

H.M.JR: I want to talk about this thing that you (Sullivan) raised. As I understood Somers, he wanted to make a deal with me that I would throw my weight to having the bill go to his committee provided - and if I did that he would consider both devaluation and stabilization fund. Is that right?

MR. SULLIVAN: Pretty nearly. He said he thought there was going to be some opposition by the minority members to extending the power to devalue, but that if he could tell them that you would agree to try to send the legislation on the international stabilization agreement to his committee he might be able to make a deal with them so that they would be willing to extend the power to devalue. I am very much opposed to that. In the first place, it won't work.

In the second place, you are making a deal with your enemies so they will let you have a little thing and they can get a crack at you on a big thing.

H.M.JR: I wouldn't make any such deal.

MR. SULLIVAN: I told him that it appeared to me that that was a matter entirely within the jurisdiction of the Speaker.

He said, "That is right, but if the Secretary of the Treasury asked the Speaker to send it to a particular committee he usually would."

H.M.JR: No, I am not - this smacks of Tammany Hall twenty years ago.

MR. SULLIVAN: I don't quite understand why he made the request, because I should assume that in the natural course of things it would go to this committee anyway.

MR. WHITE: Yes, and no. They have let this thing go in there. It is the one important thing they think they have, and there has always been some question as to whether that is the appropriate place. He fears that it may be so important that it may be grabbed from him. I wholly agree that it would be a mistake to do it if for no other reason than it is bound to leak out and other members will say, "They gave the support to the stabilization group because they promised this, that, and the other." There is no need for it at this stage of the game.

But I should imagine that your (Sullivan) - it might be what you said, that you assumed--

MR. SULLIVAN: That is what I told the Secretary last night. I thought as far as he could go, if he were asked in a public hearing, was to say, "This is the committee that has handled similar legislation, and I assume that it would probably go the same way." Would you care to go that far, Mr. Secretary?

H.M.JR: Oh, I am not going - I have got nothing to say what committee - one minute they say that we tell them what to do, and the next minute they want me to say what committee you should go to.

MR. SULLIVAN: That is right.

H.M.JR: No, I am going to tell it to the Speaker, though.

MR. WHITE: You may not be able to say it, but I think John could probably say that to him.

MR. SULLIVAN: You are going to tell this to the Speaker?

H.M.JR: I am going to tell the Speaker that I have been propositioned, and that I don't - and as I say, I want him to watch this thing - these two things, and tell him that on the gold thing I would like it, but I don't want to get in on any fight on it.

MR. SULLIVAN: I hope he keeps it in confidence, because if this goes back to this committee that isn't going to help any.

H.M.JR: Well, the Speaker has always been all right. I will tell him.

MR. SULLIVAN: I know, but I think it would be well to ask him.

H.M.JR: I have found recently on this - last week with Doughton and McCormack, that by only telling the truth nobody caught me off base.

Then I sat here for two and a half hours Saturday afternoon and heard them rehearse how they double-crossed each other for the last twelve years. (Laughter) It was very enlightening.

MR. SULLIVAN: That is ten-thirty tomorrow morning in the Senate. I haven't yet heard from room 303. I haven't yet heard from Somers. I called him, but nobody is in his office yet.

H.M.JR: We will go up there, and we will make the plea for both. I am simply going to say, "Gentlemen, I think we ought to have both." I am going to present the thing. I can't trust Somers, but I want the Speaker to know and I want John McCormack to know. We would like them, but we are not going to make a fight. I think they should watch it before it gets on the floor of the House. I don't want to get trimmed. So I think that distinctly, in watching the Hill end of this, John, that you very much - that is the whole purpose I have had is watching the thing.

We definitely can trust the Speaker, and I think we can trust McCormack. What do you think about McCormack, John?

MR. SULLIVAN: Yes, on this matter.

H.M.JR: You and I both think so. Not that I have ever had any trouble--

MR. SULLIVAN: Yes, but you worry.

H.M.JR: Yes, it is like on this business with the Ruml plan. "I have my own interest, and then next it is the party's interest," and all that, you know. He had poor Paul worried all the time on this Ruml thing. That is that.

MR. SULLIVAN: Incidentally, Senator Wagner told me yesterday that Taft was going to fight against extension of the power to devalue. "Superman" says he isn't disturbed by that. (Laughter)

MR. WHITE: No, I say there is that all the time. Thanks, John. (Laughter)

I agree with you wholly not to make much of a fight over it. As a matter of fact, if they delete it and don't renew those powers, it puts them in an awful position where they practically have to pass an international stabilization fund; otherwise there will be no way in which you can meet your responsibilities.

H.M.JR: He is not a superman. You address him as "my Lord Baron White." (Laughter)

MR. SULLIVAN: That isn't going to help the Keynes plan in any way, his being made a Lord.

H.M.JR: You don't think so?

MR. SULLIVAN: No. All the newspapers put him as Lord Keynes; the editors to the letters sneer at it.

H.M.JR: How about his resurrecting the ballet at Cambridge - do you think that will help him? (Laughter)

MR. SULLIVAN: I think John Maynard Keynes--

MR. WHITE: Lord Baron White - no, nothing less than an earl - it will have to be for an earldom if I am going to sell my birthright. (Laughter)

Chick Schwarz called me this morning about this McCarran matter. We are preparing a very brief summary of what the factual situation is in case you are asked at the press conference. We did not know--

H.M.JR: My press conference is in seven minutes.

MR. WHITE: I thought it was in the afternoon.

H.M.JR: No, on Thursdays it is in the morning. You had better tell me now.

MR. WHITE: The British wanted to buy these five million ounces of silver. You will remember that they first wanted it on Lend-Lease. Lend-Lease first agreed that they would arrange it. Then they got cold feet and said they didn't want to do it until after they had their appropriations gone through. That might mean another month or two.

The British Treasury then informed us that it felt it couldn't wait; that it needed two and a half million ounces of silver now, and two and a half million ounces of silver in a month or two from now, and that they wanted to buy it in the New York Market.

H.M.JR: Harry, I can't learn it. You stay here and explain it. You stay here at ten-thirty.

MR. WHITE: Well, there is one further thing if you have a minute to take something up.

H.M.JR: I have.

MR. WHITE: Paul and I submitted a memorandum which Pehle drafted to you on the shipment of goods into blockade areas.

H.M.JR: I have that next to my bed. I haven't read it yet.

MR. WHITE: The Army - Patterson sent Neff over to me. They haven't been consulted; they are quite disturbed. They heard about this indirectly and wanted to know whether we knew anything about it. They don't like the idea at all of diminishing the blockade.

What would you think of our taking the position that since the blockade as a whole is almost entirely a military matter - a naval matter - that you don't want to make any recommendations until you know what the Army and Navy think about it?

H.M.JR: I haven't read the memorandum, but I have discussed this thing a couple of times with Lehman, and I have told Lehman that while it was the most difficult and heart-rending thing I have to do, this question of letting food go into enemy territories, that I felt it was something that was a military matter and you just couldn't do it.

He said, "I differ with you; I think we ought to go into Belgium," and so forth, and so on.

I said, "I know, but it is a military matter." I mean, this is the discussion I had with him weeks ago. I haven't read your memorandum. I said, "I am sorry, Herbert, but I differ with you. It isn't a question of charity."

"Well, it is a question of morale or something," he said.

I said, "I still say it is a military matter." Was this to go - where were these packages to go to?

MR. WHITE: He is breaking down the whole principle. You see, this started by Lehman getting much concerned over the arrangement, and this is the beginning of a - not the beginning, because there already have been some steps, but a further widening of the breach. In the light of what

you said to Lehman, it would seem to me quite appropriate for us merely to continue that and say that since it is a military matter you feel that you at least want to know the military view of the situation before you make any recommendation on it.

H.M.JR: Definitely, yes.

MR. WHITE: That will force them to go to the Army and Navy, because they are not - the Army says they are not being consulted in this matter.

H.M.JR: You can tell them, because Neff is a good man. Patterson is a good man.

MR. WHITE: Neff was here for Patterson.

H.M.JR: That is all right. I don't think the Navy particularly--

MR. WHITE: He mentioned Army and Navy. The Army has charge of the blockade, which means that we may want to revamp this memorandum.

H.M.JR: If you ask me tonight, I will give it back to you.

MR. WHITE: All right.

April 15, 1943
11:06 a.m.

HMJr: Hello.

Operator: Speaker Rayburn.

HMJr: Thank you. Hello.

Rayburn's Secretary: Mr. Morgenthau?

HMJr: Yes.

S: Speaker Rayburn is coming right on.

HMJr: I thank you.

Speaker Rayburn: Hello.

HMJr: Hello, Sam.

R: Yes, Henry.

HMJr: Can I tell you something strictly confidential? Yesterday - oh, what's-his-name - Somers of Brooklyn....

R: Yes.

HMJr: ....told - sent word to me that if I would agree to work to try to get this World Stabilization Plan thrown to his committee, why, then he could get the Republicans on his committee to go along to give the President the extension on the gold. Now I'm not going to enter into anything like that. I don't think it's any of my damn business what committee it goes to.

R: That's right.

HMJr: But I wanted to tell you about it.

R: Yeah.

HMJr: See?

R: Yeah.

HMJr: Now....

R: Well, I heard yesterday he was talking about....

HMJr: You did hear about it?

R: ....introducing his bill for the extension, but I didn't hear what you're telling me.

HMJr: Well, I - I figure if I tell you what I know on The Hill....

R: Yeah.

HMJr: ....then you'll take care of me.

R: That's right.

HMJr: But I....

R: Yeah, you couldn't make - of course, you'll just have to tell him that the matter of reference of bills up here is just something that you don't want to have anything to do with.

HMJr: That's right, and....

R: You make the suggestions, and then they come here.

HMJr: That's right. Now....

R: Sure.

HMJr: Now I want you also to know that the extension of the stabilization fund we very much like. The President's power to devalue the gold we'd like to have, but I - I don't want any fight over it.

R: Yeah.

HMJr: You see?

R: I see.

HMJr: I - I - I want you to know that.

R: In other words, you'd like to have it but you don't want to....

HMJr: I don't - I don't want another Ruml fight....

R: That's right.

HMJr: ....because....

R: Well, I'm glad to get that reaction from you - because that will help me like the devil.

HMJr: Well, that's what I wanted you to know.

R: And if we can ease it through, all right. If we're going to have a "knock-down-drag-out" just let it "drap".

HMJr: That's right.

R: All right, Henry.

HMJr: Thank you.

R: Thank you.

April 15, 1943
12:00 p.m.

OCCUPATION CURRENCIES

Present: Mr. Bell
Mr. White

H.M.JR: I just wanted to take a minute - was it you, Bell, that told me that we didn't get a good reception on the United--

MR. BELL: Harry must have told you. I haven't seen you.

MR. WHITE: On the what?

MR. BELL: Maybe I told you on the telephone last night.

H.M.JR: United against Allied--

MR. BELL: That is right.

MR. WHITE: I mentioned it, too.

MR. BELL: I guess I did, over the telephone last night.

H.M.JR: You didn't tell me, Harry. I haven't talked to you.

MR. WHITE: I think when Mrs. Morgenthau was here just for a minute, I said that the United Nations--

MR. BELL: Anyway, they didn't like it. The President approved, apparently, the idea of an allied undertaking, and when we mentioned the question of the United Nations thing they raised the political question whether they wouldn't have to go to the twenty-one some nations that are part of the United Nations.

The State Department thought that we would have to go to all of them in order to do that. So they felt that this should be an Allied currency rather than a United Nations currency.

Now, the word they have got is "Amgot" - it sounds a little German - which means Allied Military Government Occupied Territory.

MR. WHITE: They expect to put that on the currency?

MR. BELL: That is what Holmes said. I don't like the wording. The wording is too long for a note unless you just use the code "Amgot" which has no meaning as such unless it is explained.

MR. WHITE: I am not convinced that they are correct in their statement that you can't use the term "United Nations Currency" on there. I told them that we would want to make reservations until you had passed on it, because I think it may be quite possible that you and the President may agree to use "United Nations Currency" even though it is issued by an allied military authority.

H.M.JR: But why should - it is all the difference in the world. Now, look, I would like you two guys to get to Bob Patterson, who has a little imagination, and tell him that--

MR. WHITE: Why don't you speak to him yourself?

H.M.JR: You can't do this on the phone, can you?

MR. WHITE: I am sure you can - no, you can't do it on the phone, but I think you might drop down.

H.M.JR: You (Bell) mentioned it on the phone.

MR. BELL: Not the - well, I should think you might talk about it over the phone if you don't mention the country.

H.M.JR: I will get him through the White House.

MR. WHITE: Even there I don't think you had better mention it.

H.M.JR: You don't? Why not?

MR. WHITE: They are terribly, terribly fussy, aren't they, Dan?

MR. BELL: Yes, very.

MR. WHITE: It is all right for him to mention it, but not for us.

MR. BELL: A fellow was going to look up something yesterday about the banks in the particular area and they cautioned him that he couldn't go to the library and draw out books on this, or he couldn't go to the BEW and ask if they had any memoranda on it.

MR. WHITE: I think it is important. I feel as you do, that it is very important.

H.M.JR: How fast does it have to be done?

MR. BELL: It can't be done today or tomorrow.

(The Secretary held a telephone conversation with Secretary Patterson.)

H.M.JR: He is putting on his hat and is on his way over. You can't ask for better service than that.

MR. WHITE: Then I think we had better raise two questions. I am a little bit - more and more troubled about that two-cent lira rate. I think it is too high.

You see, Feis made quite a plea for that yesterday. He kind of convinced them all. I am troubled because you could handle it in Sicily all right - there is no trouble there - but when you go into - the difficulty will come when they go into Italy.

As I think it over, you figure when the Italian banks, or the Central Banks - they feel that we are going to sustain a rate, why they will print billions of lira.

MR. BELL: Before you get up to the point of taking over the printing.

MR. WHITE: Then you will be in this fix: You can't have that same rate in the whole of Italy, then what are you going to do? You have given these people some kind of assurance. A lot of them will have--

MR. BELL: At least encouragement--

MR. WHITE: Well, I mean you have given your word, so to speak, that the rate will be two cents, and in Sicily a lot of people will have accumulated balances. You have used the currency for that and then you can't distinguish between that currency and the other. When you go into the mainland you will be confronted with the necessity of establishing a different rate - maybe one cent, maybe a little less.

H.M.JR: What is it now - about a half a cent?

MR. WHITE: The official rate is five point one. On the black market, they sell anywhere from seven-eighths to one and a quarter, and probably dropping every day now with the military reverses that they are having in Tunis. So what it will be by the time they are ready to adopt it on the black market, I don't know, but my guess is it will certainly be a whole lot nearer three-quarters of a cent.

H.M.JR: Supposing we started at a cent.

MR. WHITE: It makes a lot more sense to me.

MR. BELL: It makes less "cents," you mean. (Laughter)

MR. WHITE: Less cents, but more common sense. (Laughter)

MR. BELL: Yes, that is right.

