DIARY

Book 671

October 15-31, 1943

- B -

	Book	Page
Battlefronts		
See Knox, Frank		
" Morgenthau, Henry, Jr.		
Belgium		
See Post-War Planning: Currency Stabilization		
Brazil		
See Latin America		

- C -

	Book	Page
Canada		
Dollar position as of September 30, 1943 - 10/27/43.......	671	144
Correspondence		
Mrs. Forbush's mail reports - 10/15/43, etc...............		14,64,156
Currency Stabilization		
See Post-War Planning		

- E -

	Book	Page
Eisenhower, General Dwight D.		
See Morgenthau, Henry, Jr.: Trip to War Zones		
Expenditures (Non-defense)		
See Financing, Government		

- F -

	Book	Page
Financing, Government		
Non-defense Expenditures, Committee on Reduction of:		
Meeting on October 27, 1943, reported by Heffelfinger.... (See also Book 672, page 286 - 11/3/43, and Book 674, page 41 - 11/5/43)		141
a) HMJr's letter taking exception to (1) specific amount to be saved, and (2) wording of statement on consumer subsidies; later cancelled and withdrawn - 11/11/43: See Book 675, page 78		
War Savings Bonds:		
Newcomer, Mabel (Professor of Economics, Vassar): "$100 Billion for War" - 10/15/43....................		7
Food Program		
FDR's Message to Congress - 10/31/43......................		190
Foreign Funds Control		
Minami, H. Y. & Sons (Japanese): Mrs. FDR-Treasury correspondence concerning frozen accounts - 10/29/43....		172
a) Paul memorandum on fraudulent acquisition of substantial Japanese assets by American citizens - 11/2/43: See Book 672, page 240		

- G -

	Book	Page
Gold		
See Latin America: Brazil		
" Lend-Lease: United Kingdom		

- J -

	Book	Page
Japanese in United States		
See Foreign Funds Control (Fraudulent acquisition of property by American citizens)		

- K -

	Book	Page
Knox, Frank (Secretary of Navy)		
Reports, at Cabinet meeting, on visit to war zones - 10/15/43	671	3

- L -

	Book	Page
Latin America		
Brazil: Stabilization Agreement - permission for gold sales to United States up to a maximum of $300 million requested - 10/20/43		56
Lend-Lease		
U.S.S.R.: October progress report under Third Soviet Protocol - 10/25/43		106
United Kingdom:		
Gold and dollar holdings as of August 31, 1943, reported in a new form - 10/16/43		29
Federal Reserve Bank of New York statements showing dollar disbursements, weeks ending October 6, 13, and 20, 1943 - 10/16/43, 10/27/43, 10/29/43		32,146, 181
Aircraft despatched, week ending October 12, 1943 - British Air Commission report - 10/18/43		42
Luxembourg		
See Post-War Planning: Currency Stabilization		

- M -

	Book	Page
Minami, H. Y. & Sons (Japanese)		
See Foreign Funds Control		
Morgenthau, Henry, Jr.		
Trip to War Zones:		
See also Book 666		
Algiers arrival reported - 10/15/43		27
Radio address with Eisenhower from Algiers - 10/23/43		84

- N -

Netherlands
See Post-War Planning: Currency Stabilization
Newcomer, Mabel (Professor of Economics, Vassar)
See Financing, Government: War Savings Bonds
Non-defense Expenditures, Committee on Reduction of
See Financing, Government

- O -

	Book	Page
"$100 Billion for War" (By Mabel Newcomer, Professor of Economics, Vassar)		
See Financing, Government: War Savings Bonds		

- P -

	Book	Page
Packard Motor Car Company		
Rolls-Royce Engine story told to Packard war-workers on HMJr's visit in September - 10/29/43	671	154
(See also Book 672, page 229)		
a) HMJr's letter to President - 11/3/43: See Book 672, page 291		
Plant Conversion		
See Post-War Planning (Surplus Property)		
Post-War Planning		
Currency Stabilization:		
(Belgium		
(Luxembourg		
(Netherlands		
Sign monetary agreement - 10/21/43		60
Plant Conversion: Surplus Property		
Budget, Bureau of: Situation discussed by Sullivan, Mack, and Davis (Procurement Legal Staff) with Scott (Chief of Estimates Division) - 10/26/43		125
War Department and Lubin report Mack's lack of interest in problem - 11/9/43: See Book 674, page 294		
a) McConnell memorandum after conference with General Browning - 11/15/43: Book 676, page 234		
Retail Associations (Central Council of National): Plan for disposal of surplus Government stocks commented on by Mack for Office of War Mobilization - 11/26/43: Book 680, page 88		
Procurement Division		
See Post-War Planning: Plant Conversion (Surplus Property)		

- R -

	Book	Page
Retail Associations, Central Council of National		
See Post-War Planning: Plant Conversion (Surplus Property)		
Rolls-Royce Engine		
See Packard Motor Car Company		

- S -

	Book	Page
Speeches by HMJr		
Trip to War Zones: Radio address from Algiers with Eisenhower - 10/23/43		84
Surplus Property		
See Post-War Planning: Plant Conversion		

U.S.S.R.
See Lend-Lease
United Kingdom
See Lend-Lease

- W -

War Savings Bonds
See Financing, Government
War Zones
See Knox, Frank
" Morgenthau, Henry, Jr.

THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

October 15, 1943

CABINET MEETING

The President asked Under Secretary Stettinius if he had anything. He said he hoped the State Department had noticed in the press conference this morning that he took quite a slap at the action of Argentina in dealing with the Jews.

Stettinius said yes, he had noticed it and the State Department was strengthening the whole matter in a press release.

I reported that I just talked to some of Mr. Paul's people about the tax situation. I told the President that outside of the Administration there does not seem to be much interest in increases in taxation, and there certainly is no interest in trying to get as much as $10-1/2 billion in additional revenue. I said further that there is a definite drive on the Hill to cut down expenditures and if they are at all successful they will want to take whatever the cut is off of the tax program. I said that what the Administration will have to be prepared to do is meet the argument that cutting expenditures is equivalent to increase in tax revenues. Of course this does not meet the inflation threat.

I said there is quite a campaign for the sales tax and it can not be determined how much sentiment there is for it in the House Ways and Means Committee, but there is a great deal of sentiment among ~~the~~ members of Congress.

The President asked me how the bond campaign finally came out.

I told him we had reached a total of $18 billion exclusive of trust funds, and had reached the $5 billion goal for individuals and of the $3 billion for Series E had reached $2.2 billion and would probably go no higher than $2.4 billion.

I then showed the President the table showing the results of the participation of Government Departments in the Third War Loan. He seemed very interested and asked jokingly who was at the top of the list. Of course I had to reply that the White House had 624% participation. He thought this was a remarkable showing all the way through and asked me if any attempt had been made to reach trust funds. He said he knew several old ladies, and probably there were many old men, with money deposited with banks as trustees, and the banks did not want to lose deposits so the money was lying there idle.

I told him there was not a committee in any community of any size in the country that did not have prominent bankers on them and it was their job to ferret out this money and get it invested in Government securities. I said that about the only place today available for safe investment of funds is in Government securities. I thought we were getting a large part of these funds and certainly the large banks are buying Series G bonds for their trust accounts.

Mr. Stimson reported that he had turned some money over to Mr. Ickes to prospect for oil in Alaska. He said he had looked into the matter of the Canadian pipe line and found it would cost a great deal of money but everything we do in that section of the country costs a lot of money. The Alaska road was quite expensive. The oil they had gotten was of an excellent grade, had a high parafine base and would flow at 70 degrees below zero. He thought we were well justified in expanding to go after it.

He then said he hoped the President would use his influence to rush construction of airports in our new bases in the Azores. He thought our allies were not in the habit of moving as fast as we do and it might take a little push.

The President said that after he got all of the facts he would send a telegram to Churchill on it.

Mr. Biddle had nothing to report other than the winning of the Associated Press case in the Supreme Court. The newspapers played it up as though it were a victory for the press. Frank Knox chimed in and said he thought the Associated Press people had just now awakened to the fact that they had been used to pull McCormick's chestnuts out of the fire and they were beginning to feel very chagrined about it.

Mr. Walker said the volume of soldiers' mail had tremendously increased in the month September 15-October 15 and in the New York airport they had reported 1,850,000 packages handled. Then they got onto the subject of airmail and Mr. Walker said they had had a few additional planes but that they were still short. Mr. Knox said he thought possibly they might get some old four-engine flying boats which the Navy had and which they still needed but might turn over to the Post Office.

Mr. Knox then said he had a very nice trip to England. He was very much impressed with the attitude of the English layman towards the American soldier. They are very friendly now and on a very cooperative basis. He was impressed with what Eisenhower had done in this respect. He said that outside of the difference in uniforms, you could not tell an Englishman from an American in North Africa. He said even in Italy they fought side by side in the same regiment and there was no difference there either. He said that the troops and the naval ships had done a wonderful job around Salerno and Naples. He said the Germans put up a very tough fight and in several cases the Navy was called upon to run in close to shore and knock out German positions. In one case the direction finder officer was on the beach and gave signals to the ship at sea, as a result of which they knocked out a German nest on the third salvo ten miles away.

He said he went to Tunisia, Algiers, Bizerte and Oran. These places were not materially hurt and he thought that after we got Naples cleared up we could abandon some of these bases in North Africa. We probably can use Bizerte and Oran and then use for air purposes the Foggia Airport right outside of Naples. He said there is one thing we ought to look into and that is the question of arming French troops in North Africa. We are giving them a great deal of mechanical equipment which they are not qualified to use and it is just lying there idle. The War Department should look into this to see whether we should stop shipments or whether we should send some trained Americans over to use these machines.

He found on his way back that at the southern bases we had too many people and the number might be cut down.

Mr. Wickard had nothing to report other than the 1943 crop. He said it was 7% under last year.

The President wanted to know if the Mexican corn matter which was referred to at last Cabinet meeting had been settled. Jimmie Byrnes said he had a letter from Marvin Jones that said the corn had been shipped to Mexico. No one seemed to know whether the other side of the picture had been taken care of. It was suggested that the State Department have Messersmith ask the Mexican Government to encourage the Mexican people to raise more corn next year.

Mr. Jones reported that consumer expenditures seemed to be leveling off and in contrast to what Mr. Wickard reports his information is that we sent 11% more farm products to the market in August than we sent last year, and 9% for the eight months ending August. He said the metal situation was in good shape and we are not now short of any metals and we have 10,000 tons of copper in storage.

Miss Perkins reported at some length on the strike situation and the recent A.F. of L. convention.

Messrs. McNutt and Fleming had nothing to report.

Mr. Crowley said the only thing he wanted to report was that his office and the Bureau of the Budget were just about ready to complete their survey and they would have a report for the President some time next week with recommendations as to what can be done to reorganize all of the various activities with a view to the elimination of duplication and overlapping of functions.

Mr. Blandford and Justice Byrnes had nothing.

Mr. Vinson reported on the action of the Banking and Currency Committee in voting 14 to 10 that there would be no subsidies after January 1. It seems, however, that exceptions to it have already been started as one Congressman was able to get an exception for peanuts, soy beans and cotton seeds.

DWB

IMMEDIATE RELEASE OCTOBER 15, 1943.

STATEMENT BY THE PRESIDENT

At my suggestion Justice Byrnes, Director of War Mobilization, yesterday met with heads of various agencies concerned with the problems of terminating or revising war contracts in light of the changing demands of our war strategy. The War and Navy Departments are now in the process of revising more than eight thousand contracts involving several billions of dollars.

It is planned to set up within the Office of War Mobilization a unit to deal with war and post-war adjustment problems and to develop unified programs and policies to be pursued by the various agencies of government concerned. The unit will study and consider the whole range of problems which will ultimately arise out of the termination of war contracts, including the problems of reconversion and disposition of plants and property no longer required for war use.

The work has deliberately been placed within the Office of War Mobilization to ensure that such reshaping of our war program as may be required will be carried through with a view to increasing the effectiveness of our war effort. While we must prepare for necessary post-war adjustments, this preparation must not interfere with the long and hard war programs which are still ahead of us.

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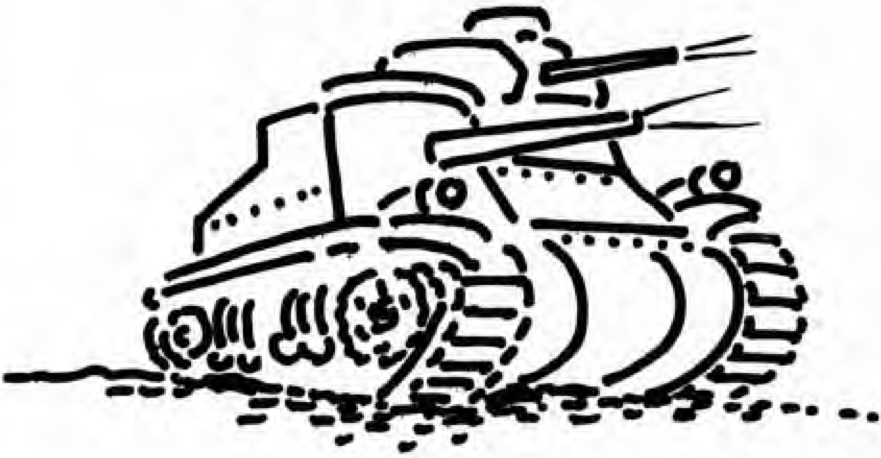
ONE HUNDRED BILLION DOLLARS FOR WAR



by

MABEL NEWCOMER
PROFESSOR OF ECONOMICS
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REPARED FOR THE WAR SAVINGS STAFF

F O R E W O R D

Miss Mabel Newcomer's concise and factual study of America's wartime economics, "One Hundred Billion Dollars For War", gives an excellent background of the problems which face the Government in its financing of the war. It will not only help the reader to understand the Government's fiscal programs, but it will also show him that these programs in themselves are not enough. Voluntary savings — beyond anything yet accomplished in this line by the people of America — must supplement every other avenue of income open to the Government. War Bonds, plus taxes, are the people's part.

Constant emphasis has been laid upon the need for the public to invest regularly, systematically and generously in War Bonds. Nor will there be any slackening in the stress laid upon the importance of such buying. The need is constant and imperative. The reasons for it are clear and uncontrovertible.

First, is the patriotic purpose of footing the war bill. This is a people's war. It is fitting that the people of America should have an opportunity, via War Bonds, to help pay for the guns and tanks, planes and ships, clothing, food and equipment of the fighting forces who battle for the people's cause.

Next is the powerful home front reason for bond buying — to combat the "dangerous dollars" of increased national income. There are more jobs for more people, today, and more money in more pockets. These dollars must be syphoned off from spending. Consumer goods are scarce because war production is using manpower and material. If civilians were to bid against one another for scarce articles, beyond their actual necessities, prices would rise and we would be faced with the disaster of inflation. Bonds are potent weapons to prevent this.