MR. WHITE: Feis and the others felt - and they have got a good point there - the President wants to be very generous in this first issue; he wants to treat them as much like a friendly enemy as possible.

MR. BELL: The first paragraph in the political document is that the attitude should be one of benevolence towards the population.

H.M.JR: Yes, but you - what harm could there be if you started at one and began - and then go up?

MR. WHITE: They want the initial impression that they are being very generous. I think it is a whole lot better to go in at one and maybe go up - although I don't think you will go up - than start at two and have to go down.

MR. BELL: When we had our first discussion with just the Army group there, they said that they thought a range of between one and two - we might start out with the British on the two-percent basis and maybe come down - not going below one, but hoping we could stop and say one and a half.

H.M.JR: What do the British want?

MR. BELL: We don't know, yet. We had a clearance yesterday to discuss it with the British.

MR. WHITE: The British have a four eighty rate in Libya, which is five-sixths of a cent. They may want to treat Italy separately - whether better or worse, they didn't say.

H.M.JR: Who besides Feis sets himself up as a monetary expert?

MR. WHITE: Nobody, but they had this convincing argument that they wanted to treat them as favorably as possible and I told them that it would be more expensive, but not enough more expensive to outweigh considerations of meeting with as little opposition as possible in Sicily.

We had thought we might start with a seventy-five to a hundred rate; that is a cent and a third, but they objected to that. They wanted a two-cent rate.

H.M.JR: Where did you suggest it?

MR. WHITE: At the meeting.

H.M.JR: What price?

MR. WHITE: Seventy-five to a hundred. First we came in from two to one cent, then when we redrafted the document, I put down the average - seventy-five.

H.M.JR: That means three-quarters of a cent?

MR. WHITE: No, a cent and a third - seventy-five lira to a dollar.

H.M.JR: The President wouldn't want that. He will want a cent and a quarter and a cent and a half.

MR. WHITE: The more I think of it, we didn't object too strenuously there to the two-cent rate.

H.M.JR: You did not?

MR. WHITE: No. The more I think it over the more troubled I am.

H.M.JR: The two-cent rate costs us a lot more money, doesn't it?

MR. WHITE: Yes, in Sicily. I said, "If you went into Italy, it will be impossible to keep that rate and it will have to be lower." I said, "However, the Sicilian operation may not involve a great deal, because we are not going to stay long in the gold-seal currency." But as I have been thinking it over I am troubled by the consequence of shifting from the two-cent rate to a lower rate as you go from the Island to the mainland. That is what is disturbing me. Maybe you may want to raise that with him, or not.

H.M.JR: I wasn't feeling well and I was going down and rest, and now I have got this. He (Patterson) said, "I will put on my hat and come over." I can't say that I am not feeling well.

Let me do this: Let me raise the question of the United Nations thing and tell him that I am not satisfied about the rate, either, and would he look into the thing and when he was ready, I wish that he would have a little meeting in his office and call you two fellows over there. How is that?

MR. WHITE: That they reopen the question?

H.M.JR: Yes.

MR. BELL: You remember--

H.M.JR: Excuse me - otherwise - he isn't slow, but he will be here half or three-quarters of an hour.

MR. WHITE: Then you merely say that you don't feel disturbed about it, but you would like him to reopen it.

H.M.JR: The United Nations think it is an emotional, moral question.

MR. WHITE: I think they greatly underestimate the significance of that note there. They disposed of it very quickly.

H.M.JR: You haven't got a sample, have you?

MR. BELL: No, because you see the sample we had was United States Military Authority, and now we are trying to find something on the United Nations front - Allied front - and it is hard to find.

You remember when we had the discussion on the franc rate for North Africa. We took the position, here, that seventy-five was the liberal rate. Feis wanted two cents.

In consideration of that matter in the General Staff of the War Department, they said that there was nothing doing on the two-cent rate because that was just soaking the American soldier, and that if seventy-five was a fair rate to the populace and still, to some extent, liberal, they would go along with it.

This time the General Staff has changed a little, according to Col. Haskell. They are not so much worried about the doughboy because he is getting too much money, anyhow. That is a poor way of taking it away from him.

MR. WHITE: That isn't the part that troubles us. The part that troubles us is the much more broad question of the position we will be in.

MR. BELL: But I am talking about the changed attitude in the War Department concerning the doughboy.

MR. WHITE: You might mention to him that matter I just discussed with you about the blockade. That would interest him.

H.M.JR: All right.

April 15, 1943
3:00 p.m.

FINANCING

Present: Mr. Gaston
Mr. Robbins
Mr. Peabody
Mr. Rogers
Mr. Cowles
Mr. Stauffer

H.M.JR: The generator of this idea isn't here - Fred Smith. He had to go up and earn his salary. (Laughter) But I wanted to have a chance to talk to you people because I kind of liked the idea. And if you people liked the idea of accelerating the thing the last week by putting the accent on war - where do we stand, as of three o'clock today?

MR. GASTON: I called Colonel Connor of the War Department again, and he said that they would put the matter up to General Eisenhower and his mother. Mr. Cowles tells me that his mother is probably not well enough to carry on a telephone conversation.

MR. COWLES: Milton Eisenhower says flatly that she could not do it; that she is under the care of a nurse now; and that she has been repeatedly asked to appear in various ways, and that the family has come to the decision that it would be a great mistake to have her participate publicly in any way.

He said if it was decided to take the broadcast to Abilene, that on that day, if she were well enough, she would certainly attend, and reference could be made on the radio to the fact that she was in attendance, but that, flatly, he would not permit her to participate in any way.

H.M.JR: Then there is not much use to go to Abilene.

MR. COWLES: That was my reaction to the thing.

H.M.JR: I thought if we could get General Eisenhower's mother talking on the air and broadcasting, there would be some point to it.

MR. COWLES: I think I ought to throw this in the picture, too. I heard General Surles express himself within the week that various Government departments were making too many demands on Eisenhower, and that the attitude of the High Command here was that it was much better public relations for Eisenhower and for our Army, to have him tend to the fighting and particularly in the next several weeks when he is going to be in it pretty heavily. I don't say they wouldn't get him. They probably would if you asked him, but that is their attitude.

H.M.JR: Has the message gone to General Eisenhower?

MR. GASTON: I don't know whether the message has gone or not. They said they would have to consult General Eisenhower, and they would do that.

H.M.JR: If his mother isn't well, I think we had better call it off. I mean, there is no use saying that she is in attendance.

MR. COWLES: I don't think that is enough.

H.M.JR: Herbert, as soon as you leave the room I would call them up and call that off.

MR. GASTON: Yes.

H.M.JR: Well--

MR. COWLES: You didn't like the William Allen White idea?

H.M.JR: I wasn't crazy about it. I don't know whether he has done anything particularly to help us on War Bonds. I mean, my mind went to somebody connected with the war. We want to do this thing to accelerate the war - bring the war home to the people through selling them bonds. I just - it just didn't click in my mind - William Allen White and the war.

MR. COWLES: You don't mind my expressing a contrary point of view?

H.M.JR: I didn't ask you here just to talk about the weather. (Laughter)

MR. COWLES: William Allen White is about the most popular newspaper man in the United States - among newspaper men, I would say the most popular. He is quite a character, and a little something of an actor, as you know. The thing that struck me a little cold was a program - I liked the idea of getting in the little people - so-called - from a small town or city. The original idea of Cedar Rapids appealed, except that type of a program would sound, in my opinion, terribly artificial and stagy unless there is a kind of a master of ceremonies on it to make it sound reasonable and honest and really localized from that community. I happen to know Cedar Rapids, intimately. We own the radio station there and I go there frequently, and I know about everybody in the town. Nobody occurred to me who filled that role.

Then I got to thinking about William Allen White. If he were participating I think his name would be enough to give the program quite a little advance newspaper play, and probably some subsequent newspaper play. And William Allen White could introduce the butcher and the storekeeper and the garage man for a minute apiece, or something, and it would sound logical.

HM.JR: You see, I don't want to do something like that movie - what was it called - Main Street? Was that about six months ago - a movie--

MR. STAUFFER: "Our Town."

H.M.JR: Is that what it was called?

MR. STAUFFER: Yes.

H.M.JR: If I want to do something like that - I am going to argue with you a little bit - that would be one thing, but the thing is, if I get the germ of the idea, is to bring the war home to the people and we want to do it with the background of Main Street. But I don't, in my own mind, associate anything particular that William Allen White has done recently in connection with the war.

MR. GASTON: In White's town, or any other town, you could get somebody to do a little rustling around and you could high-light the mothers and fathers of men in the field, especially if you had some families where the mother had three or four or five sons in the Army and Navy. You could make them play a part in the program.

MR. PEABODY: Mr. Secretary, may I give you my interpretation of what Fred Smith had in mind? This is just the way I got it; that he wanted to picture the impact of the war on an individual rather than the direct war itself, and that it would take its expression, in the case of this little shopkeeper, in his saying, "The war has meant this to me, and I have bought a bond."

In other words, it is relating it right down to the reaction of an individual in the common walk of life, leaning toward the buying of a bond. I am pretty sure that was Fred's thought about the war angle of it.

MR. ROBBINS: Of course, to some extent that does represent - while the idea is good - it does represent a little change from the picture we have been trying to hit here as relating the sale of the bond to the sacrifice of the soldier. They are both good ideas, but we have tossed our interest in the first - in the soldier relationship - and this does inject something new, really, towards the end of the campaign.

H.M.JR: The thing - let me say first what bothers me. What can we do, if anything, to cure it? The money, so to speak, is in the bag. I mean, we don't have to worry. At lunch with Eccles we were talking about we may have to stop the sale of the seven-eighths securities to the public so that they don't buy so much in the one year, and get them to buy more - we are thinking of how to curtail it.

But as we go out, there is a great mass of people that I know exist in America, who still don't know what this war is about.

MR. COWLES: That is true - no question about it.

H.M.JR: And who are not interested in saving their money, but the principle is, they just don't know what the war is about, and long before there was OWI, or anything else, we here in the Treasury were trying to do our bit on that front. I was surprised to see how many of the men and women working still don't know what it is all about, and if there were something that we could do to bring it home to them, using the bonds as a vehicle, it would make me very happy. That is what we are trying to accomplish.

There are millions of people that just aren't interested, and here is an interest - to take a week and drive this thing home.

MR. GASTON: Why don't we pick any town in the Midwest where we have somebody who can organize it - take a little responsibility for it - where a newspaper can take some responsibility, and let them work on two things; of finding the families that have made the most contributions as far as sending men to war is concerned, plus the families that have made the most contributions to the home front, especially the buying of bonds and other things. Put the two side by side on our platform as part of the program. It seems to me you would have the picture there.

MR. ROBBINS: Let me try a completely different pitch. I had lunch this noon with Jim and Guy Lemmon. We were talking about this, and the problems incidental to it, and out of it

came the thought that I just expressed; the fact that here at the eleventh hour, regardless of the fine quality of the thought that is in our mind to bring home this war to the average American, that we are, to a degree, at least changing step in a campaign which was geared to relating the death and the suffering with the bond and the buying.

Guy had an idea that it might be pretty good. As a matter of fact, there were really two ideas. One of them was that if we could find some simple thing that we could ask people to do, which would be understandable - which would be homely - which would be possible - and bring our bond appeal, or our appeal to the people, down to something you can grab on to, it might give us a hook. He suggested that perhaps we might go in more for the old-fashioned rally type, with bands, parades, flags - in the proper location, and draw in an audience which would be the kind of an audience we want to talk to that is average Americans. And then we might ask those who would attend such a meeting to buy a bond for a man who was from their family, either son, husband, sweetheart, girl who is in the WAVES or the WAACS, and buy it for them, and write them a letter within twenty-four hours that they had bought a bond. You might stimulate an awful lot of public buying in small denominations.

You would get down to the point where maybe you would be asking people to do something with an urge of patriotism, or a surge of patriotism - any emotion we could generate - with the good old-fashioned rally type, with music and bands and a parade, and then a dignified presentation, might give us a chance to make a tangible appeal to people, rather than one that could only become of value as we worked over it for literally weeks and weeks. It couldn't be done in a week, you see.

There is a completely different approach to it.

H.M.JR: It doesn't hit me.

MR. GASTON: Couldn't we leave this date - the spot flexible, and say that the Secretary of the Treasury is going to make an address and that there would be a celebration, or whatever you want to call it, in a town which has made a conspicuous record in the sale of bonds during this drive, and pick out such a town at the probable last moment.

H.M.JR: What was the town I went to in Virginia?

MR. GASTON: Roanoke.

H.M.JR: We went to Roanoke four or five months ago - a town of seventy-five thousand. I think there were two hundred and forty manufacturers and every one of them were ten percent. There was nobody - no character there. It turned out there was a very important Congressman, and I didn't know it. But they picked it because they were willing to go to town and they just turned the place inside out on getting the pay-roll allotment plan. It was very successful. But they picked Roanoke because it was alive and was a small town. The motive there was the pay-roll allotment. They had two hundred and forty flags - two hundred and forty manufacturers - and everybody was presented with one that night. So that was a success.

MR. GASTON: We could come pretty close right now to picking a town which has made an exceptionally good record. We certainly could pick it in another few days, whether we announced it or not.

H.M.JR: A private banker from Kentucky called up - Louisville - called up Dan Bell and said that their quota was eight million and they had reached twenty-one and now expected to go twenty-five. Their quota was eight - so they will go three times their quota in Louisville.

MR. ROBBINS: They said they were going to be over their quota the first day. They said they had it in the bag when I was in St. Louis.

MR. COWLES: I would like to see you go to the Middle West - entirely apart from the bond thing, and go to a relatively small town. They don't get to see very many top figures, and I think that is one thing wrong.

Most of the Cabinet officers, and so on, speak up and down the Atlantic Coast, and I think they ought to get inland more.

H.M.JR: I had my choice between New York City and Winston-Salem and I went to Winston-Salem.

MR. ROGERS: Is there any reason why the rally, or whatever, in a small town, and the radio broadcast have to be combined? We really have two objectives here - we have three. One is to get some new, fresh, and interesting material for the press, based upon this idea of bringing the war home to the people, and Smith is going to work out some material on that that can be sent out.

Another is for the rally in a small town - or some kind of a function in a small town - with the Secretary present.

Another is a big radio program that will reach a lot of people, and also including the Secretary on the air.

I don't see why we have to necessarily plan for a half-hour broadcast right out of the middle of a rally. Maybe we could accomplish both objectives. You can accomplish the objective in a small town by a big rally with the people you want to choose to be there, and the bands, and the local butcher, baker, and candlestick maker--

MR. GASTON: Jim, a half-hour broadcast on a national hookup is a tremendous kick so far as the town is concerned.

MR. ROGERS: Yes, but is it a tremendous kick from coast to coast?

MR. STAUFFER: You almost have two entirely different problems. You can go to this small town and have the greatest job, as far as the local rally is concerned, that

you ever had in the world, great excitement, and pay tribute to them, and even get a great press on it. But it doesn't mean that you are going to have anybody listening to you on the air.