War Bonds perform still a third service. After they have helped to pay for the war and avert inflation, the money invested in them returns to the buyer with interest. In ten years, War Bonds will serve as a cushion for the period of readjustment after the war — as spending power to speed reconversion to peace time economy.

War Bonds are weapons for today and security for tomorrow.

ONE HUNDRED BILLION DOLLARS FOR WAR

By Mabel Newcomer
Professor of Economics
Vassar College

President Roosevelt's budget for 1943/44 provides one hundred billion dollars for war expenditures. This is more than the Federal Government spent for all purposes in 140 years from 1789 to 1930. It is more than the combined incomes of every one in the United States in either 1929 or 1941 — the two peak years of income prior to our participation in the Second World War. It will take more than half of all that we can produce in the course of the year, in spite of record-breaking increases in output. Can the government really obtain two-thirds of what we produce? Can we civilians live on what remains? And does it make any difference to us how the government pays for what it gets? The answer to all these questions is "Yes", but every citizen must understand the problems involved if he is to help in solving them.

How will the average citizen be affected by the diversion of the larger share of our productive capacity to war production?

We are already aware of so many goods shortages that the answer to this question is fairly plain. Consumer expenditures for goods and services amounted to $75 billions in the peak year of 1941 and, according to the Office of Civilian Supply, could fall to $56 billions in 1943 without impairing our efficiency. Consumer expenditures were only $43 billions in 1932 and again in 1933. These figures make no allowance for changes in the cost of living, but when this is taken into account the essential $56 billion minimum is 5 percent above what we had in the worst years of depression; and the Office of Civilian Supply estimates that the amount available in 1943 will be substantially larger than the essential minimum.

All such figures are only approximate measures. Standards of living depend on the kind as well as the quantity of goods and services available. Moreover, there is no sharp division between war and civilian expenditures. War expenditures include the maintenance of several million citizens in the armed forces, and some of these are obtaining better food and clothing than they enjoyed as private citizens. On the other side of the account, OCD volunteers, nurses' aides, and others are giving leisure time for war service without pay, and contributions to war chests and the Red Cross do not appear in government budgets. Nevertheless, it seems clear that we can meet the demands of the 1944 budget and have enough left for efficiency and reasonable comfort.

How can the government obtain enough money to buy more than half of what we produce?

The government can obtain the necessary funds in two ways, through borrowing and through taxes. Printing paper money is a third method, which has been used by other governments, and by our own government during past wars, notably the Civil War and the American Revolution. But the highly inflationary effect of paper money issues is so generally recognized that they are not seriously considered as an alternative; for not only does the amount of money to be spent increase in proportion to the amount of paper money printed, but also the speed with which it is spent increases because of general distrust of its value. The result is to increase buying power - and prices - out of proportion to the increased money in circulation.

What determines the proportions in which taxes and borrowing will be used?

The principal considerations in determining the ratio of taxes to borrowed funds are to obtain the revenues from those who can best spare them and to prevent inflation. Equitable distribution of the costs is necessary in order to obtain the maximum efficiency for the war effort, and to convince people that this is in fact a war for democracy. The importance of preventing inflation is not so readily understood.

Inflation may be defined as a general increase in prices that serves no useful purpose. As long as price increases stimulate the production of badly needed goods they fulfil an important function. Today, with a manpower shortage and essential plants running to capacity, rising prices will not relieve any goods shortages. And a rising cost of living will distribute scarce goods very inequitably. A small group of war profiteers get more than their portion, and people on pensions, salaries, and other fixed incomes get a decreasing share. Wage earners, too, are apt to suffer since wages tend to lag behind prices. A 50 percent increase in wages is not adequate compensation for a 100 percent increase in the cost of living. Also, rising prices increase the cost of war materials, and therefore government costs. The prices of war products tend to rise faster than others. It is estimated that the cost of the First World War was probably double what it would have been if prices had not risen. And finally, a serious inflation will bring a postwar depression with closed factories and unemployed workers. It will make impossible our goal of full employment in the postwar period.

Can inflation be prevented by sound Treasury financing?

If all government expenditures were to be met from taxes and loans from private individuals there would be no inflation. This is impractical, however, when needs are as great as they are now. It takes time to establish effective administration for heavy new taxes. Moreover, no fiscal system can be perfect, and one that is used to obtain two-thirds of the national product through taxes and loans is sure to cause needless hardship for some. Therefore, it is necessary to supplement financial measures by price controls and rationing.

But price controls and rationing must be strongly supported, in turn, by fiscal measures. For if private citizens have incomes far in excess of the goods they may purchase, they are sure to compete for the limited supplies available and to bid prices up. Price controls and rationing are difficult to enforce at best. Even now black markets are fairly common. The goods sold in such markets at excessive prices are all diverted from normal channels; and in the legitimate market, where prices are reasonable, shelves are emptied so much the faster. More serious than this, war materials may be thus diverted to non-essential uses.

How much "excess" money will people have this year?

It is estimated that we will have $45 billions of "excess" money this year. This estimate is arrived at as follows:

Americans this year will have an income of	$135 billions
Subtract money which will go for taxes	15 billions
Total of money available for spending	120 billions
Subtract payments for all possible goods and services which will be available for purchase by civilians in 1943	75 billions
Remaining amount which must not be spent if prices are to remain stable.	$ 45 billions

What should be done with this $45 billions?

All of it must be saved.

How can people save this much?

Some of the $45 billions will go into ordinary savings like life insurance and savings accounts and the payment of old debts. Some of it will go into War Bonds. But all if it must be set aside because if people try to spend part of this "excess" money they will bid up prices, encourage black markets, and open the door to inflation.

Why aren't we planning to meet the entire cost of the war from tax revenues?

Present tax laws will provide only about one-third of the federal government's expenditures in 1943/44. New taxes requested will bring the total to nearly one half. Canada and Great Britain have met approximately half of their costs from taxes, but no government is attempting to cover the whole cost with taxes. There are good reasons for this. New and heavy taxes are unpopular and are always resisted in some measure. Consequently, it takes time to build up an effective administration which will prevent any serious evasion of the tax; and not even a personal income tax can be equitable if evasion is widespread.

Also, no tax can make allowance for all differences in individual circumstances, and as long as the best taxes can only approximate individual ability to pay it is important to leave individuals some discretion in contributing to government costs. This is made possible by meeting part of the cost through War Savings Bonds and Stamps, purchased by individuals who make their own decision as to what percentage of their incomes they can set aside for this purpose.

How large a share of the budget should be met from tax revenues?

During the First World War one-fifth of the costs were met from taxes. This did not prevent prices from rising to more than double the prewar level. It is expected that nearly one-third of the cost will be covered by taxes this year, and the President has asked for more - 16 billions of new revenues from taxes, savings, or both. If these were to come entirely from taxes, tax revenues would cover nearly half of the 1943/44 budget. It is impossible to set any fixed ratio of taxes to loans as best. Success in checking inflation will depend on the effectiveness of nonfiscal measures, on the way in which the borrowed share is obtained, and on the kind of taxes levied.

What are the "best" taxes?

The test of a good tax depends both on our objectives and on the specific economic conditions prevailing. The objectives listed above are preventing inflation and obtaining revenues from those who can best spare them. Under present economic conditions, payroll, profits, personal income, and graduated spendings taxes should further both objectives.

Payroll taxes falling directly on the worker are taken out of his wages before he has an opportunity to spend them. Consequently, they decrease his spending power very effectively. And as long as the proceeds are dedicated to special benefits - whether for old age or unemployment - the question of ability to pay does not arise. They

are a kind of forced savings. We now have a one percent tax deducted from pay envelopes for old-age and survivors' benefits. The other one percent for this purpose is charged to the employer, as is the three percent tax for unemployment benefits. These become part of the cost of the business, and do not directly reduce the purchasing power of the workers as does the tax taken from the pay envelope.

Corporation taxes, both the tax on excess profits and the tax on net income, tend to reduce dividends. And since relatively few people with small incomes are stockholders, this tends to reduce the spending power of the comparatively well-to-do.

The personal income tax can be adjusted to ability to pay better than any other tax, since income is the basic measure of ability and allowance can be made for special needs. Thus, the federal tax now in force grants substantial exemptions which increase with the size of family ($1,200 for a head of family as compared with $500 for a single person, and $350 for each child or other dependant). In consequence, families close to the minimum of subsistence pay no tax at all. The tax also permits deductions for unusual medical costs and for taxes. And the remaining income is taxed at progressive rates. This results in relatively heavier taxes on larger incomes, where there is more margin for cutting income without hardship.

Graduated spendings taxes are the most effective check on inflation, since they exempt savings and bear heavily on expenditures in excess of the necessary minimum. This makes them particularly valuable now. Spending taxes, like income taxes, are levied on individuals. The amount of spending is determined by deducting all savings (including insurance, taxes, and payment of debts) from the income subject to income taxes. An exemption is given for necessary expenditures. This would presumably be the same exemption allowed for income tax purposes, and not an additional one. The tax recently proposed included a flat 10 percent rate on all spendings for persons spending over $500 per person, to be refunded after the war; and a graduated tax on any spendings in excess of $1,000 per person (additional $500 exemptions are provided for children), which reaches 75 percent on expenditures in excess of $11,000 for a single person. This latter tax would not be refunded, and is designed to stop spending rather than to produce revenues. In time of depression, when spending should be encouraged, such taxes would be as objectionable as they are desirable now.

General sales taxes will also reduce goods purchased, but they increase the cost of living of the lower income groups as surely as rising prices. Since they are levied on the merchant or manufacturer they can make no allowance for the individual circumstances of the final consumers to whom they are almost sure to be shifted. Because families in the lower income groups spend the largest part of their incomes for commodities that are taxed by the usual retail sales tax, a 10 percent levy will take nearly 10 percent of their incomes. High-income families, on the contrary, spend a much smaller proportion of their incomes for taxed commodities, and thus contribute much less than 10 percent of their incomes for such a tax.

Can we defer part of the cost to the postwar period if we borrow?

It is popularly believed that the cost of the war can be spread over a long period of time through borrowing, just as the private individual can meet unusual expenses by borrowing and then repaying the debt in installments. This would be possible if we could borrow from others, but we can only borrow from ourselves. The war must be fought with guns and planes and ships produced by American industries now. And the supply of civilian goods must be cut accordingly. If the supply of civilian goods available is cut in half, the amount that we can buy will be cut in half, whether we invest half of our income in War Savings Bonds and Stamps, or pay half of our income in taxes, or pay twice the price for each thing we buy. It is true that government bonds will have to be paid off with postwar taxes; but this does not mean that we shall be paying for the war in postwar years. The money that comes out of one pocket in taxes will be returned to another pocket for bonds and stamps redeemed. Civilian spending will not be reduced in the postwar period because we are "paying for the war."

Does it make any difference whether the government borrows from banks or from individuals?

The government borrows from many sources. In addition to the War Savings Bond and Stamp purchases by private citizens, insurance companies, saving banks and other savings institutions are also investing in government notes and bonds. The insurance premium, invested by the insurance company in government bonds, will transfer spending power from the private individual to the government. But, money loaned directly from the individual to the government through the purchase of War Bonds and Stamps is an even stronger weapon against inflation. It represents increased personal savings and helps to guarantee the government's anti-spending policy, necessary to a stable economy when civilian goods are scarce. It is important to note that in order to play their part against inflation effectively War Bonds must be bought through increased savings. They must represent money syphoned off from spending in addition to money deposited in life insurance and other savings.

But when the government borrows - one billion dollars, say - from commercial banks, new deposits are created, rather than transferring money from the deposits of private individuals to the government's account. Since we as private individuals have contributed nothing to the government in either taxes or loans, we can continue spending as usual. The extra billion that the government has to spend did not take money from us; and as there is no corresponding increase in the goods to be purchased,

competition between the government and private citizens for the limited supply of goods available tends to force up prices. Thus difficulties of maintaining price controls are multiplied.

New government borrowing for 1942/43 will amount to about $60 billions. Nearly half of this will probably be provided by commercial banks. The excess purchasing power created by these bank loans is definitely inflationary. In view of the alternatives, heavier taxes or higher prices, the private individual has everything to gain from buying War Savings Bonds and Stamps.

Uncontrolled price inflation bears no relation whatever to the individual's ability to bear the added burden. Even in the case of taxes, it is not always possible to adjust the burden to one's ability to pay. Voluntary savings, on the other hand, can be adjusted to individual circumstances. Giving up nonessential purchases today will keep prices of essential goods from rising.

These are purely selfish considerations, but in this instance self-interest is in harmony with promotion of the war effort. From the viewpoint of the nation as a whole, individual buying of War Savings Bonds and Stamps makes for a fair distribution of the war cost, and prevents inflation now with the counterbalancing postwar collapse.

Is the government debt getting dangerously large?

Many are asking if the government debt is getting too large for safety. Will the government ever be able to pay it off? The 1943/44 budget contemplates a debt in excess of $200 billions - eight times the maximum debt resulting from the First World War. Yet today, with the debt well over $100 billions, the Federal Government is borrowing at much lower rates of interest than it did in the First World War. This would not be possible if we seriously questioned the government's ability to repay this debt. Interest charges this year are less than 8 percent of tax revenues. In some earlier war periods interest has risen to more than 40 percent, and in one instance, as high as 90 percent, of current tax revenues, and we eventually paid the debt.

A government's credit can fail, as Germany's credit failed during the early nineteen-twenties. But failure does not come from excess savings on the part of individual buyers of government bonds. Rather, it is too little saving and investment in government securities that may be responsible for runaway inflation.

How is it possible to save and buy War Savings Bonds when taxes are so heavy?

Many people feel that they cannot buy bonds when taxes are so heavy. And it is true that most families cannot meet their tax obligations, buy bonds, and maintain their usual standards of living at the same time. But standards of living cannot be maintained even if bonds are not purchased. The goods and services available for civilians are necessarily greatly reduced. The larger part of manpower and plant must be diverted to war production. Under these conditions an attempt to buy as usual will only bid up prices of scarce goods, and people will have neither savings nor their accustomed standards of living. Giving up luxuries, and even comforts, now in order to save will provide resources for postwar spending.

What can the college student do to assist in providing $100 billions for war?

First and foremost, the college student can buy War Savings Bonds and Stamps from money that would otherwise be spent, not saved. Economies are comparatively easy to make when everyone is in the same position. It is, of course, important to maintain personal efficiency and health, and to keep up educational standards. With planning this can be done. College students often spend money on nonessentials, but if this is saved consistently it can grow into an important total. Such money invested in War Bonds will aid in financing the most expensive war in history, as well as maintaining a stable "home front" economy.

Passive saving has none of the appeal of action. But it is an essential first step. It should be possible for college students to live as simply as their brothers in the army camps and their sisters in the Waves and Waacs. No student who has given the matter serious thought would want to maintain accustomed standards.

Once a student has set up his own standard of savings he can persuade others to join him. It is not merely an individual problem. Many savings can come from simplifying group activities. In some instances the entire student body may be involved. Such group savings often yield substantial sums.