What you have to do is, first of all, as Mr.Morgenthau said in his speech on Monday, "This is a people's war," and if you are going to talk over the air, you want to be sure you have the mechanics that are going to get you the biggest listening audience you can possibly get.

I think it is very difficult to get that out of a small-town radio show. True, if you bring in Mr. Eisenhower; and so forth, in addition to Mr. Morgenthau, I think that is quite--

H.M.JR: Of course it would have been marvelous if we could have gotten General Eisenhower talking to his mother. Can you think of something as good which we can get?

MR. STAUFFER: I think part of this you have to look at just from a mechanics point of view in radio. I didn't hear Mr. Smith's original idea on this, but it sounds to me as though you were almost talking about "We the People."

Mechanically, why not use "We the People" and have them devote, without any commercialism whatsoever, their time and their facilities, and let them go with you, set up the operation, and get all the butchers and bakers and candlestick makers ready to talk to you - maybe let you run "We the People" that night.

H.M.JR: Now, I never heard "We the People"; I have heard it mentioned.

MR. GASTON: It would be all right.

H.M.JR: I have heard of it over and over again the last three days,but I have never listened to it. What do they do?

MR. GASTON: They interview people and tell stories of people who have had unusual adventures.

MR. STAUFFER: And from every walk of life, from the poorest up to the top.

MR. GASTON: You can create an interesting and even sparkling program in a little town if you have got the people who know how to do it, and your "We the People" staff is a skilled staff in doing just that thing.

MR. STAUFFER: They could probably do a great job for you. I think if you are going to do it right you should almost have Mr. Morgenthau run these people that night.

MR. PEABODY: There again, Mr. Secretary, we are in hot water right off the bat.

H.M.JR: Why?

MR. PEABODY: It represents you going on a commercial program which we have consistently refused - or they have - to have you do.

H.M.JR: Who is "they"?

MR. GASTON: We have sponsored programs. That last one was a sponsored program - Texaco was a sponsored program.

MR. PEABODY: Yes, but that wasn't putting the Secretary in the middle of the regular routine of the program. This thing is still going to be "We the People."

MR. STAUFFER: I mean, "We the People" does a special assignment that night. I am only using that as an example.

MR. GASTON: "We the People" would organize a special War Bond celebration program, using their technicians - entirely a War Bond program.

MR. PEABODY: No commercials?

MR. GASTON: No.

MR. PEABODY: All right.

H.M.JR: I told Smith to talk to whomever the producer of "We the People" is, because it is in the same agency that he is, and ask him whether the producer of that - his answer was, "Why can't we have 'We the People' do their half hour, and you do a half hour, and together--"

MR. STAUFFER: The main difference there is that "We the People" has an established time on a good network, at a great time, and you automatically have a big listening audience.

MR. ROGERS: What time?

MR. STAUFFER: Seven-thirty Sunday night.

MR. GASTON: That is six-thirty central time.

MR. STAUFFER: What you are required to do if you go outside of the established channels is to get yourself bad time.

MR. ROGERS: Could they put that together in a week, do you think?

MR. STAUFFER: "We the People?"

MR. ROGERS: Yes.

MR. STAUFFER: Sure.

MR. GASTON: They would have music, and they would give the Secretary ten minutes or so?

MR. STAUFFER: It depends on how he wants to do it. If it is non-commercial, it seems to me the really effective job would be to work through with the people - have him talk to them, "What do you think of it? Why are you buying bonds?"

H.M.JR: Is the thing staged? Do they pick the people? Are they rehearsed beforehand?

MR. STAUFFER: Some of them are.

MR. ROBBINS: They work from a double rostrum. Both have scripts before you and the microphone between you.

MR.COWLES: One possible spot is, to think this out some more, a little town of Red Oak, which is down in southwestern Iowa, relatively near Omaha.

H.M.JR: Where?

MR. COWLES: Red Oak. It has had the heaviest casualties of any spot in the United States. From that town seventeen boys were missing from the Tunisian retreat there. It would be the equivalent of New York City losing seventeen thousand men.

MR. GASTON: That sounds swell.

MR. COWLES: The same proportion.

H.M.JR: That is something. Was it "Look" or "Life" that went to a town which lost so many people?

MR. COWLES: "Life" did.

The Herald Tribune sent out a staff writer and had a feature story on this little town - what was their reaction, were they embittered.

H.M.JR: Now you are getting closer to what I feel. I mean, I have to feel this thing if I am going to do it.

MR. COWLES: That would bring the war - putting it in that setting would bring the war home a good deal closer.

H.M.JR: Let me explain to these gentlemen, because I have lived with this commercial stuff - I am always amused when I get advertising men defending making use of me. But after all, we did do it Monday night. It was perfectly dignified, and I paid my respects to the Bell Telephone. I think it was you (Stauffer) or somebody who said - or Smith - that they would be delighted to get that much notice. I guess Smith said it. But when we did Texaco, which was the first one - did they say Monday night that time was being given? I don't know whether they did or not.

MR. ROBBINS: Yes, they did.

MR. GASTON: They said, "The Bell Telephone System has surrendered their hour for a special program."

H.M.JR: That is all Texaco ever did. They simply would say, "The United States Treasury is presenting a show through the courtesy of time being donated by the Texas Oil Company," period. They did the same thing at the end. That was the only plug they ever got. They were delighted with the results.

MR. GASTON: "In this case "We the People" presents a special program devoted to so and so with the great privilege of presenting the Secretary of the Treasury. Then we go right ahead.

MR. COWLES: That is right.

MR. STAUFFER: What you are talking about fits absolutely into the whole "We the People" formula, to go to the place.

MR. ROBBINS: That is exactly where we were, really, when we started for your office yesterday afternoon, except as to locale. We were talking about Cedar Rapids.

MR. COWLES: Red Oak would get a big play in Kansas City, Wichita, Omaha, just to name some of the bigger places, and Des Moines - that would help.

H.M.JR: Wouldn't it nationally - I mean, the fact that I go there?

MR. COWLES: No question, but I was just thinking about the immediate impact in the area.

MR. GASTON: It is big enough so we would have no trouble about telephone wire facilities and getting your broadcasting equipment in.

MR. COWLES: No.

MR. GASTON: There is a big lithographing firm there.

MR. STAUFFER: Radio facilities--

MR. COWLES: No hookup.

MR. STAUFFER: Is that where they do the actual broadcast, just mechanically?

MR. COWLES: You can pick it up in Red Oak. There would be a hall there. It would probably be an assembly

hall in the high school in Red Oak where you would actually put on your broadcast. You would have to send in remote control pickup. We could send that down from Des Moines or the Omaha station could send it down.

H.M.JR: Would the Army want us to publicize the Kasserine Pass and the great losses we took there?

MR. GASTON: It has already been told, about the great losses. We are honoring Red Oak on account of this thing which has already been told.

MR. COWLES: I didn't think there would be any problem on that score.

H.M.JR: Did you want to honor a town losing men in a defeat? I mean, it is a very nice piece of psychology if you had a town which had lost seventeen men in a victory. I am just raising it.

MR. GASTON: Look, here is the reaction of a little American town to a heavy loss, and what do they do? They come back fighting. They do all this for War Bonds, and so on.

H.M.JR: But supposing, Herbert, just to be a little argumentative, you could pick a town with relatively as many losses, but it was in connection with a victory.

MR. GASTON: I don't think it improves it at all.

MR. ROGERS: Don't you think this is part of the broader Tunisian campaign which looks to be going well now? You don't have to emphasize the setback.

H.M.JR: I was hoping somebody would say it was better to take the defeat - it would be a good American spirit.

MR. GASTON: The thing I was trying to say is, you get the reaction of a small town to these heavy losses. They come back fighting.

MR. ROBBINS: Certainly there wouldn't be any hesitation in England of paying tribute to the men who died at Dunkerque.

H.M.JR: No, I think it is good. I was just raising it, seeing if anybody thought it wasn't - I think your illustration is excellent. I just wondered, Bill, if - I was laying a trap. I was trying to see if anybody thought there was something there.

MR. COWLES: That doesn't bother me any. You see in that town they don't regard it as a defeat; they assume those boys fought with great heroism.

H.M.JR: I like it.

MR. GASTON: As I say, we have got this slogan for this campaign, "They Give Their Lives; You Lend Your Money." Here are the boys that have given their lives.

H.M.JR: What do you think, Stauffer, from a standpoint of radio and radio technique, and getting the audience?

MR. STAUFFER: I think it would be infinitely better to do it this way as a definite assignment for an established radio show. You start off on a good night with special publicity, and I think you would do infinitely better than to go off and get a half hour outside of the regular channels. You won't get a half hour unless you take over a commercial time, and this show fits your whole theme.

MR. GASTON: This is one show that has developed a technique which we will have to use in any event in this show we are going to put on.

MR. PEABODY: They have that resounding thing "We the People Speak."

H.M.JR: Why are you so worried about my dignity?

MR. PEABODY: Mr. Secretary, I am not worried about your dignity at all. I am only worried about what I am advised has been the policy in the past. In other words, the radio people tell me that this question of going on an hour which is identified with a commercial sponsor has been brought up many, many times. A lot of people have come and asked for you to go on, and they have always said, "No." I just didn't want to get you into trouble with somebody that might have been turned down within the last six months on the same general sort of thing.

MR. STAUFFER: I think there are two ways of doing it. One is you go and say, "May we have your time," and you put on the air something that has nothing to do with what they have been giving the people in established time. Here what you are doing is asking them to do their job that they have always been doing, "We the People Speak," with all the same kind of people.

MR. ROBBINS: The worst that can happen to them is that they lose their commercial participation in that show, but the show may be a better show - we would put on a good one without losing--

MR. PEABODY: They don't lose anything. It is a wonderful thing for them.

MR. STAUFFER: You see the two different ways?

MR. PEABODY: I understand exactly; don't mistake me. I think this is absolutely what we are looking for.

I don't want you to say to me, "Why didn't you tell me our people turned down somebody else three weeks ago?"

H.M.JR: Let me ask Stauffer. Put yourself back three weeks ago. You were running seventy-five shows. Are you conscious that the Treasury turned you down or anything?

MR. STAUFFER: No. Ruthrauffe and Ryan right now could do this same job on "Vox Pop." Actually again

it is the voice of the people. As I understand it, theirs is Monday night. I understand you want to do this before.

MR. ROBBINS: There is a point here that I want to explore a little bit. Your thought is that the Secretary would be the leader - would be the interviewer on this?

MR. STAUFFER: Absolutely. He ought to be the interviewer.

MR. ROBBINS: That, I think, has great power.

How do you react to that? Would you like to hear a record of one of these things so you know?

H.M.JR: Yes, I would like to hear it. But on the record, I speak so seldom and I get all these invitations. I give one excuse or another - I don't want to speak unless there is an awfully good reason, and then, too, it isn't just radio - I just don t go. I only make three or four speeches a year, and I have been very, very sensitive - I mean, I don't want to be used. I have no more hesitancy about doing this than I had the other night saying, "Thanks to the courtesy of the Bell Telephone System"--

MR. PEABODY: That is all right then.

H.M.JR: ... provided that they limit themselves to the beginning and the end, "This time is donated by the Gulf Oil Company," and no more. I mean, if they just say that and no more, but I don't want them to do what Coca-Cola does. I hope that isn't a Ruthrauffe and Ryan show. (Laughter) Constantly, every two minutes - one minute it is the Army, and the next minute it is Coca-Cola.

Anyway, if the Army is willing that is their business.

MR. GASTON: Sunday night is "We the People," isn't it?

MR. STAUFFER: Yes.

MR. GASTON: And "Vox Pop" is Monday night about the same hour?

MR. STAUFFER: Eight o'clock.

MR. GASTON: Either one of the hours would be good.

H.M.JR: Let me ask some of you people - the 25th happens to be Easter. Do you think anybody would take offense at our doing it on Easter?

MR. COWLES: I don't, for this type of program.

MR. ROBBINS: No.

MR. GASTON: How about evening church services? The hour is seven-thirty.

H.M.JR: Do they have church on Sunday night?

MR. GASTON: Some churches would have seven-thirty services.

MR. STAUFFER: It is the biggest radio listening time of the whole week.

H.M.JR: I don't know. Are you familiar with "Vox Pop," and "We the People"?

MR. STAUFFER: Yes.

H.M.JR: Which would be the better show?

MR. STAUFFER: I think in one respect this is closer to "We the People." "Vox Pop" for the past year and a half has covered all the Army establishments, the camps, West Point, Annapolis, war plants, and so forth. "We the

People" brings people from all over the nation to New York, from every walk of life, men and women, rich and poor.

H.M.JR: To New York?

MR. STAUFFER: They would have to move this show for this particular time out there.

H.M.JR: That in itself would be a novelty. And you as an advertising man don't think it would hurt Gulf Oil any?

MR. PEABODY: I think it is wonderful for Gulf Oil. Gulf Oil is sitting back and worrying about what they are going to say on the commercials, anyway. They all have that problem. This is a wonderful thing.

H.M.JR: I don't think anybody is more sensitive to being used than I am, and I wouldn't hesitate to do this.

MR. GASTON: Of course their understanding would be that there would be nothing from beginning to end, either opening or closing, except the statement that "Through the courtesy of the Gulf Oil Company 'We the People' tonight present a special program." Then they can tell what the special program is and go ahead with it.

MR. STAUFFER: I think what Bill asks in relation to Mr. Morgenthau is important, and that is his willingness to work with these people. I think if you are going to do a great job on it that actually you should run the show the way their present M.C. runs the show. He will be there, yes, but you should talk to the people, ask them questions. You tell them what you think they should tell you so you don't just come on as a spot, and that will be a brand new kind of radio thing.

H.M.JR: You and I hit it off very well the other day. Do you suppose you could help me on this?

MR. STAUFFER: I would be delighted.

MR. GASTON: The other way would be to have the regular M.C. and introduce the Secretary in reply to these people.

MR. COWLES: That hasn't the kick to it.

MR. STAUFFER: Not nearly the kick of Mr. Morgenthau himself.

MR. PEABODY: It would be wonderful for the Secretary to do that.

MR. COWLES: The Secretary in talking to these people can work in the arguments about the bonds and so on. When that script is prepared you can get it right in there.

MR. STAUFFER: And you will have to coach them too, because some of these people get up there and they are scared to death. They have a thing right in front of them; and when you ask them a question they just go cold. You will have to prod them to get it out of them.

H.M.JR: I have done something like that before, once, and I was fairly good at it - I mean, getting the people up to the microphone to speak. I did that at the International Business Machines plant at Poughkeepsie. I got about a dozen people up to the microphone to talk.

MR. ROBBINS: This would probably anticipate a little warm-up beforehand, even with the audience and all present. You will have to get the whole audience in condition for it, and the people, and everything else.

MR. PEABODY: What would this represent in time, the Secretary being out in Red Oak actually working on this thing?

MR. STAUFFER: He would have to be out there and probably spend the whole afternoon with these people.

H.M.JR: That is all right.

MR. STAUFFER: You would have to go over your talks with the individuals who are going to be brought up there because there will be every kind of person in the world.

MR. ROBBINS: They usually get about eight people on.

MR. STAUFFER: Yes, seven or eight.

H.M.JR: Haven't they got their people who do this?

MR. STAUFFER: Their people would be there, as a matter of fact, all of them. They would have the people, and they would work with them in advance; but the thing that you would have to do, so that they wouldn't freeze up solidly on you on the air, is get those people to know you as a human being so they won't be frightened to death.

MR. COWLES: You would have to run through the show a couple of times.

MR. STAUFFER: Also to get a sense of timing. Their reactions are never quite the same.

H.M.JR: I am willing to do it.

MR. PEABODY: I wouldn't worry about it at all, having sat in at the press conference this morning. If you run it the way you run those--

MR. STAUFFER: You would have the most expert help, I can tell you that. These boys know what they are doing. The show would be smoothly run. It would take you, I think, probably - mechanically the first thing we would have to do would be to get Young and Rubicam's agreement through Gulf to devote this whole show to it, and then get their producers and writers to come down here and decide - find the people immediately. They are going to get the most interesting ones and then come down here and prepare, literally, all the interviews that you are going to have. Also, if you want, there is no reason why you can't cut somebody into it - a thing like that spot from North Africa, if you want, in the midst of it.

H.M.JR: I think the trouble with that thing is you never know - you get a half hour - I mean, you announce the North Africa thing, and then it doesn't come over.

MR. PEABODY: We lost that spot Sunday on the Army hour.

H.M.JR: I am more than willing if the people think that it isn't sufficient attraction, and I have no feelings that I go there with them - if they want somebody else on the air that same evening besides myself - I mean, some performer - but this spotting somebody in, I haven't heard it done well yet. Maybe it is.

MR. ROGERS: I think it would cut that show in pieces.

MR. STAUFFER: You don't need it in this show; actually you don't.

MR. GASTON: We can work the reverse of that. That is, OWI Foreign Service will take this show and send it to North Africa.

MR. COWLES: That is right.

H.M.JR: That is all right.

How do you feel about it?

MR. ROGERS: I think that sounds swell. I think it is the answer to the thing.

H.M.JR: Herbert?

MR. GASTON: Yes, this is right. This is a natural.

H.M.JR: Who will pick it up now?

MR. PEABODY: Who will get Smith right away?

H.M.JR: Smith was to call at quarter of four.

MR. PEABODY: I can't see why these things have to be hooked up together so closely that they couldn't be separated out. Let's let Fred go ahead with the newspaper

thing that he was going to work on. This is not now a speech, Mr. Secretary. This really is a radio show. I don't think Fred has a place in the script, do you?

MR. STAUFFER: No.

MR. PEABODY: I don't think he can - that really isn't his job. This is a job for radio writers now.

MR. STAUFFER: Completely.

(The Secretary held a telephone conversation with Mr. Smith.)

MR. PEABODY: You will call Tom; and after you talk to Tom, then get Chet to call Gulf.

MR. GASTON: This is a natural; this is good.

H.M.JR: I do want the Army--

MR. GASTON: I will call them right away.

H.M.JR: Yes, but say we are thinking of going to Red Oak and why, and do they think that is as good a town as any - have they got any town they would rather have us go to.

MR. GASTON: All right.

ASSISTANT SECRETARY OF THE TREASURY

April 15, 1943.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

Lieutenant Colonel James S. Collins, Executive Assistant to General Surles, Director of the Army's Division of Public Relations, advises me that the War Department approves our selection of Red Oak, Iowa, as the setting for a special production of the program "We the People" on Sunday, April 25, and is not able to suggest at the moment any more appropriate place.

Copy to Mr. Peabody.

April 15, 1943
4:25 p.m.

HMJr: Hello.

Operator: Secretary Stimson just left the office. Mr. Schott is on the line and will speak to you.

HMJr: All right.

Operator: All right. Here you are - Mr. Schott.

HMJr: Hello.

John W. Schott: Yes, Mr. Secretary.

HMJr: Mr. Stimson has gone?

S: Yes, he has.

HMJr: I see.

S: Is there - maybe Mr. McCloy could take care of the matter for you?

HMJr: Yes, let me talk to Mr. McCloy.

S: I'll have to transfer you to his phone. If you'll just hold on one minute, please?

HMJr: I'll hold on.

Operator: Yes, please.

S: Transfer to 2385, please.

Operator: Thank you.

John McCloy's Secretary: Mr. McCloy's office.

HMJr: This is the Secretary of the Treasury speaking.

Secretary: Who is this?

HMJr: The name is Morgenthau. I work in the Treasury.

Secretary: Yes.

HMJr: Could I speak to Mr. McCloy?

Secretary: Just a second, sir.

John McCloy: Hello.

HMJr: Hello, Jack?

M: Yes.

HMJr: How are you? Henry Morgenthau.

M: Hello, hello. How are you?

HMJr: Okay.

M: Fine.

HMJr: I tried to get Mr. Stimson and he's out....

M: Yes.

HMJr: ....and - I - so I'd like to tell you what I wanted to tell him.

M: Yeah.

HMJr: I'm considerably disturbed at the rumor that I've heard that you're not going to continue to use Lieutenant Colonel Bernstein. Hello?

M: I didn't know about it. He's over there now, isn't he?

HMJr: I know.

M: Yeah.

HMJr: But I hear that you're not going to continue to use him on anything new, at least that's what the gossip that I get - it isn't gossip, I mean it comes, I gather, from a Colonel Holmes.

M: Well, it's news to me. I don't know....

HMJr: Well....

M: Yeah.

HMJr: ....I want to take a minute, see, because....

M: Yeah.

HMJr: ....he was a very valuable man here....

M: Yeah, yeah.

HMJr: ....and I think he did, from all accounts and as I understand, a very good job under very difficult circumstances.

M: Yeah, yeah.

HMJr: I did write a letter to Mr. Stimson and asked him to see Bernstein when he got back.

M: He did, yes.

HMJr: And then he saw you.

M: He saw both Stimson and me, yes.

HMJr: And I don't want to - I - have the man in any way punished because he went over the heads of some people at my request.

M: Oh, I don't think that's....

HMJr: Well, there's some - look, Jack....

M: Yes.

HMJr: ....there's something funny about this whole business.

M: Yeah?

HMJr: And there - there certainly is a military report on what he did and all the rest of that, and I - I was going to ask Mr. Stimson whether he wouldn't look into it.

M: Yes.

HMJr: And could I ask you?

M: Surely.

HMJr: And I'd like Mr. Stimson personally to know about this.

M: Sure, all right, I'll speak to him....

HMJr: Because Bernstein is too good a man to be sacrificed for some prejudices or whims.

M: Yes.

HMJr: And....

M: You think there was some military report on him?

HMJr: I know there's a military report on him which is, they tell me, aces high.

M: Oh, not adverse.

HMJr: No, they tell me it's a wonderful....

M: Yeah.

HMJr: ....military report.

M: Well, I - I - I've heard nothing but good.

HMJr: And even the President told me, "I understand Bernstein is doing such a good job."

M: Yeah.

HMJr: Now along comes this Colonel Holmes -- I don't know who he is or what he was in civil life -- and it looks, for some reason....

M: Well....

HMJr: ....which I can't understand, he's being shunted.

M: Yeah.

HMJr: Now....

M: Well, let me - I'll - let me look into and I'll speak....

HMJr: But there's something....

M: ....to the Secretary.

HMJr: Something doesn't smell right.

M: Yeah. Right.

HMJr: And I like right from the top....

M: Right, right.

HMJr: ....because there're not many men that have the information that he has.

M: Right.

HMJr: And the talk is he mixed in politics - he didn't mix in any politics.

M: Yeah.

HMJr: He kept his ears open....

M: Yeah.

HMJr: ....but he - he tended strictly to his own business.

M: Yeah, yeah. Well, I'll look into it, and I'll speak to the Secretary in the morning.

HMJr: And I'd like to have an answer.

M: Right.

HMJr: Please.

M: Well, I'll - I'll get right after it, and I'll - and I'll talk to the Secretary -- if he's not in now -- I'll talk to him the first thing in the morning.

HMJr: And - and you look up his efficiency report.

M: I will. And he's a lieutenant colonel, isn't he?

HMJr: That's right.

M: Yeah, all right.

HMJr: And I'll....

M: And I know him - didn't he - didn't he used - isn't - wasn't he at Mitchell Taylor in New York for awhile?

HMJr: That I don't know. But he headed here our monetary section. He's a brilliant, sincere fellow.

M: He's a lawyer, isn't he?

HMJr: He's an attorney.

M: Yeah, yeah.

HMJr: And he headed the - sort of fiscal section over there....

M: Yeah.

HMJr: ....got along very well with Robert Murphy....

M: Yeah, yeah.

HMJr: ....and I understood that Murphy liked him and used him.

M: Yeah, yeah. Well....

HMJr: And - and he - he did an invaluable piece of work.

M: That's right.

HMJr: Now just to shunt him aside for no good causes, if that's correct....

M: Yeah, well, let me look into it.

HMJr: I'd much rather have him come back here and help me.

M: Sure.

HMJr: I - I mean it.

M: I understand, sure.

HMJr: Than to have him wasted.

M: Right, sure. Well, let me look into it.

HMJr: Will you?

M: Yeah, fine.

HMJr: Thank you.

4/15/43

White's draft of HM,Jr's testimony before Senate Committee which they discussed at Secretary's house the evening of 4/15/43

4/15/43 . 221

Statement of Secretary Morgenthau before the
Committee on Banking and Currency
of the Senate
Friday, April 16, 1943

Extension of the Stabilization Fund

On April 12, 1943, Senator Wagner introduced a bill (S.991) extending to June 30, 1945, the powers relating to the Stabilization Fund and the power to alter the gold content of the dollar, both of which under the present law will otherwise expire on June 30, 1943. I am appearing before you in support of this bill.

In my previous appearance before your committee to recommend the extension of these powers, I emphasized the emergency necessitating the continuance of these powers. It is hardly necessary to say that the emergency is greater now than it was when I appeared before your committee on June 13, 1941. The monetary situation throughout the world is potentially more unstable than it has ever been before. The powers extended under the proposed bill will help assure currency stability and help avoid competitive currency depreciation in the critical period following the war.

The spread of the war to this hemisphere and the presence of American forces in many countries abroad have heightened the importance of our currency relations with these countries. The gold, currency, and stabilization operations of the Stabilization Fund in the past two years have reflected these changes in the world situation.

While during most of the period since 1934 there was a heavy inflow of gold into the United States so that the Fund's purchases exceeded its sales of gold, during the last two fiscal years the Fund has sold more gold to foreign countries than it has purchased. In the fiscal year 1942 the Fund sold $644 million of gold to foreign countries and purchased $162 million of gold from foreign countries. So far in the fiscal year 1943 the Fund has sold $401 million of gold to foreign countries and purchased only $27 million from foreign countries. The Fund's sales of gold have been made to 21 different countries.

As I have said to this committee before, I know of no better means of settling international balances than with gold. For this reason it has been, and is, the policy of the Treasury to facilitate the continued use of gold for the settlement of international balances. Our Stabilization Fund has definitely contributed to the implementing of this policy. Since I last appeared before this committee the Stabilization Fund has entered into three gold-purchase agreements with Russia and a gold-sale agreement with Cuba.

Under the gold-sale agreement with Cuba, which was signed on July 6, 1942, the Stabilization Fund has undertaken to sell gold to Cuba, payment to be made in United States dollars within 120 days from the date of such sale. Under this agreement Cuba has already acquired $25 million in gold, all of which has been paid for. The agreement with Cuba was designed to facilitate the accumulation and the maintenance of a gold reserve against Cuban currency as provided by Cuban law.

During the past two years we have made and completed three gold purchase agreements with Russia. The agreements called for future delivery of gold purchased by the Stabilization Fund, with an advance on such gold prior to its delivery. The obligations of Russia under these agreements have been fully met. The dollars made available by these gold transactions were used by Russia to pay for purchases of goods and services in the United States in addition to the materials obtained under the terms of the Lend-Lease arrangement.

The series of stabilization agreements under which the Stabilization Fund cooperates with other countries to facilitate the maintenance of stability in the exchange rate of currencies of other countries with the dollar have been extended since July 1, 1941.

On November 19, 1941, a stabilization agreement was entered into with the Government of the Republic of Mexico and the Bank of Mexico for the purpose of stabilizing the United States dollar-Mexican peso rate of exchange. It is still necessary under this agreement for the Mexican Government to confirm its authority to guarantee the performance of all obligations undertaken by it and the Bank of Mexico.

On February 27, 1942, a stabilization agreement was signed with the Government of the Republic of Ecuador for the purpose of stabilizing the United States dollar-Ecuadoran sucre rate of exchange. The agreement is now in force, although no stabilization operations have as yet been necessary under this agreement.

As a further link in the closer relations between the Governments of the United States and Iceland, a stabilization agreement was signed with the Government of Iceland and the National Bank of Iceland on May 5, 1942, for the purpose of stabilizing the United States dollar-Icelandic krona rate of exchange. This agreement is also now in force, although no stabilization operations have as yet been necessary under this agreement.

In the same period since July 1, 1941, we have renewed the stabilization agreements with China and Brazil.

We have two stabilization agreements with China. Under the first of these agreements, which was signed in 1937, the Stabilization Fund held nearly $49 million of yuan on February 10, 1938. By October, 1942, China had completed the repurchasing of all the yuan. On December 31, 1942, this stabilization agreement was renewed. The Stabilization Fund does not at this time hold any yuan under this agreement.

The second agreement with China was signed on April 25, 1941. The first transaction under this agreement took place on December 10, 1942, when the Stabilization Fund acquired $10 million of Chinese yuan. On June 30, 1942, this agreement was renewed for one year. No additional operations have been undertaken under this agreement, and the Stabilization Fund now holds $10 million ~~of~~ Chinese yuan under the repurchase provisions of this agreement. U.S. dollars in

The stabilization agreement with Brazil was signed in 1937. On November 5, 1941, we bought $8 million in milreis from Brazil. As Brazil's foreign exchange position was strengthened these milreis were repurchased, and on February 25, 1942, the Stabilization Fund held no more milreis. Under another section of this same agreement we have sold $74 million in gold to Brazil for dollars for the purpose of strengthening the monetary reserves of Brazil. The agreement with Brazil was renewed on July 15, 1942.

In September, 1942, we entered into an agreement with the Government of Liberia to facilitate the conversion of the currency system of that country from sterling to dollars. The Liberian Government had for a long time been eager to adopt the exclusive use of United States currency and coin, and the need for such a conversion became more urgent in 1942 as additional British coin could not be secured and as American troops stationed in Liberia brought in United States currency and coin. The Stabilization Fund is facilitating the conversion of the Liberian currency system to dollars through an agreement to purchase with United States currency the British coin withdrawn from circulation. Arrangements have been made with the British Government to dispose of these British coins without cost to the Stabilization Fund.