If others are to be persuaded it is important to make the reasons clear. Students are accustomed to asking "why"? This involves a real understanding of the fundamental fiscal problem. Such understanding does not require years of study. Reading some of the following list of books and pamphlets will help.

Tax Bibliography for the General Reader

Anderson, H. D. Taxation, Recovery, and Defense (TNEC monograph No. 20, 1940)
Babcock, D. C., Jeffery, E., and Troelstrup, A.W. Paying for the War (National Council for the Social Studies, Bul. No. 18, Nov. 1942)
Coyle, D. C. Why Pay Taxes? (Natl. Home Lib. Found., Washington, 1937)
Groves, H. M., Financing Government (Holt, N.Y., 1939) Best text
Haig, R. M., Financing Total War (Columbia Univ. Pr. N.Y. 1942)
Hansen, A., Fiscal Policy and Business Cycles (Norton, N.Y. 1941)
Hart, A. G., and others Paying for Defense (Blakiston, Phila. 1941)
Hart, A. G., Economic Policy for Rearmament (Univ. of Chicago Pr., Public Policy Pamphlet No. 33 1940)
Keynes, J. M., How to Pay for the War (Harcourt N.Y. 1940)
Knapp, B. How Should Government Be Financed? (Natl. League of Women Voters, Washington, October 1939)
Newcomer, M. How Our Government Raises and Spends Money (Natl. Council for the Social Studies, Problems in American Life, Unit No. 1, Washington, 1942)
Newcomer, M. Taxation and Fiscal Policy (Columbia Univ. Pr. N.Y. 1940)
Newcomer, M. You are a Taxpayer (Vassar Cooperative Bookshop, Poughkeepsie, 1939)
Pigou, A. C. Political Economy of War (Macmillan London re. ed. 1940)
Public Affairs Pamphlets:
No. 28. "Our Taxes - and What They Buy" (1939)
No. 52. "How Shall We Pay for Defense?" (1941)
No. 59. "Guns, Planes, and Your Pocketbook" (1941)
No. 64. "How to Check Inflation" (1942)
Tax Institute Financing the War (Phila. 1942)
Taxes for Democracy, leaflet pub. biweekly by Tax Institute, (Univ. of Pennsylvania, Phila.)
Tax Policy, pub. monthly by Tax Institute (Univ. of Pennsylvania, Phila.)
Twentieth Century Fund, Facing the Tax Problem (N.Y. 1937)
Twentieth Century Fund, Your Taxes (N.Y. 1938)

MEMORANDUM FOR THE SECRETARY.

October 15, 1943

Mail Report

As was indicated by the end of last week, opposition to the new Treasury tax bill ran much higher during this week, the mail being largely vehement protests and including a number of abusive anonymous communications. In addition, copies of a cartoon "Doesn't Henry Know That Red Meat Is Rare?" and copies of two Scripps-Howard editorials "Why Not Save 10½ Billions?" and "22 Months Late" were forwarded anonymously or with comments and signatures scrawled in the margins. The favorite suggestion for revenue, usually as a substitute for Treasury tax proposals, was the sales tax. There were many endorsements aside from the C.I.O. "Win-The-War" program which was approved by five local unions and various independent correspondents. Other suggestions for revenue included a tax on paper transactions, increased tax on theater admissions, tax on rentals, on excess profits of individuals, on all advertising and all pari mutuels.

With only 25 communications relating to the Third Drive, Bond mail returned to its predrive status. There were numbers of suggestions for new types of Bonds, especially Christmas issues, and a number of writers took up questions connected with the Fourth Drive. There were 15 reports of failure to receive interest on Bonds and 42 complaints, 34 of which were from War Department personnel about delays in delivery or redemption. Of the 72 Bonds mailed directly to the Secretary for redemption, 20 came from Patchogue, New York

Memorandum for the Secretary. October 15, 1943

With the deadline for the census of foreign-owned property close at hand, there were increased inquiries concerning the operation of these reports.

The rebellion against the new pennies has somewhat subsided, but the battle against the Salary Stabilization Amendment grows more vehement. Of the letters received, 25 protests were transmitted by Congressmen who often added their word of objection.

Correspondents were more economy-minded than they have been for many months. Various Government projects and practices were attacked, but the angriest comment was directed against Mrs. Roosevelt's trip across the Pacific. Anti-British feeling is coming out again in the mail, and seems to center in Massachusetts and Illinois.

G. E. Forbush

General Comments

Max Roth, Brooklyn, N.Y. This is a violent protest by one of the commission salesmen, of which there has been a lot of publicity in the press in the past week. I am a commission man and all my business is done on the road. My traveling expenses are considerably higher than they were; my living expenses are considerably higher than they were; my taxes are very much higher than they were (more than 50% higher this year than they were last year) and my purchases of War Bonds are at least 50% higher this year than last. How on God's earth can anything so discriminatory be done against a substantial group in this category. I don't see any restrictions on earnings against people that have had jobs at anywhere from $18.00 to $25.00 a week, and are now working in war plants making anywhere from $75.00 to $125.00 a week. * * *

Jerome Laadt, Jerome Laadt Sales Organization, Chicago, Ill. I'll give one hundred dollars ($100.00) to the U.S.O. in exchange for a photograph and autograph of the man who authorized the minting of the "silver pennies." * * * In the case of the "silver penny" my interest has been aroused to a veritable pitch because of the countless criticisms and complaints regarding it, and because of my own experiences. Once I was almost arrested because I insisted that I had a dime in my hand which I tried to put in the Chicago bus coin receiver. The driver himself wasn't sure, but that "dime" wouldn't go through and I was on the brink of being taken to a police station when they discovered I was trying to put in a penny. I gave out any number of so-called "pennies" for dimes, and I have received any number of "silver pennies" for dimes.

Won't you please oblige me by sending the photograph and autograph of the man who authorized the minting of these so-called "silver pennies" -- I immediately will send $100.00 to the Chicago USO, as I remember them occasionally, on and off.

Joseph J. Yoder, Pastor, The Old Order of Amish Congregation, Meyersdale, Pa. On behalf of the Old Order of Amish Congregation of Meyersdale, Pa. and Springs, Pa., I am enclosing a check for $1505.00 which we request be applied towards the relief of suffering and the preservation of life. By faith, teaching and practice, our religious background for over 300 years has been opposed to the destruction of life and property through war - Yet as we are deeply grateful for the "Freedom of Worship" which our country grants us, we make our contribution in a thankful spirit not desiring bonds or any form of repayment as we receive the inner satisfaction that in some measure by our gift we are so helping to relieve suffering and pain.

Favorable Comments on Bonds

Anonymous - Los Angeles, Calif. If you will arrange for banks or other institutions to rent Deposit Vaults free or at a nominal fee - $1.00 per year - for storing of War Bonds lots more would be sold. I would take 500 more.

Unfavorable Comments on Bonds

Floyd Mulkey, Chicago, Ill. I am writing to you about the problem of redeeming War Bonds. I have been keeping nearly all my savings in the form of War Bonds; I thought it was the patriotic thing to do, and besides I understood that the Bonds could always be quickly redeemed in case of sudden need for funds. I have learned something in the past ten days. On Sept. 29, my wife received a wire that her father had passed away at Bellingham, Washington. I was very much surprised to learn that it would take about ten days to get the Bonds cashed. Fortunately we were able to borrow from a relative through a lucky and unexpected circumstance. I was told at the post office that I might be able to get the Bonds cashed right off by going to the Federal Reserve Bank. I tried that but learned that it could not be done, but I was told that since it was an emergency they would try to get the money to me in half the usual time. I still haven't received it. Since my wife is leaving for home tomorrow I had to borrow again, this time from a friend. I will admit that I am very bitter about this matter; after all it is my money that I have put into War Bonds. I thought I was investing in patriotism but now I feel as if I have been taken for a sucker. When the government asks us to put our savings in War Bonds there is a moral obligation on the part of that government to make the money available immediately in case of great emergency. (Many of my friends have been cashing Bonds for frivolous reasons but I insisted that I would never do so except in case of the greatest need.) * * * Now I am going to make a specific proposal. The government might make provision to loan money on War Bonds; then the owner might later pay the loan and redeem his own Bonds. I didn't want to cash any of my Bonds; I would gladly have sacrificed to redeem them under some arrangement such as I suggested. * * *

C. W. Stacy, Cashier, Akron State Bank, Akron, Mich. Sometime ago we received a circular letter, over what appeared to be your signature, relative to our assistance in the selling of Bonds. It was a very nicely worded letter and the perusal of same almost made us feel that our efforts in assisting in the Bond Drive and the current selling of Bonds were slightly appreciated, but today we receive notice that we will for a very limited time be permitted to purchase for ourselves one of the same type of Bonds sold by us to more favored customers, during the drive at par, by paying an additional thirty-day interest payment. Therefore, we now fully realize that the honeyed words contained in your letter really meant nothing, and that said letter was no doubt intended to be a timely pat on the back to prepare us to more graciously take this kick in the pants that was coming later. * * *

A. T. Forsberg, Chairman of the 3rd War Loan Drive for the Village of Appleton, Minnesota. * * * In soliciting for Bonds, we find universal criticism on the part of the subscribers because of the Government's careless and reckless spending of money. We hope that our Government will realize this and will not become still more reckless and extravagant because the money was so cheerfully subscribed by the nation. Also, that it will take into consideration that much of this money was saved by hard working people who have sacrificed a lot, gone without many things they really needed to buy Bonds to back our fighting men. And, that our Government will take into consideration that much of this money was subscribed by the fighting men themselves and that when they return they will also have to pay their share of taxes to make these Bonds good.

A. S. Goss, Master, The National Grange, Washington, D. C. " * * * Wichita Grange planned their (War Bond sale) rally for August 14, 1943, but OPA ruled that nobody could use a car to go to it then . . . This ruling was made even though there is no bank, post office, or other Bond issuing agency in the town."

Favorable Comments on Taxation

Signed "A California Citizen" -- Los Angeles, Calif. * * * I for one, think you people are doing a good job of educating our people about taxes, which is not a good word to begin with. By definition a tax is: "A compulsory contribution for the support of government." -- Funk & Wagnalls. You see, it just isn't a "future" word. * * *

Martin Popper, National Executive Secretary, National Lawyers Guild, New York, N. Y. I know you will be interested in the statement of our National Committee on Taxation setting forth our views with respect to the Treasury's tax program submitted to the Ways and Means Committee. We are aware of the serious efforts which are being made to scuttle the progressive features of the Treasury's program and to substitute regressive proposals such as the sales tax. These efforts must be stoutly resisted, and we shall do all in our power to mobilize the American people and those organizations genuinely interested in democratic taxation to thwart the attempts of those who would saddle oppressive burdens on the low income groups to the detriment of the war effort.

C. W. Givens, Yuma, Ariz. About new taxes. A tough and thankless task but I think that you have done fine. First, think 30% salary deductions OK. I live in California and am engaged in railroad work. * * *

Unfavorable Comments on Taxation

Lt. M. B. Grant, (Antiaircraft Artillery Command), Buffalo, N.Y. I am writing to protest against the new proposed Treasury Tax Bill. In my opinion, it is unsound, unfair, and un-American. I fully appreciate the terrific cost of the War and the sacrifices everyone must make to pay the bill. But the revenue bill as proposed is confiscatory. The proposed rates for corporations and for Estates are grossly unfair. As to corporations, an analysis of the financial statements published reveals a none too healthy current ratio of assets to liabilities. To increase the combined normal and surtaxes from 40% to 50% would endanger the financial solvency of numerous concerns, especially those manufacturing products vital to the War Effort. * * * As to the Estate Taxes, they are the most unfair and un-American of all. It has always been an American heritage and tradition that a man had a right to leave the substantial bulk of his estate to his wife and children. The present tax already too high and the proposed tax would represent a virtual confiscation of private wealth. This tax is what you would expect of Nazism and Fascism and other European isms. * * * It seems to me that you have been handicapped in your Department by men of unsound financial ability. I strongly urge you to withdraw the bill as proposed.

Florence B. Marble, Greenwich, Conn. Sometimes I wonder if you and Mr. Roosevelt have had a brain storm on the subject of money. People of limited estates are desperate who own property and homes and who have dependents. You are taxing the railroads, corporations, and oil companies so terribly that we who own stocks wonder where our dividends will come from to pay our taxes and living expenses. If these don't pay, how can we pay, let alone live? * * * The sales tax is the only thing to stop inflation. * * * The way you suggest now will run the country into the ground; besides putting people into institutions for mental cases, and T.B.'s for lack of food because they can't live decently and have nourishing food. It's all a vicious circle and all because of your stubbornness. * * *

E. W. McCreery, Lee Tire & Rubber Company of New York, Inc., Conshohocken, Pa. I returned to my office this morning, after being out of town for a few days, and received a telephone call from your Internal Revenue Collector, Mr. O'Connor at Bryn Mawr, Pa., advising me that my delinquent income tax for 1941 taxes, amounting to $221.33, would have to be paid in full by tomorrow morning or they would levy on my bank account. I think you will agree that white-collared people have had a pretty tough time as they have not had the benefit of wage increases that the laboring people have had. Against this, there has been an increase in the cost of living of 25% and upward. I paid $100.00 on my 1941 tax in December. I paid another $100.00 in April, and $25.00 on August 4, indicating an intention to liquidate the indebtedness to the best of my ability. In the meantime, I have paid substantial interest on the unpaid balance. I cannot let this incident pass without telling you very plainly that to call me up at noon today and tell me that the entire amount must be paid in full by tomorrow morning is in my opinion not only inconsiderate but pretty close to Gestapo methods, and this is not a political opinion, as I am a Democrat.

Copy of letter addressed to The Ways and Means Committee by Frank I. Hogan, Attorney at Law, Huntington Park, Calif. As one who has made out income tax reports for some time, I wish to say that this year was the worse mess that I have ever run into and most of the tax men say the same. One accountant told me that even one of the auditors of the Internal Revenue Department here in Los Angeles came to him to make out HIS RETURN and that same man was making out reports for the public. Can you beat that one and also another case where a man went to seven different tax men and he got a different opinion and result from each of them. * * * I am prognosticating that one of these days the public will rise up in a revolt at this tax problem and then look out. Whom the Gods destroy, they first make mad. * * *

R. C. Saufley, Parker, Ariz. Please allow me to suggest for your serious consideration that some way be provided in the new law whereby those people in the lower income bracket, whose income tax is being withheld by their employers, be allowed to have their proper tax deductions considered before said employers withhold the estimated tax. * * * You folks back East and in the more settled communities have no idea of the real high cost of living. Out here in the desert country it's really something to talk about. A single man eating mostly at restaurants must pay out at least $2.50 a day for any kind of meals. Mechanics charge $2.75 an hour for work on one's car. For a rich man these prices don't sound like much, to the white-collar man they are awful. We folks out in the sticks and in a "Sales Tax State" can't see for the life of us why you people can't put over a Government sales tax; it's surely the easiest tax anyone can pay. * * *

Senator James J. Davis (Pennsylvania) * * * I have received innumerable objections to the ruling limiting the earnings of salesmen, and I am therefore inquiring as to the reasons which lay behind the issuing of such an order at this particular time. While I am not fully acquainted with the facts in the matter, it seems to me that such an edict by your Department represents a stroke of regimentation which is not warranted at this time. I would, therefore, very much appreciate your early reply, informing me as to the reasons which prompted you to issue such an order.