Two proposed stabilization agreements are now pending. A draft of an agreement to facilitate the stabilization of the dollar-boliviano rate of exchange is now being considered by Bolivia. We are also engaged in discussions with Iran under which the Iranian Government would undertake to provide rials for the needs of our Army and other Government agencies in return for dollars paid to the Iranian account in this country. As part of this agreement, the Iranian Government undertakes not to change the dollar-rial rate of exchange without prior consultation.

In the more than nine years since the Stabilization Fund was created it has been operated with scrupulous care. Not only have we succeeded in keeping intact the resources that were entrusted by the Congress to the President and the Secretary of the Treasury, but in the course of performing our broader function of maintaining stability of exchange rates we have been able to accumulate a net profit which now exceeds $30 million. I do not wish to emphasize the profitability of the operations of the Stabilization Fund. I prefer to stress the success of the Stabilization Fund in its fundamental purpose of bringing about a greater degree of stability in exchange relationships of other currencies with the dollar.

The pattern for international monetary cooperation that we have developed in the operation of our Stabilization Fund holds a real promise of achieving currency stability in the post-war period. We took an important step in the direction of international cooperation for currency stability through the Tri-partite Accord in 1936. Unfortunately, the functioning of the Tri-partite Accord was interrupted by the war. Nevertheless, we have continued to embody the principles of that Accord in our stabilization agreements with our neighbors in Latin America and with other friendly countries. These agreements provide for maintenance of exchange stability and for periodic consultation on financial and economic conditions that may affect the stability of exchange rates. Under provisions safeguarding our interests, we have made available the resources of the Stabilization Fund for the purpose of maintaining stability of exchange rates. In the five years before the war and in the nearly four years since the outbreak of war, the operations of the Stabilization Fund have contributed to maintaining relatively stable exchange rates, despite the unprecedented conditions of political and economic disorder.

Power to Alter the Gold Content of the Dollar

The power to alter the gold content of the dollar was given to the President by Title III of the Agricultural Adjustment Act of May 12, 1933, and reaffirmed with its present limitation by the Gold Reserve Act of January 30, 1934. On January 31, 1934, the President fixed the dollar at its present gold content, which has remained unchanged for more than nine years.

This power was given to the President in the midst of a deep depression, unquestionably prolonged and intensified by the general depreciation of other currencies which destroyed the markets for American products abroad and brought ruinously low prices. The revaluation of the dollar was an unavoidable step in the restoration of foreign and domestic markets for the industrial and agricultural products of the American people.

This power given to the President to determine within limits the gold content of the dollar could not safely be terminated until a satisfactory means was available for assuring the stabilization of the appropriate exchange relation among currencies and avoiding competitive currency depreciation. The President recommended and the Congress enacted extensions of this power in 1937 and again in 1939 and 1941.

We are all agreed that no one can benefit from a competitive race in the depreciation of currencies. If such a development is to be avoided, we must frankly face the danger of competitive currency depreciation in the post-war period. It is not possible at this time to foresee the pattern of post-war monetary developments. But this we do know: that if we are to avoid competitive depreciation of currency after the war, it would be helpful to be armed with this power as a warning that we shall not permit the international economic position of this country to be undermined by competitive currency depreciation.

For nine years the President has had the power to alter the gold content of the dollar without using it. As I have said before, there is no present intention to use this power. But it is needed as a means of helping to prevent competitive depreciation of currencies by other countries. When adequate arrangements for international monetary cooperation have been completed, we shall be happy to surrender the power without having used it.

TREASURY DEPARTMENT

226

Accounts and Deposits

To Mrs. Klotz

Herewith is a copy of the draft of Baltimore speech, about which I spoke to Secretary Morgenthau. I sent the original to Asst Secretary Gulliver

E.B.

Draft.

Emerson Hotel
Baltimore, Md.
Apr. 15, 1943

General Reckord, honored guests, and War Bond Officers of the Third Service Command.

I am very happy to be present on the occasion of the first anniversary of the War Department's War Bond Program, and to have this opportunity to personally address you gentlemen who are representative of the whole Army's War Bond organization.

I understand your own organization includes more installations that have earned and received the President's Interdepartmental War Savings Bond Committee's honor list certificate and Minute Man Flag than any other Service Command in the Army. It has been reported to me that your civilian war workers are saving over $1,250,000 each month through the Pay Reservation Plan. While participation figures on the military are not available, I am told that over thirty million dollars each month - that's a million dollars every day - is being subscribed by combined military and civilian personnel of the War Department. The aggregate of subscriptions for War Bonds from among Army personnel is almost three times that of any other single group. That's an example for the Nation.

Now why should the Army set such an example? Is it because soldiers and civilians on the War Department pay roll are quicker to appreciate the advisability of reserving part of their present income for future use? Is it because they are more patriotic than

other groups? Is it because they are not only willing to work conscientiously with their hands, but also want to share with their savings? Is it because you gentlemen have been more convincing and realize that aggressive individual effort makes for concerted accomplishment?

Very likely all these have played important parts. No one reason can be safely regarded as the answer to what has been accomplished with the War Bond Program in this Service Command or in the Army as a whole. However, one thing is certain, you have gotten off to a good start. The importance of your continuing to successfully educate all about you in the merits of purchasing War Bonds systematically and regularly is vital.

Over 31 million citizens are now buying War Bonds through the pay-roll plan. We in the Treasury Department realize we must see that these millions continue their regular savings without interruption, and furthermore that other millions join them.

On Monday, the Treasury Department opened its 13-Billion-Dollar Second War Loan Campaign. We expect this drive to be oversubscribed in three weeks and eight billion dollars of it taken by individuals. The balance has been allocated to financial institutions. Now what is the significance of a thirteen-billion-dollar selling job? Well, during the last World War the total amount of Liberty Bonds and Victory Notes sold by the Treasury was a little more than 24 billion. That's a big figure in any man's language. But just a few days ago, President Roosevelt asked the

Congress to appropriate about 24 billion dollars - not for the whole War Program, but solely to help defray expenses of the Navy during the coming fiscal year. That simple thought should enable us to better understand the magnitude of the present job and the task we have ahead. Our expenses include the needs of our Allies. This time our armed forces are scattered in approximately 50 different points throughout the world. The Navy in conjunction with the Coast Guard touches practically every point in the world. That far-flung military machine is so placed for good and sound tactical reasons, and it costs money to maintain it.

In order to successfully consummate this, the greatest financial undertaking in the history of the world, we have planned every approach down to the smallest groups of prospects in the smallest hamlets in the land. The press and radio have been lined up to publicize the program and its importance in the war effort. Geographical committees in the States, counties, cities and villages have been established. Organizations such as the Boy Scouts, churches, retail department stores, sales organizations of life insurance and banking outfits, moving picture theaters and other organization groups that come in contact with the earning public are all one in helping to put over the campaign. We have much faith in advertising and it is expected that the advertising industry will erect 10,000 panels, while 2,000,000 posters have been distributed for use in stores and other bond sales points. Window displays will play their part. 100 million cards for

street cars, busses and subways will help us to attract attention to this job and create interest. There is now in the hands of every committee publicity man for the Second War Bond Drive a publicity kit setting out day by day promotion ideas and in addition special data was compiled for the use of publishers throughout the Nation. Promotion is being carried on in some 3,000 company publications, college magazines and in the local press, also in foreign language newspapers, negro press, and farm papers. We feel confident that our objective will be accomplished in the three weeks allotted. But, from your point of view, the impetus created by this National Campaign should make your task an easier one. Use this motion to your own advantage. We are all working toward the common end.

I know that due to non-delivery of fully paid-for bonds, you have had an uphill fight. Naturally, people deserve to get what they pay for, when they pay for it. I also know that the machinery for solving prompt delivery has been set up by the War Department, and you should not be concerned with this in the future. Delivery to your civilian associates is being made through local issuing agents; the military personnel is being serviced directly from the new Class B Allotment station at Chicago. I am informed that the War Department's Chicago Bond Office is prepared to deliver the bonds within two weeks after they have been fully paid for. The Treasury Department was always concerned with the problems that confronted the War Bond Division at Washington in connection with

the overwhelming success of the Pay Reservation Plan. After all, when the Pay Reservation campaign started last April, the War Department estimated that approximately a million subscriptions would be received by the end of the year. You know what happened. Because of the enthusiasm of War Bond Officers like yourselves and the eagerness of thrifty civilians and soldiers, over four million subscriptions were received in eight months. I understand that the figures approximate five million subscriptions at this time.

However, let me assure you of one thing, the money received from subscribers was always safe and secure. Those funds are still safe and secure and properly credited to the accounts of military and civilian subscribers who have not yet received bonds paid for prior to last December 31st. Moreover, they will not lose the benefit of the increment in the value of the bonds because they will be dated as of the month in which they were paid for regardless of the date of delivery. Ultimately all bonds will be delivered and I sincerely hope their owners will hold them until maturity.

Before concluding these remarks, let me say a brief word about the domestic economy and how important it is that each citizen realize the significance of the part he takes in our great war bond program. Much has been written about inflation tendencies that accompany wars. We have all seen articles referring to those things that contribute toward creating inflation, and we all realize that only through concerted effort can these inflationary tendencies be reduced. It is just a simple thought to say that the law of

supply and demand still functions. Where there is a scarcity of goods and an increasing demand for those same goods, naturally prices will rise. We have today a situation involving increased demand for many things which are scarce, and that increased demand is propelled by people who are experiencing individual prosperity. Many of the things they are trying to purchase are not absolutely essential, and by purchasing them at this time they create shortages and deprive others who have more urgent need for the same things. This is a simple thought but carried to its ultimate conclusion it is one that can create hysteria and a resultant loss to everyone. Due to the regular employment, a high wage scale and tremendous industrial activity, we have today an ever-increasing amount of cash in the hands and pocketbooks of an ever-increasing number of wage earners. Use of this abundance of excess cash threatens our whole economy. If we are to perpetuate that economy, and by and large it has been satisfactory to date, then we should refrain from spending until after the war.

With more and more going into War Bonds it means that during the war our Government will have an enormous purchasing power and after the war our citizenry will have an enormous purchasing power. Both make sense.

I am delighted to have had the opportunity to meet with you gentlemen, and pleased to congratulate General Reckord for his personal interest in this program and you gentlemen for your individual achievement in connection with it.

UNITED STATES TREASURY WAR FINANCE COMMITTEE

WASHINGTON, D. C.

BULLETIN
April 15, 1943.

Publicity Directors, War Finance Committee:

Secretary Morgenthau's speech of Monday, April 12 at Carnegie Hall, a copy of which you have already received, may well serve as the key note speech of the drive. The attached editorial from the New York Sun, April 13, 1943, entitled "Where the Money Goes" is evidence of the way the speech is being quoted.

The attached table from the New York Herald Tribune, April 12, 1943, entitled "The April Bond Basket," represents another interesting piece of editorial cooperation. You will note that they picked up data from our booklets and tabulated it in their own way.

Stuart Peabody,
Head Advertising Specialist.

Enclosures (2)

ADV - 22

UNITED STATES TREASURY WAR FINANCE COMMITTEE

WASHINGTON, D. C.

BULLETIN
April 15, 1943.

Presidents, Federal Reserve Banks:

We are enclosing a copy of the address made by the Honorable Marriner S. Eccles over the Blue Network Wednesday, April 14, 10:30 p.m.

This talk is full of splendid material which we feel can be used in the districts in many ways.

Stuart Peabody,
Head Advertising Specialist.

Enclosure (1)

ADV - 24

Copies to Executive Managers, Victory Fund Committee
Publicity Directors, War Finance Committee

RADIO ADDRESS
OF
MARRINER S. ECCLES
CHAIRMAN, BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

ON THE
NATIONAL RADIO FORUM
CONDUCTED BY
THE WASHINGTON EVENING STAR

BROADCAST OVER THE
BLUE NETWORK (STATION WMAL)
WEDNESDAY, APRIL 14, 1943
AT 10:30 P.M.

For release in morning newspapers of
Thursday, April 15, 1943

The Government will spend, for war purposes alone, approximately 90 billion dollars during the present calendar year.

The goal of the Second War Loan Drive, which opened on Monday, is to raise 13 billion dollars, or about one-seventh of the total war expenditures for this year. The general public, exclusive of the commercial banks, is being asked to subscribe not less than 8 billions of this amount. Eight billions is a lot of money, yet it is less than the American people are now receiving every three weeks in national income, consisting mainly of wages and salaries, including farm income.

The question is not whether the goal of this campaign will be reached, but how it will be reached. The Government can always raise the money it needs. What is of vital importance to every man, woman and child in this country is that the money needed to wage this war be raised in a way that will not result in a disastrous rise in the cost of living.

On the basis of our present tax laws, we will collect in taxes somewhat less than one-third of our total Government requirements this year. The balance, or about 70 billion dollars, will have to be borrowed.

There are two sources from which the Government can borrow. One source is the general public; that is, all of the people of this nation and their innumerable business concerns, together with all the various public as well as private organizations. The other source is the commercial banking system of the country and the Federal Reserve Banks.

The distinction between the two sources of borrowing is of critical importance in the battle against inflation. Borrowing from the general public diverts to war purposes money that might otherwise be spent in driving up the cost of living. Borrowing from the commercial banks, instead of diverting existing purchasing power to the war effort, creates entirely new funds, new purchasing power. These are the most dangerous of dollars. We have been creating altogether too many of them.

In the calendar year of 1942 the Government spent about 56 billion dollars. Only about one-third was raised in taxes. The rest had to be borrowed. Less than half of the borrowing came from the general public. More than half came from the commercial banks. As a result, more than 20 billion dollars was added to our money supply -- to demand deposits and currency. Unless we do much better in the current year, 30 billion dollars more will be added to our money supply in the same way. That would mean an increase of more than 50 billion dollars, or a doubling of our money supply, in two years.

Fifty billions of these dangerous inflationary dollars in two years' time! In the last war, and even at the peak of 1929, our total money supply was less than 30 billions!

I emphasize these figures to bring out as forcibly as I can why it is so important, if we are to hold the line against inflation, to finance this war to the fullest possible extent by taxation and by borrowing from the current incomes of the general public. To the extent that taxes are not provided to cover the costs of war, the money has to be borrowed. To the extent that the money is borrowed from the general public, the inflationary pressures of our enormously expanded national income are reduced. To the extent that we fail to tax sufficiently, or fail to borrow enough from the general public, then there is no alternative except to borrow from the commercial banks or the Federal Reserve Banks. To the extent that the money is borrowed from either, more purchasing power is poured into the already dangerously swollen stream. That is the high road to inflation.

Let us look at the economic picture for a moment from another angle. More than half of our total production this year is going for war, leaving less than half available for purchase by civilians who nevertheless are receiving incomes based on the total production. It is apparent, therefore, that there are not and cannot be goods and services available for more than half of this income to purchase. To the extent that this surplus income bids for the existing supply of goods, it subjects the price ceilings to irresistible inflationary pressures. No Government edict or agency can hold prices indefinitely against such pressures. The only way to reduce these pressures is to transfer the surplus income to the Government through taxes or borrowing from the general public.