D. H. Sloan, Jr., Clerk of Polk County Circuit Court, Bartow, Fla. I would sincerely appreciate your explanation as to how a sales tax would tend to create inflation. This form of tax seems to be working all right in connection with the federal gasoline tax. In Florida the State gasoline tax is entirely responsible for solving the bonded indebtedness of the Counties and the State Road Department. The lack of equalization of the tax burden with apparent Administration sanction is becoming a little difficult for me, a life long Democrat, to explain. I fully appreciate the difficulties of the position of your Department and it is because of a keen interest that I am writing to you.

PARAPHRASE OF TELEGRAM RECEIVED
FROM: American Consulate General, Algiers, Algeria
DATE: October 15, 1943, 1 p.m.
NO.: 1763

FOR TREASURY FROM MURPHY.

This is to report the arrival this morning of Secretary Morgenthau and party.

WILEY

102.1/9275 cf

U.S. SECRET COPY NO 12 2

BRITISH MOST SECRET

OPTEL No. 339

Information received up to 10 A.M. 15th October, 1943

1. NAVAL Two of H.M. Destroyers with a Dutch gunboat carried out a bombardment North of the VOLTURNO River on 13th. Attacks by enemy fighter bombers caused slight damage and a few casualties in 2 of our ships. 13th/14th, two of H. M. Destroyers evacuated prisoners and wounded from Leros and later investigated KOS roads and KALYMNOS CHANNEL without result.

2. MILITARY Italy 5th Army. On 12th/13th the Army attacked in strength with the object of crossing the VOLTURNO. East of CAPUA progress was good and U.S. forces made and held crossings without much resistance and continued their advance. Immediately west of CAPUA the enemy, with a strong counter-attack, anticipated our attack which thus failed. Further West we crossed the river midway between CAPUA and the coast but later had to withdraw. On the southern flank the river was crossed between CANCELLO and CASTEL VOLTURNO and with the help of tanks landed by sea, a bridgehead about a mile in depth was secured.

8th Army. 13th. Our forces reached CASCALENDA and further West were within a mile of CAMPOBASSO which was occupied yesterday.

3. AIR OPERATIONS Western Front 14th, 296 Fortresses and 47 Liberators were sent to bomb ball bearing factories at Schweinfurt. 255 Fortresses bombed the primary objective in clear weather dropping 510 tons with results reported by most crews as good. The Liberators made no attack Intense fighter and A.A. opposition was met. The bombers report 91 enemy aircraft destroyed. 59 Fortresses missing and one in the sea, crew rescued. Thunderbolts co-operated and shot down 13 enemy aircraft for the loss of two.

Italy 12th/13th 46 Wellingtons dropped 85 tons on CIVITAVECCHIA. 13th, 84 medium and light bombers attacked road junctions. 89 fighters attacked transport in the PESCARA and CANCELLO areas. Marauders dropped 44 tons on ALIFE, 26 miles North West of BENEVENTO. 67 Mustangs attacked concentrations of tanks and troops.

Albania 13th. 36 Mitchells bombed the airfield at TIRANA with fragmentation bombs destroying 14 aircraft on the ground.

Rhodes 12th/13th 7 heavy bombers attacked MARITZA airfield.

Leros 13th. 6 JU88 attacked the island.

Burma 11th. 12 Liberators bombed railway installations South West of MANDALAY

UNITED KINGDOM TREASURY DELEGATION

BOX 680
BENJAMIN FRANKLIN STATION
WASHINGTON, D. C.

TELEPHONE EXECUTIVE 2020

October 16, 1943.

Dear Bernstein,

As you know, we send you every month a return of our gold and dollar holdings. With the passage of time, the form of this return has become obsolete, and we propose in future to submit the figures in a new form, which I set out below, together with the figures for August 31, 1943. All figures are in million dollars.

GOLD	977	
LESS GOLD LIABILITIES	232	
NET GOLD		745
OFFICIAL DOLLAR BALANCES	506	
LESS DOLLAR LIABILITIES	129	
NET DOLLARS		377
NET GOLD AND DOLLARS		1,122

You will notice that the figure for "scattered" gold, and the token figure of 10 for "gold reserve against immediate liabilities", have been dropped, and that there appear instead figures for the outstanding amounts of (1) our obligations to make payments in gold (2) our liabilities to convert registered sterling into dollars. The deduction of these liabilities from the total figures in order to shew our net holdings of gold and dollars is in line with the procedure adopted in the statement of our position as at March 31, 1943 sent to Dr. White by Sir Frederick Phillips on May 4, 1943.

The figures will refer to the last day of the month only, and not as at present to a day in each week of the month. They will reach you somewhat later than at present, since there is necessarily some delay in the calculation of the liabilities in gold and dollars.

I attach on a separate sheet the back figures for certain previous months. I hope to be able to send the figure for September 30 shortly.

Yours sincerely,

D. H. Robertson

DHR/mlw

D. H. Robertson.

Mr. E. M. Bernstein,
U. S. Treasury,
Washington, D.C.

	31.12.42.		31.3.43.		31.6.43	
GOLD	688*		907		975	
LESS GOLD LIABILITIES	188		212		236	
NET GOLD		500		695		739
OFFICIAL DOLLAR BALANCES	243		195		359	
LESS DOLLAR LIABILITIES	47		72		78	
NET DOLLARS		196		123		281
NET GOLD AND DOLLARS		696		818		1,020

* Excluding Belgian gold

TREASURY DEPARTMENT

OFFICE OF THE SECRETARY

October 16, 1943

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended October 6, 1943, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

EMB

FEDERAL RESERVE BANK

OF NEW YORK

October 15, 1943.

CONFIDENTIAL

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

I am enclosing our compilation for the week ended October 6, 1943, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke

L. W. Knoke,
Vice President.

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

Enclosures

COPY

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

Week Ended October 6, 1943

Strictly Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT) DEBITS: Total Debits	Gov't Expenditures (a)	Transfers to Official Canadian Account	Other Debits	CREDITS: Total Credits	Proceeds of Sales of Gold	Proceeds of Sales of Securities (Official) (b)	Transfers from Official Australian Account	Other Credits (c)	Net Incr.(+) or Decr.(-) in $ Funds (d)	BANK OF FRANCE: Total Debits (e)	Total Credits (e)	Net Incr. (+) or Decr. (-) in $ Funds (d)
First year of war(g)	1,793.2	605.6	20.9	1,166.7	1,828.2	1,356.1	52.0	3.9	416.2	+ 35.0	866.3(f)	1,095.3(f)	+299.0
War period through December, 1940	[illegible]	1,425.6	20.9	1,335.8	2,793.1	2,109.5	108.0	14.5	561.1	+ 10.8	878.3	1,098.4	+220.1
Second year of war(h)	[illegible]	[illegible]	3.4	407.4	2,189.8	1,193.7	274.0	16.7	705.4	- 13.2	38.9	8.8	- 30.1
Third year of war(i)	[illegible]	904.8	7.7	223.1	1,361.5	21.8	5.5	57.4	1,276.8	+ 125.9	18.5	4.4	- 14.1
Fourth year of war(j)	764.0	312.7	170.4	280.9	1,072.3	-	0.5	155.1	916.7	+ 308.3	10.3	1.0	- 9.3
1943													
Sept. 3 - Sept. 29	46.3	15.5	10.6	20.2	78.1	-	-	14.0	64.1	+ 31.8	-	-	-
Sept. 30 - Nov. 3													
Nov. 4 - Dec. 1													
Dec. 2 - Dec. 29													
Week Ended:													
September 15	8.9	2.6	0.1	6.2	31.4	-	-	-	31.4	+ 22.5	-	-	-
September 22	5.1	2.3	-	2.8	16.6	-	-	-	16.6	+ 11.5	-	-	-
September 29	14.2	3.8	6.4	4.0	10.5	-	-	-	10.5	- 3.7	-	-	-
October 6	12.1	5.0	-	7.1	41.3(k)	-	-	16.0	25.3(k)	+ 29.2	-	-	-

See attached sheet for footnotes.