The way to prevent these pressures from growing constantly greater and more threatening is to avoid all further increases in wages, salaries, profits and prices. Increasing the dollars we receive will not add one iota to the goods that we can buy. We are only fooling ourselves by exchanging more dollars for the same or a smaller amount of goods.

The gap between what the public is receiving in spendable income and what is available to buy is constantly enlarging as more is produced for war and less for civilians. As more is spent for war, civilian incomes go up, but civilian supplies go down. Accordingly, there is no sensible choice before us, if we are to ward off inflationary dangers, except to keep as close a balance as possible between the amount of money which is bidding for civilian goods and services and the available supply. This means that instead of buying more, despite enlarged incomes, we must of necessity buy less and less. It means that far from increasing the standard of living today, we must be prepared to cut it to the bone. Too many of our people have already increased or are still trying to increase their living standards. They must be awakened to the fact that this spells peril to themselves and to the nation. As our war effort continues to expand, it will not be enough merely to buy only what we need. We will have to scale down our ideas of what we need and scale up our ideas of what we can do without.

Since the additional taxation necessary to reduce excessive buying power is not in immediate prospect, it is all the more important that it be reduced by borrowing from the public. It is all the more reason why every effort should be made in this and subsequent drives to obtain as much as possible by the sale of Government securities to all non-bank investors and as little as possible by borrowing from the commercial banks. We must do far better than we did in the December drive, when the number of non-banking investors, excluding the purchasers of Series "E" Savings Bonds, reached the insignificant total of less than 350,000.

I recognize that many individuals as well as business concerns have not shared in the general rise in incomes resulting from war expenditures. They cannot be expected to do as much as those who, directly and indirectly, are the beneficiaries of the enormous outpouring of funds. Nevertheless, they have a duty to invest to the very limit of their ability. The great majority of our people -- except the boys in the armed services -- are sharing in the rising tide of income. Payrolls, farm incomes, as well as many business profits, are at record high levels. National income, already close to 60 billions above the peak of 1929, is still expanding. Young people, old people, women previously unemployed, have been added to payrolls. A triple expansion of incomes is going on as a result of increased employment, increased pay rates, increased hours and overtime pay.

This great majority of our people, individuals as well as business corporations, who are the direct and indirect beneficiaries of our war expenditures should be the first to subscribe to war bonds in an amount commensurate with their increased incomes. In some cases, incomes have expanded by more than one hundred per cent. Many sincerely believe that they have done their full duty when they have subscribed ten per cent of their incomes to war bonds. But if the Government is to succeed in borrowing the amount it needs to borrow from the general public, if those who have profited greatly from our war expenditures are to discharge their full obligation, ten per cent will not be nearly enough. Far more must be invested in war bonds.

The ideal expressed in the familiar phrase, "Take the profit out of war," should be always before us, and we should strive to come as close to it as possible. To achieve it, we would have to recapture from the war beneficiaries through taxation the equivalent of every dollar expended for the war. We cannot, of course, achieve this ideal, but we should at least do as well as other nations at war -- and they are collecting more than one-half of their expenditures from taxes. We are collecting less than a third. We must have increased tax rates, and we urgently need, without further delay, a heavy withholding tax in order to collect at the source potentially inflationary funds before they reach the spending stream or elude the tax collector altogether.

The success of this present drive is not measurable by the raising of 13 billion dollars. That in itself is no problem, since the money can

always be obtained through the inflationary medium of borrowing from the commercial banks or the Federal Reserve Banks. The measure of success of this drive will be the amount of money that is subscribed by individuals and by corporations other than banks, and the number of subscribers who participate. The money is there to get! It is estimated that even after paying this year's taxes, combined individual savings and corporate accumulations will aggregate 70 billion dollars -- 30 billions more than in 1942.

In this drive, the Treasury is seeking to obtain only eight of the thirteen billions from non-bank investors. In the future we must get an increasingly large proportion from the general public, and rely much less upon the commercial banks. This result can only be achieved, however, if the public has a better understanding of the urgent necessity for financing this war by non-inflationary methods. And this, in turn, will depend upon the organization and the educational and selling efforts developed by those responsible for carrying through the Government's financing program.

Several hundred thousand volunteer workers are giving their time and energies to the present drive. They will figuratively, if not literally, ring every doorbell in the country. These men and women who call on you are volunteer workers. You do yourselves, not them, a favor by responding to the limit of your ability. You are just as much a part of this campaign as they are. Its success is just as important to you and to your future as it is to them. If you do not happen to be called upon, it does not relieve you of the duty to do your part in this campaign by voluntarily subscribing. You can do so by going to the nearest bank or post office, or to any other issuing agency in your community.

Every one of us has a role to play in this and subsequent drives, for they are as necessary to protect the home front as successive drives on the fighting front are necessary to win this war. Every commercial bank in this country has a particular responsibility to urge all of its customers to buy Government securities, using their bank balances as well as all currency beyond what is absolutely necessary for pocket money. Much more currency is outstanding today than is necessary. Every dollar that is needlessly kept idle on deposit, in your pocket, or in some hideaway, is not at work and not at war. To the extent that these dollars are not loaned to your Government, other dollars must be found or must be created to do the work they are not doing. Invested in Government bonds, they go to war. They become dangerous to the enemy instead of to us.

The dollars you put into war bonds will be safe and will earn interest. Your dollars are always obtainable because war bonds can be readily converted into cash. However, unless urgent need arises, every effort should be made to hold them to maturity. To the extent they are cashed, the vital part they play in reducing excessive buying power, as well as in financing the war, is undone.

Every banker who does not already have a war loan account for the Government should arrange for one through the Federal Reserve Bank of his district. He can then deposit to the Government's credit in his bank the proceeds from the Government securities purchased by his customers as well as by his bank. The Treasury draws on these accounts gradually as the Government spends the money. The money is thus returned to the community and is in turn re-deposited in the banking system as rapidly as the Government draws it out of the banking system.

The Government bonds you buy are a claim on future production -- a share in the abundance that we cannot have for civilian use when we are fighting a total war, but can have in peace times. The dollars you invest now are stored up purchasing power which may be needed after our industry has been fully converted from war to peace production. Then your buying power will serve to sustain employment and prevent deflation. Every dollar you spend today beyond your absolute necessities only helps to make a breach in the line we are striving to hold against the deadly enemy of inflation.

We must all understand that paying taxes, buying war bonds, refraining from a mad scramble for scarce things now, postponing buying so far as possible while we are at war, opposing wage-salary-price-and-profit-increases and otherwise actively supporting the fight against inflation, are all part and parcel of the vitally important defense of the home front.

Profiteering from war is intolerable and unpatriotic. There is no profiteering on the battle front. Waste of money or of manpower, hoarding or squandering of materials, are equally incompatible with successful prosecution of the war or defense of the home front. In the gigantic effort this nation is making, some waste is inevitable, but it should be stamped out wherever possible, whether in civilian or public affairs, among military as well as civil authorities. Nevertheless, complaints on this score are no justification for giving less than full support to your Government in this campaign and in all its war effort. Out of every dollar the Government is spending, 96 cents goes to fight this war and to pay interest on the public debt.

This is total war, and the war bonds we must invest in, the taxes we must pay, the interferences we must endure in our normal way of life, are inseparably bound up with the mobilizing of our maximum striking power on the battle fronts. What you -- what all of us do -- in protecting the home front not only helps to win this war, but you and I will deserve only the contempt of our fighting forces if they come home, after winning the victory, to a land that we were too dull, too weak, too soft, and too selfish to save from economic chaos. That must not happen here.

You -- all of us -- on the home front have much to do, much more than we have yet done. If the sacrifices of war could be apportioned with strict equity, nobody would be better off because he stayed at home. We, who stay at home, are accountable to the millions who are making the real sacrifices, even to the last full measure of devotion.

You are asked to <u>lend</u> your dollars -- not to <u>give</u> your lives -- to your country.

UNITED STATES TREASURY WAR FINANCE COMMITTEE

WASHINGTON, D. C.

BULLETIN
April 15, 1943

Publicity Directors, War Finance Committees:

Here is the radio schedule as closely as we can determine it beginning April 19 through April 30.

For your information, we are working on some other big radio breaks and will advise you of them either by bulletin or wire as soon as they are made up. One is the possibility of a volunteer effort by a group of stars in Hollywood headed by James Cagney. Another is a two or three hour show by NBC in New York involving name bands and the selling of bonds in the Mall in Central Park in New York. Still a third possibility is another speech by the Secretary.

Don't count on them but we have high hopes.

Stuart Peabody,
Head Advertising Specialist.

Enclosures (12)

ADV - 23

MONDAY, APRIL 19, 1943

TIME	PROGRAM	NETWORK
10:15 - 10:30 AM	Kitty Foyle	CBS
10:15 - 10:30 AM	Golden Gate	CBS
12:00 - 12:15 PM	Boake Carter	MBS
12:15 - 12:30 PM	Bill Hay Reads the Bible	MBS - Ida Lupino
1:30 - 1:45 PM	Art Baker	NBC - Ida Lupino
1:45 - 2:15 PM	Hotel Taft Orchestra	BLUE
5:15 - 5:30 PM	Portia Faces Life	NBC
6:45 - 7:00 PM	Bill Hay Reads the Bible	MBS - Ida Lupino
7:15 - 7:30 PM	News of the World	NBC
7:30 - 8:00 PM	Blondie	CBS - Ida Lupino
8:00 - 8:30 PM	Vox Pop	CBS
9:00 - 9:30 PM	Eyes Aloft	NBC - Ida Lupino
10:30 - 11:00 PM	Blondie (repeat)	CBS - Ida Lupino
11:15 - 11:30 PM	Fleetwood Lawton	NBC - Ida Lupino

TUESDAY, APRIL 20, 1943

TIME	PROGRAM	NETWORK
11:00 - 11:30 AM	Breakfast at Sardi's	BLUE - Herbert Marshall
12:00 - 12:15 PM	Kate Smith Speaks	CBS
12:30 - 1:00 PM	Breakfast at Sardi's	BLUE - Herbert Marshall
2:15 - 2:30 PM	Ozzie Waters	MBS
3:00 - 3:15 PM	Broadway Hollywood News	MBS - Herbert Marshall
4:00 - 4:30 PM	Club Matinee	BLUE
6:15 - 6:30 PM	Men of the Land, Sea, & Air	BLUE - Herbert Marshall
7:45 - 8:00 PM	Sinclair-Confidentially Yours	MBS
8:00 - 8:30 PM	Johnny Presents	NBC
8:30 - 8:55 PM	Jolson-Wooley Show	CBS - Herbert Marshall
12:00 - 12:25 PM	Jolson-Wooley Show (repeat)	CBS - Herbert Marshall

WEDNESDAY, APRIL 21, 1943

TIME	PROGRAM	NETWORK
8:15 - 8:30 AM	Pages of Melody	BLUE
2:45 - 3:00 PM	Pepper Young's Family	CBS
2:45 - 3:00 PM	Petrillo's Orchestra	CBS
3:30 - 3:45 PM	Pepper Young's Family	NBC
6:45 - 7:00 PM	Songs for Servicemen	MBS
8:30 - 8:55 PM	Dr. Christian	CBS

THURSDAY, APRIL 22, 1943

TIME	PROGRAM	NETWORK
10:45 - 11:00 AM	Bachelor's Children	CBS
3:15 - 4:00 PM	Homemakers Club	MBS - William Powell
5:45 - 6:00 PM	Front Page Farrell	NBC
8:00 - 8:30 PM	Grapevine Rancho	CBS - William Powell
9:00 - 9:30 PM	Kraft Music Hall	NBC - William Powell
9:30 - 10:00 PM	Treasury Hour of Song	MBS
11:30 - 11:45 PM	Rodriguez & Sutherland	BLUE - William Powell

FRIDAY, APRIL 23, 1943

TIME	PROGRAM	NETWORK
8:15 - 8:45 AM	Do You Remember	NBC
12:00 - 12:15 PM	Boake Carter	MBS
6:45 - 7:00 PM	Bill Stern	NBC
7:55 - 8:00 PM	Chet Huntley News	CBS - Rochester
8:00 - 8:30 PM	Jimmy Cash-Mitt Charles	CBS - Rochester
8:30 - 9:00 PM	All Time Hit Parade	NBC
8:45 - 9:00 PM	By the Way-Bill Henry	NBC - Rochester
10:00 - 10:30 PM	Tommy Riggs	NBC - Rochester
10:15 - 10:30 PM, PWT (Pacific Coast Only)	Raffles	CBS - Rochester
11:30 - 12:00 PM	Music Without Words	MBS
12:00 - 12:30 PM	Gilmore Show	NBC - Rochester

SATURDAY, APRIL 24, 1943

TIME	PROGRAM	NETWORK
11:00 - 11:30 AM	Sustaining	NBC
2:00 - 5:00 PM	Metropolitan Opera	BLUE
7:30 - 8:00 PM	Danny Thomas Show	BLUE
8:00 - 8:30 PM	This Is The Hour	MBS
8:30 - 8:55 PM	Hobby Lobby	CBS
9:00 - 9:30 PM	Victory Belles	CBS
9:30 - 9:45 PM	Upton Close	MBS
9:45 - 10:00 PM, PWT (Pacific Coast Only)	Don't You Believe It	CBS
12:00 - 12:30 PM	Alka-Seltzer News	MBS

SUNDAY, APRIL 25, 1943

TIME	PROGRAM	NETWORK
11:30 - 12:00 Noon	Invitation to Learning	CBS
2:30 - 3:00 PM	Westinghouse	NBC - Kay Francis
3:15 - 3:30 PM	Upton Close	NBC - Kay Francis
4:00 - 4:15 PM	Philip Keyne Gordon	MBS
6:00 - 6:15 PM	Edward R. Murrow	CBS
6:30 - 7:00 PM	Great Gildersleeve	NBC - Kay Francis
7:30 - 8:00 PM	We, The People at War	CBS
8:00 - 8:30 PM	Chase & Sanborn	NBC - Kay Francis
10:00 - 10:30 PM	Take It or Leave It	CBS - Kay Francis
10:15 - 10:30 PM	Songspinners	MBS
11:00 - 11:30 PM	Great Gildersleeve	NBC - Kay Francis

MONDAY, APRIL 26, 1943

TIME	PROGRAM	NETWORK
12:00 - 12:15 PM	Boake Carter	MBS
12:00 - 12:30 PM	Words & Music	NBC
3:00 - 4:00 PM	Blue Newsroom Review	BLUE
3:30 - 4:00 PM	Columbia Concert Orchestra	CBS
6:00 - 6:25 PM	Music by Shrednik	NBC
7:15 - 8:30 PM	Ceiling Unlimited	CBS
8:00 - 8:15 PM	Antonio & Maria	NBC
8:30 - 9:00 PM	Voice of Firestone	NBC
9:00 - 10:00 PM	Lux Radio Theater	CBS
9:30 - 10:00 PM	Alexander's Mediation Board	MBS
11:15 - 11:30 PM	Ceiling Unlimited (repeat)	CBS

TUESDAY, APRIL 27, 1943.

TIME	PROGRAM	NETWORK
8:15 - 8:45 AM	Do You Remember	NBC
11:00 - 11:15 AM	Breakfast At Sardi's	BLUE
12:45 - 1:00 PM	Our Gal Sunday	CBS
1:15 - 1:45 PM	Music For Madame	NBC
2:30 - 2:45 PM	Guiding Light	NBC
3:00 - 3:15 PM	Dave Lane Songs (Jack Owens substituting at present)	CBS
5:15 - 6:00 PM	Don Lee Newsreel Theatre	MBS
7:00 - 7:15 PM	Hello From Hollywood	CBS
8:00 - 8:30 PM	Johnny Presents - Simms	NBC
8:00 - 8:30 PM	Lights Out	CBS
9:00 - 9:15 PM	Gabriel Heatter	MBS
9:00 - 9:30 PM, PWT (Pacific Coast Only)	Homicide O'Kane	BLUE
10:00 - 10:15 PM	John B. Hughes	MBS
11:15 - 11:30 PM	Richard Harkness	NBC
11:30 - 12:00 PM	Johnny Presents (repeat)	NBC

WEDNESDAY, APRIL 28, 1943.

TIME	PROGRAM	NETWORK
10:30 - 11:00 AM	Cheer Up Gang	MBS
1:45 - 2:00 PM	Carey Longmire	NBC
2:45 - 3:00 PM	Rose Room	MBS
3:45 - 4:00 PM	Between the Bookends	BLUE
4:15 - 4:30 PM	Stella Dallas	NBC
7:30 - 7:45 PM	Caribbean Nights	NBC
8:15 - 8:30 PM	Lum & Abner	BLUE
8:30 - 8:55 PM	Doctor Christian	CBS
9:00 - 9:30 PM	Eddie Cantor	NBC
9:00 - 9:30 PM	Mayor of the Town	CBS
9:30 - 10:00 PM	Sustaining Feature	MBS
11:15 - 11:30 PM	Lum & Abner	BLUE
11:30 - 11:55 PM	Doctor Christian (repeat)	CBS

THURSDAY, APRIL 29, 1943.

TIME	PROGRAM	NETWORK
10:30 - 10:45 AM	Amanda of Honeymoon Hill	CBS
1:00 - 1:15 PM	Life Can Be Beautiful	CBS
6:00 - 6:25 PM	Music by Shrednik	NBC
6:45 - 6:55 PM	World Today	CBS
8:00 - 8:30 PM	Maxwell House Time	NBC
8:30 - 8:45 PM	Harry Flannery News	CBS
9:30 - 10:00 PM	Bob Burns	NBC
10:00 - 10:15 PM (Pacific Coast Only)	Richfield Reporter	NBC
10:30 - 11:00 PM	Music Depreciation	MBS

FRIDAY, APRIL 30, 1943.

TIME	PROGRAM	NETWORK
10:15 - 10:30 AM	The O'Neills	NBC
4:00 - 4:15 PM	Backstage Wife	NBC
5:30 - 5:45 PM	Are You A Genius	CBS
7:15 - 7:30 PM	Sam Hayes	CBS
8:00 - 8:15 PM	Lee Sweetland	NBC
8:45 - 9:00 PM	Bill Henry - By the Way	NBC
9:30 - 10:00 PM	People Are Funny	NBC
10:00 - 10:45 PM	Camel Comedy Caravan	CBS
10:15 - 10:30 PM	Gracie Fields	BLUE
11:00 - 11:15 PM	Memory Lane	MBS
11:15 - 11:30 PM	Richard Harkness	NBC
11:30 - 12:00 PM	Music Without Words	MBS

APR 15 1943

Dear Mr. Murray:

I should like for you to know how much I appreciate your taking time off from your busy days and nights to help me launch the Treasury's 2nd War Loan campaign.

The Treasury has been especially proud of its splendid labor relations throughout our War Bond program and I have derived a great deal of pleasure and satisfaction from my relations with you personally.

Sincerely yours,

(Signed) H. Morgenthau, Jr

Mr. Philip Murray, President
Congress of Industrial
Organizations
718 Jackson Place, Northwest
Washington, D. C.

TG:WM:fw

Copies in Diary

nitialed by TG)

APR 15 1943

Dear Mr. Green:

I should like for you to know how much I appreciate your taking time off from your busy days and nights to help me launch the Treasury's 2nd War Loan campaign.

The Treasury has been especially proud of its splendid labor relations throughout our War Bond program and I have derived a great deal of pleasure and satisfaction from my relations with you personally.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. William Green, President
American Federation of Labor
901 Massachusetts Avenue, Northwest
Washington, D. C.

TG:VM:fw

itialed by TG)

Copies in Diary

April 15, 1943.

My dear Mr. Young:

Although you were so good as to say that I need not reply to your letter of April 13, I should feel very remiss if I did not thank you for it. It was good of you to take the time and trouble to write me, and to speak so pleasantly of my speech at Carnegie Hall.

With cordial regards,

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Owen D. Young,
570 Lexington Avenue,
New York, New York.

File in Diary

GEF/dbs

FIVE SEVENTY LEXINGTON AVENUE
NEW YORK

April 13, 1943

Dear Mr. Secretary:

I was greatly pleased with your speech at Carnegie Hall last night. It was simple, direct and its very restraint carried conviction of sincerety and deep sense of responsibility. For that occasion, clearness, simplicity and conviction after all are still the most compelling attributes of a speaker, especially in times when events are more dramatic than any orator can possibly be.

Please accept my congratulations and do not bother to reply.

Respectfully yours,

Owen D. Young

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

April 15, 1943.

Dear Children:

It gave me a great deal of pleasure to receive your letter of April 13, signed by every one of you in Grades 6, 5, 4, 3, 2 and 1.

I was also delighted to learn that every girl or boy in the school had bought at least one Stamp, and that not one of you forgot to bring the money for it when the Second War Loan drive started. I send you my congratulations and thanks for the splendid record you have made. I think that your teachers are probably also to be congratulated for planning the drive and taking care of the funds. If this is the case, will you also express my thanks to them?

Sincerely,

(Signed) H. Morgenthau, Jr.

Members of Grades 6, 5, 4, 3, 2 and 1,
School 7,
Mahwah, New Jersey.

File in Diary

GEF/dbs

School 7
Mahwah, N.J.
Apr. 13, 1943

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

My dear Mr. Secretary:

The children in our school wanted to help in the second War Loan drive. We couldn't buy bonds but some of us buy stamps every week. Today we made a special effort, and every boy and girl bought at least one stamp. No one forgot to bring his money. The total brought in was fifty-three dollars and twenty-five cents.

We have done many kinds of war work, but are particularly proud of today's one hundred percent buying.

Hoping that you have great success in your drive, we are,

Very sincerely,

School 7

Grade 6

Lois Schweizer	Howard Pitts
Clarke Baylis	Edwin Weaver
Bobby Remo	Harold Shuart
Jean Creighton	Joyce Snyder

Raymond Van Blarcom
Michael Martin
Amos Smith
Marianne Lewis
David Sheffield
Bob Winchell

Grade 3

Edward D. Pitts
Betty Pregrod
Roland Valentine
Franklin Stuart
Mari Howard
Louis Straut
Richard Pelz
Carol Bardsley
Bruce Rhodehouse
Patricia Alice Macarthur
Roger Goldberg
Barbara Macgowan
Gloria Smith
Frank Ackerson
Andre Hartnett.

Grade 2

Muriel Davidson
Mary Donohue
Beverly Trommel
Ronald Dunbar
Judy Brugeman
Joan Mozd A.
Clement Hopper.
John Baines
Ralph Philips

Grade I

Larry Collins
Inge Wullen
Ann Merrill
James Cavender
Rusty Crawford
Jennifer Tilley.
Ted Cavender
Mary Avery

Grade I

Buzzy Bardsley
Howard Harris
Francis Jones
Bruce Codrngton
Roger Howard
Marguerite Philips
Bobby Mueller

APRIL FINANCING

(In millions of dollars)

	Estimate of funds to be raised in April	Cumulative Up to April 10	April 12	April 13	April 14	April 15	April 16	April 17
Funds from banking sources:								
Treasury bills	800	200	200	200	400			
7/8% Certificates	2.100	—	1.060	2,100*	2100*			
2% Treasury bond	2,100	—	—	—	—			
Total banking	5,000	200	1.260	2.300	2.500			
Funds from non-banking sources:								
7/8% Certificates	1.750	—	96	409.	737			
2% Treasury bond	1.750	—	102	420	749			
2-1/2% Treasury bond	4,000	—	185	427	783			
Savings bonds	2,000	245	245	283.	320			
Tax notes	1.500	82	82	113	164			
Total non-banking	11,000	327	710	1.652	2.753			
Grand total	16,000	527	1.970	3.952	5.253			

* Subscriptions ~~$3.122 M~~, $6.365 M

IN REPLYING
REFER TO INITIALS AND DATE

Board of Trustees

POSTAL SAVINGS SYSTEM

Washington

April 15, 1943

At a meeting of the Board of Trustees of the Postal Savings System held at Washington, D. C., on this date, the following action was taken:

RESOLVED, That the Secretary of the Treasury is hereby empowered and authorized to sell, not exceeding two hundred million dollars ($200,000,000) par value, securities, including the redemption of two per cent notes, representing investments of postal-savings funds made by the Board of Trustees under the Amendment of May 18, 1916, to the Organic Postal Savings Act, and to reinvest the proceeds thereof in bonds or other securities of the United States.

Postmaster General

Secretary of the Treasury

Attorney General

Attest:

Agent of the Board

Office of the Postmaster General
Washington, D. C.

The President:

The undersigned members of the Board of Trustees of the Postal Savings System hereby respectfully request that they be authorized to purchase bonds to the aggregate amount of one hundred million dollars, par value, in addition to securities already authorized to be purchased, embracing any or all of the classes described below:

(1) Bonds or other securities of the United States.

(2) Bonds of the Federal Farm Mortgage Corporation authorized by Act of Congress approved January 31, 1934, fully guaranteed both as to principal and interest by the United States.

(3) Bonds of the Home Owners' Loan Corporation authorized by Act of Congress approved April 27, 1934, fully guaranteed both as to principal and interest by the United States.

Power to grant the authority desired is conferred upon the President by the Act of May 18, 1916, amending the Organic Postal Savings Act; by the Federal Farm Mortgage Corporation Act, approved January 31, 1934; and by the Home Owners' Loan Act of 1933, as amended by the Act of Congress approved April 27, 1934.

Very respectfully,

Frank Walker
Postmaster General

H. Morgenthau Jr.
Secretary of the Treasury

Attest:

Agent of the Board

Approved,

Attorney General

MEMORANDUM

TO: Secretary Morgenthau

FROM: Mr. Surrey

April 15, 1943

SUBJECT: Pay-as-you-go

I spoke to Chairman Doughton at noon today about the simple withholding bill he had intended to introduce. He stated that he would not introduce it today and was uncertain whether he would introduce it Friday or Saturday, or wait until next week. He further stated that he will communicate with the Department if there are any new developments.

April 15, 1943.

My dear Mr. President:

It gives me great pleasure to send you a leather-bound and gold-inscribed set of the six volumes representing the Report submitted by the Committee on Intergovernmental Fiscal Relations. I believe that you will like to have this Report for your personal library and send the volumes to you with my compliments.

Faithfully yours,

(Signed) H. Morgenthau, Jr.

The President,

The White House.

Enclosures.

GHF/dbe

Del. by Saunders 4:10 4/16

Copies in Diary

APR 15 1943

Dear Mr. Bane:

Please be advised that I have designated Mr. Roy Blough, Director of Tax Research, as my alternate to represent me on the Joint Federal-State-Local Committee on Fiscal Policies and Practices.

Very truly yours,

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

Mr. Frank Bane,
Executive Director,
The Council of State Governments,
1313 East Sixtieth Street,
Chicago, Illinois.

HHyland:flr
4-14-43

Copy in Diary
File to Thompson

APR 15 1943

Dear Mr. Blough:

You are hereby designated to act as my alternate on the Joint Federal-State-Local Committee on Fiscal Policies and Practices, and I am today informing Mr. Frank Bane, Executive Director of the Council of State Governments, of your appointment.

Very truly yours,

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

Mr. Roy Blough
Director of Tax Research
Treasury Department

HHyland:flr
4-14-43

Copy in Diary

File to Thompson

(taken to Blough's office by our Messenger, Brown)

APR 15 1943

MEMORANDUM FOR THE SECRETARY

Re: Control of Bank Credit under Sec. 5(b) of the Trading with the enemy Act.

You will recall that last July we furnished Judge Rosenman with certain memoranda and drafts of executive orders on the above subject in connection with the inflation problem.

This week, Ben Cohen of Byrnes' office, requested copies of such material, which we have furnished to him. He then explained to Luxford that they had suggested to Chester Davis that perhaps the Government should curtail commodity credit loans in certain instances to force the sale of certain agricultural commodities. Davis had stated that this would serve no useful purpose since the banks would lend the money if the Government did not. It was then that Cohen recalled our memoranda on the President's powers under section 5(b) of the Trading with the enemy Act. He requested a short legal memorandum on the general subject, which we furnished to him today.

He may want to discuss the subject further with Harry White or Luxford.

Joseph J. O'Connell Jr.

MEMORANDUM

APR 14 1943

To: Mr. Cohen

From: Mr. Luxford

Re: Control of bank credit under section 5(b) of the Trading with the Enemy Act, as amended.

You have requested a memorandum on the following points:

(1) Suppose that as a part of its program to combat inflation the Government decided to curtail its lending operations with respect to certain agricultural commodities. Is there legal authority under section 5(b) of the Trading with the enemy Act, as amended, to prevent banks from making such loans?

(2) Suppose that as a part of its program to combat inflation the Government decided that it was necessary or desirable to exercise control over credit facilities in general so that, for instance, loans could not be made for the purpose of financing the hoarding of goods. Is there legal authority under section 5(b) of the Trading with the enemy Act, as amended, to regulate bank credit facilities for this purpose?

The answer to both questions is in the affirmative. Since the same basic problems are involved in both questions, they will be discussed together.

Section 5(b) of the Trading with the enemy Act, as amended by the First War Powers Act, 1941, (55 Stat. 838; 50 U.S.C. sec. 616), reads in part as follows:

> "During the time of war or during any other period of national emergency ... the President may, through any agency that he may designate, or otherwise, and under such rules or regulations as he may prescribe, by means of instructions, licenses, or otherwise ... investigate, regulate, or prohibit, any transactions in foreign exchange, transfers of credit or payments between, by, through, or to any banking institution ... by any person, or with respect to any property, subject to the jurisdiction of the United States ...." [Underscoring supplied]

Thus, by its terms this section gives the President broad power to control all transfers of credit or payments between, by, through, or to any banking institution. The most conspicuous recent use of the authority under section 5(b)

has been in the field of freezing control, i.e. the regulation of foreign owned assets in the United States. However, there is ample authority for the use of these powers in controlling domestic credit.

Thus, on March 6, 1933, the President ordered the banking holiday and closed every bank in the United States under the authority of section 5(b). On March 9, 1933, Congress expressly ratified the President's action and clarified the authority of the President to control domestic banking transactions under this section (Act of March 9, 1933, 48 Stat. 1).

Moreover, the Board of Governors of the Federal Reserve System has been, since August 1941, regulating consumer credit (Regulation W) by virtue of Executive Order No. 8843 which was issued under the authority of section 5(b). This Executive Order gave the Board full authority to control all types of consumer credit in order (a) to "facilitate the transfer of productive resources to defense industries", (b) "to assist in restraining general inflationary tendencies, and to promote the accumulation of savings available for financing the defense program", and (c) "to restrain the development of a consumer debt structure that would repress effective demand for goods and services in the post-defense period". On December 18, 1941, Congress, by the amendment of section 5(b) by the First War Powers Act, ratified and approved the action which the President had taken thereunder in giving the Board of Governors of the Federal Reserve System the authority to control consumer credit.

In view of the foregoing it seems clear that the President has the legal authority under section 5(b) to control bank credit for the purposes you suggest. Of course these proposals provoke several policy questions which fall beyond the scope of this memorandum.

AFL:FAD:bbk-4/14/43

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 15, 1943.

TO Secretary Morgenthau

FROM Joseph J. O'Connell, Jr.

The Andresen Resolution providing for Congressional observers at the contemplated International Monetary Stabilization Conference has apparently been the forerunner to an epidemic of similar proposals in other situations somewhat analogous.

For example Senator Ferguson yesterday introduced a Resolution in the Senate providing for the creation of a joint committee of the Senate and House to attend the sessions of the International Food Conference scheduled to be held in Hot Springs, Virginia; on the same day Congressman Mason introduced a Resolution in the House empowering the Speaker to appoint three members to attend the Refugee Conference at Bermuda; and Senator McKellar made a speech on the subject of Senate representation at the Peace Conference.

Today's ticker reported the introduction of a Resolution by Congressman Hope providing for a subcommittee of the House Agriculture Committee to attend the Food Conference at Hot Springs, and Representative Allen demanded that "we have representation at Hot Springs and also at the Refugee Conference in Bermuda."

The same ticker reports that Congressman Hoffman told the House he will introduce a bill "prohibiting the Executive Branch from holding these conferences without representatives from Congress. We ought to know what goes on when they give away our money."

Joseph J. O'Connell Jr

APR 15 1943

My dear Mr. Minister:

This is in reply to your letter of April 8, 1943, regarding the sending of Canadian experts to Washington for exploratory conversations on proposals for international monetary cooperation.

We are pleased to learn of the interest of the Canadian Government in the monetary problems with which the exploratory conversations will deal. It is our hope that through such discussions with the experts of the Canadian Government and with the experts of other Governments, it will be possible to develop means to facilitate the restoration of international trade, and the elimination of the restrictions which have in the past hampered the balanced growth of international trade.

We regard the outlined proposal which we have submitted to you and to the finance ministers of other friendly countries as entirely preliminary and tentative, intended primarily for study by the technical experts. We feel that at this time the conversations should be of an unofficial character, to exchange views on the merits of the various points raised in the draft proposal, and to hear alternative suggestions which the Canadian experts may wish to present for consideration.

At this early stage, we feel that progress can be made more rapidly in developing common views through a series of informal discussions with the representatives of each of the interested governments. After these wholly preliminary discussions have been held further discussions with larger groups will be more fruitful.

We look forward to the exploratory discussions with the representatives of your Government in the very near future. Please feel free to send as many of your experts as you think you can spare for the discussion of these problems with us.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable J. L. Ilsley,
The Minister of Finance,
Dominion of Canada,
Ottawa, Canada.

Copy of reply and photo of incoming in Diary

File to Thompson

HMB/gra
4/13/43

Confidential

OTTAWA, Canada,
8th April, 1943.

The Honourable Henry Morganthau, Jr.,
Secretary of the Treasury,
WASHINGTON, D.C., U.S.A.

Dear Mr. Morganthau,

With reference to the Stabilization Fund Plan, a copy of which you sent to me some weeks ago, I have learned from Dr. W. C. Clark that he advised your officials that we are about ready to discuss this plan with your experts and that your officials have expressed a wish that the Canadian Government should send expert officials to Washington next week for informal discussion of the plan.

I shall be very glad to arrange to send to Washington suitable officials to participate in such discussions on whatever dates next week are convenient to your experts. I am, however, disturbed over the events of this week. I recognize that circumstances ultimately made the publication of these plans unavoidable and that they are not, in the minds of those responsible for working them out, rival plans. I am, however, seriously worried lest forces beyond the control of governments should set them up as rivals to the prejudice of future agreement. Because I feel this so strongly, I am venturing to suggest to you an alternative procedure.

I make the suggestion because the Canadian Government has a vital interest in the problems for which both the Stabilization Fund Plan and The Clearing Union Plan propose solutions. We are less impressed with the difference between the plans than with the fact that both proposals are directed to the development of arrangements which will facilitate the progress of multilateral trade and to the elimination of the occasions for those import restrictions, clearing agreements and other devices by which, in the decade

before the war, countries throttled world trade in ruinous endeavours to balance their transactions with individual countries.

Our officials believe it is possible to arrive at suggestions which would incorporate the best features of the two plans. With this in mind, I suggest, therefore, that there might be a substantial gain in the rate of progress if, in place of the discussions between the officials of our two Governments, there might be held an entirely informal meeting, say in the week of the 19th of April, in which officials of the United States, the United Kingdom and Canada might participate. It would not be the object of such informal discussions to develop immediately a common plan, but rather that there should be an exploration of the contributions which certain features of each plan might make to the solution of the essential problems and of the lines of discussion which might be followed most usefully with other countries if the desired result of final agreement is to be achieved.

If this suggestion does not commend itself to you, I shall be glad to arrange for Canadian officials to go to Washington next week, but I hope that you will give sympathetic consideration to my proposal which is put forward in the desire to assist in what I fear may prove a difficult situation.

Yours very sincerely,

MINISTER OF FINANCE
CANADA

Ottawa, Canada,

Personal

8th April, 1943.

The Honourable Henry Morganthau, Jr.,
Secretary of the Treasury,
WASHINGTON, D.C., U.S.A.

Dear Mr. Morganthau,

It is my thought that the discussion between the United States, the United Kingdom and Canada, suggested in the accompanying letter, should be completely informal and that care should be taken to attract no public comment.

With this in mind and if the proposal should be acceptable to you, I would immediately ask the United Kingdom to participate and suggest that they should have as their representative Sir Frederick Phillips or one or more of their officials in Washington or Ottawa, rather than someone from London whose movements would be likely to attract the attention of the press. For similar reasons, while it would be convenient for our officials to go to Washington, there is much to be said for meeting in Ottawa or even at some third point where there would be less likelihood of attracting public notice.

Yours very sincerely,

J L Ilsley.

277

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 15, 1943

TO Secretary Morgenthau

FROM Mr. H. D. White

Subject: London Cable in re Post-War Currency Stabilization Plans, April 9, 1943.

On Thursday, April 8, the London press devoted much space to report and comment on the American and British proposals. Although the Keynes plan was generally preferred, the comments were not hostile to the American Treasury Plan. Keynes in his preface to the British White paper opposes preponderant powers of veto or enforcement "for any country or group". Some of the British papers accept this as a valid criticism of the American plan.

British financial circles are favorably impressed with the maintenance of a market for gold and the removal of foreign exchange controls as provided in the American plan.

The (London) Times ranks the Keynes scheme with the Beveridge report, but holds that it fails to place sufficient pressure on the creditor countries. The same hesitation in applying the "bold and lucid ideas" of the plan accounts for the linking of Bancor with gold. The Times recognizes that the American plan would interfere less with individual freedom of traders. Both plans require less national reliance upon tariffs, if they are to succeed.

The Leader holds that the two plans are similar in objectives and in many details, but that the American plan involves the surrender of sovereign rights to fix exchange rates and to impose additional exchange restrictions. It also objects to an international body endowed with such wide powers being unduly subject to the views of a single country.

The News Chronicle holds that an attempt will be made in the near future, to secure general acceptance for the American plan, but that no plan for stabilizing the exchanges should be adopted until the new political and economic framework is determined.

In the Daily Mail, Geoffrey Crowther emphasizes the similarity of the two plans. He believes that the major difference is that the American plan places the responsibility for restoring equilibrium mainly on the debtors; the British plan makes creditors and debtors alike responsible.

(Cable No. 2508, April 9, 1943).

APR 15 1943

My dear Mr. Secretary:

This is to acknowledge your letter of March 31 in respect to the Treasury memorandum regarding invasion and occupation currencies.

I am pleased that you are in general accord with the line of policy indicated in the Treasury memorandum. I appreciate the desirability of consulting with the European governments who are now Allies, regarding any plans for the use of local currency and agree with you that because of the need for military secrecy such action might have to be postponed until military action has begun.

In order to facilitate our own thinking, however, I am requesting the Finance Ministers of various Allied Governments to provide the Treasury with relevant material and recent information regarding fiscal and monetary problems in their country, including a memorandum setting forth their views on the provisional exchange rates that might be set for their particular local currency.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The Honorable,

The Secretary of State.

WTaDrl
4/9/43

Photo file in Diary

File to Thompson

ADDRESS OFFICIAL COMMUNICATIONS TO
THE SECRETARY OF STATE
WASHINGTON, D. C.

DEPARTMENT OF STATE
WASHINGTON

March 31, 1943.

My dear Mr. Secretary:

The Adviser on International Economic Affairs has informed me of the meeting held this morning, March 31, on the subject of occupation currencies.

I am in general accord with the line of policy indicated in the Treasury memorandum. I wish however to suggest to you and to the War Department that in the case of the European governments who are now our Allies, every effort consistent with military requirements should be made to work out, by agreement with them, any plans for the use of local currency - whether it be local currency of the special type suggested in the memorandum or any other type. I realize that the need for military secrecy might make it inadvisable in some or all instances to discuss this question with them until military action has begun.

As regards numbered section five of the memorandum, I presume it will be our policy to give the fullest and most careful consideration to the views of the governments of the Allied Nations in regard to appropriate exchange rates that might be adopted in the event of the entry of our troops into their respective countries. Again, I should think it would prove advisable to make our action in this field tentative until time and circumstances are afforded to reach full agreement with them.

Sincerely yours,

Cordell Hull

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

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau April 15, 1943

FROM Frances McCathran

CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Tax: Pay-As-You-Go - As House Republican Leader Martin announced that Minority members of the House Ways and Means Committee would wait until Monday to draft plans on a discharge petition to force a tax bill to the floor of the House, Republican members of the Senate Finance Committee issued a formal statement urging immediate consideration of the tax issue. Spurring on their colleagues in the House to insist on speedy action, they predicted that the Senate Finance Committee, if given the opportunity, could agree within 48 hours on some version of the Ruml Plan and a withholding tax. They are also reported ready to block a Senate recess until that body has considered the issue, although Senate Majority Leader Barkley had announced that the Senate might take the scheduled Easter recess whether the House does or not. Barkley also voiced impatience with House delay observing, "The House has been working on a tax bill since Christmas and hasn't gotten anywhere." But despite demands for action, House rules would prevent any pay-as-you-go legislation from reaching the floor before May 10 through discharge petitions, and such a petition on the Carlson Bill, according to House procedure, could not be started until next Wednesday.

2. Silver- Senator McCarran expressed "grave apprehension" yesterday that the transfer of 3,250,000 ounces of the Treasury's free silver to England, described to him as a "tentative proposal" in a memorandum from Lend-Lease Administrator Stettinius, might already have been made. He said the Senate Silver Committee would demand "substantial factual data" from the Treasury, the Metals Reserve Corporation, Lend-Lease and other government agencies on the proposal and on the world silver situation. The Committee wants to know, he said, how much silver, if any, has been shipped to Britain under Lend-Lease, how much silver Britain and other countries have now and what is being done with it.

3. Reciprocal Trade Agreements - Both Representative Robertson

and Special Assistant to the Secretary of State Francis B. Sayre condemned Republican members of the House Ways and Means Committee in hearings yesterday for a suggested amendment to the Reciprocal Trade Agreements Act which would grant Congress veto power over trade agreements by a joint resolution of both Houses. The Administration, however, is said to be willing to accept certain amendments in order to avoid bitter discussions on the measure which, it believes, would only make public divided American support for its policy of international cooperation.

4. Agriculture Appropriation Bill - The Appropriations Committee's Bill granting $707,040,844 to the Department of Agriculture aroused violent opposition yesterday in the House. Charged by the House Agriculture Committee with attempting to draft new legislation and prevented by the Rules Committee from putting through a "gag" rule which would have waived all points of order against the bill, the Appropriations Committee found itself the center of crossfire from all sides. Chief objections voiced yesterday to its measure were against provisions requiring the abolition of the Farm Security Administration, the Federal Crop Insurance Corporation, and future commitments under the Administration's subsidy program.

NOT TO BE RE-TRANSMITTED

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 123

Information received up to 7 A.M., 15th April, 1943.

1. NAVAL

HOME WATERS. Early 15th one of H.M. Destroyers sank two E-boats and damaged two others off LOWESTOFT.

MEDITERRANEAN. Photographic reconnaissance of SPEZIA on 14th shows 3 Littorio Class Battleships, 2 8" Cruisers and 2 6" Cruisers.

2. MILITARY

TUNISIA. 1st Army. 13th. North easterly thrust from BEJA reached high ground dominating SIDI NSIR Station (18 miles N.E. of BEJA). A heavy enemy counter attack forced us to withdraw 2,000 yards where further strong enemy counter attacks were repulsed. Further south French troops have reached high ground 10 miles west of DJEBIBINA.

8th Army. Our troops are in contact with enemy on general line ENFIDAVILLE - point 25 miles northwest of SOUSSE - point 25 miles north of KAIROUAN. Total prisoners on all fronts 29th March to 10th April approximately 22,000 Italians and 6,000 Germans.

3. AIR OPERATIONS

WESTERN FRONT. 13th/14th. 491 tons of bombs dropped on SPEZIA.

14th. Whirlwind Bombers successfully attacked railway centre BRUGES and set fire to a 1,000 ton dredger. Casualties in these and other operations - enemy 5, 4, 1. Ours 4, nil, nil.

14th/15th. 462 bombers despatched to STUTTGART. Weather was good and reports indicate bombing well concentrated although it was hazy over the target. 23 aircraft missing. About 30 enemy aircraft operated over ESSEX and NORTH KENT. Considerable damage at CHELMSFORD, elsewhere slight. Mosquitos destroyed three enemy aircraft while Intruders destroyed one and damaged another.

TUNISIA. 12th. Escorted U.S. medium and light bombers attacked M.T. near ENFIDAVILLE and landing ground at ST. MARIE DU ZIT and OUDNA.

12th/13th. 60 Wellingtons and89 U.S. light bombers attacked landing ground in ST. MARIE DU ZIT and TEMIME area. Enemy casualties 5, 7, 7. Ours 2, nil, 8.