Average Weekly Expenditures Since Outbreak of War
[illegible] 29, 1940) $19.6 million
[illegible] June 19, 1940) $27.6 million
[illegible] to March 12, 1941) $34.9 million
$20.9 million

(a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.

(b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to $334 million.

(c) Includes about $85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (k) below.

(d) Reflects net change in all dollar holdings payable on demand or maturing in one year.

(e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.

(f) Adjusted to eliminate the effect of $20 million paid out on June 26, 1940 and returned the following day.

(g) For monthly breakdown see tabulations prior to April 23, 1941.

(h) For monthly breakdown see tabulations prior to October 8, 1941.

(i) For monthly breakdown see tabulations prior to October 14, 1942.

(j) For monthly breakdown see tabulations prior to September 29, 1943.

(k) Includes $ 4.2 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports, and $3.0 million to be held for the U. S. Army abroad.

[illegible] CANADIAN AND AUSTRALIAN ACCOUNTS
([illegible] Millions of Dollars)

Week Ended October 6 [illegible]

Period	BANK OF CANADA (and Canadian Government) — DEBITS: Total Debits	Transfers to Official British A/C	Others Debits	CREDITS: Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C: For Own A/C	For French A/C	Other Credits	Net Incr. (+) or Decr. (-) in $Funds (e)	COMMONWEALTH BANK OF AUSTRALIA (and Australian Government) — DEBITS: Total Debits	Transfers to Official British A/C	Other Debits	CREDITS: Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in $Funds (e)
First year of war (a)	[illegible]	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9
[illegible] 1942	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+ 230.2	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5
Second year of war (b)	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 9.0
Third year of war (c)	525.8	0.3	525.5	566.3	198.6	7.7	-	360.0	+ 40.5	107.2	57.4	49.8	112.2	17.2	95.0	- 5.0
Fourth year of war (d)	723.6	-	723.6	958.8	47.1	170.4	-	741.3	+ 235.2	197.0	155.1	41.9	200.4	-	200.4	+ 3.4
1943 [illegible] 2 - Sept. 29	46.4	-	46.4	65.1	-	10.6	-	54.5	+ 18.7	15.8	14.0	1.8	4.8	-	4.8	+ 11.0
[illegible] - Nov. 3																
[illegible]																
[illegible] 29																
Week Ended																
September 15	13.0	-	13.0	8.5	-	0.1	-	8.4	- 4.5	0.1	-	0.1	0.7	-	0.7	+ 0.6
September 22	9.9	-	9.9	7.7	-	-	-	7.7	- 2.2	-	-	-	0.3	-	0.3	+ 0.3
September 29	18.8	-	18.8	21.3	-	6.4	-	14.9	+ 2.5	-	-	-	3.3	-	3.3	+ 3.3
October 6	4.9	-	4.9	20.6(f)	-	-	-	20.6(g)	+ 15.7	17.1	16.0	1.1	21.1(h)	-	21.1(h)	+ 4.0

Average Weekly Expenditures for

First year of war	6.2 million.
Second year of war	8.9 million.
Third year of war	10.1 million.
Fourth year of war	13.9 million.
Fifth year of war (through October 6)	10.5 million.

(a) For monthly breakdown see tabulations prior to April 23, 1941.
(b) For monthly breakdown see tabulations prior to October 8, 1941.
(c) For monthly breakdown see tabulations prior to October 14, 1942.
(d) For monthly breakdown see tabulations prior to September 29, 1943.
(e) Reflects changes in all dollar holdings payable on demand or maturing in one year.
(f) Does not reflect transactions in short term U. S. securities.
(g) Includes $ 9.3 million deposited by War Supplies, Ltd. and 10.0 million received from New York accounts of Canadian Chartered Bks.
(h) Includes $20.0 million held for credit of the U.S. armed forces.

NOT TO BE RE-TRANSMITTED

U.S. SECRET
BRITISH MOST SECRET

COPY NO. 12

OPTEL NO. 340.

Information received up to 10 A.M. 16th October, 1943.

1. NAVAL.

14th/15th. 2 of H.M. Destroyers patrolling in Adriatic sank one ship and took a 5,000 ton German tanker to Bari in prize. On 13th aircraft from a U.S. Escort carrier sank 1 U-boat and probably two more North of the Azores.

2. MILITARY. Italy. 8th Army. During 14th and 15th 78th Division made slight progress in the Northern Coastal sector. 5th Division and Canadian Division cleared the whole road Termoli, Campobasso, Vinchiaturo. The Canadians captured the latter town on morning 15th.

5th Army. Progress has been slow but more units have crossed the River. Three bridges in operation on each of 34th and 3rd U.S. divisional fronts. Further left on U.K. front bridges are being built. All bridgeheads are being consolidated. Cancello on railway running North from Naples now clear of enemy.

Aegean. Naxos reported occupied by 250 Germans on 12th.

3. AIR OPERATIONS. Western Front. 15th. Typhoons destroyed two F.W. 190 off Devonshire and a third over Brittany.

15th/16th. Mosquitoes destroyed 3 out of 13 enemy aircraft over and off East Anglia and Thames Estuary.

Italy. 13th/14th. Wellingtons dropped 34 tons on Orbetello 25 miles South of Grossetto and 14 Bostons attacked communications North of the battle area.

14th. 102 tons dropped by Fortresses on railway centre at Terni and total of 182 tons by heavy bombers on railways and roads in Central Italy.

Greece. 14th. Escorted Mitchells dropped 23 tons of fragmentation bombs at Argos airfield hitting many aircraft on the ground.

38

NOT TO BE RE-TRANSMITTED

US. SECRET
BRITISH MOST SECRET

COPY NO ___12___

OPTEL No. 341

INFORMATION RECEIVED UP TO 10 A.M. 17th October 1943.

1. NAVAL Our Motor Torpedo boats attacked a force of Armed Trawlers off the Dutch Coast on 14th/15th. One Motor Torpedo boat was sunk. On 14th/15th our Motor Torpedo boats sank 2 ships off Elba. 1 M.T.B. was sunk.

15th. Two of H.M. Destroyers intercepted 2 ships in the Adriatic, one was sunk by the first destroyer and the other is being taken to port by the second destroyer.

On 16th 2 U-boats were sunk by Liberators escorting a Westbound convoy South of Iceland (C).

2. MILITARY Italy to noon 16th.

Eighth Army. Steady progress North Westwards beyond TERMOLI-VINCHIATU road which is now freed.

Fifth Army. In United States Sector the Germans are fighting hard rearguard actions with Infantry and Tanks but the extent of their mining and demolitions is becoming less effective. British Infantry are crossing the VOLTURNO East of CAPUA and have pushed patrols well forward. On the coast our Infantry are now established about 4 miles North of the VOLTURNO with patrols forward toward MONDRAGONE.

3. AIR OPERATIONS Western Front. 16th/17th.

Aircraft despatched - Dortmund 9, Leaflets 11, Intruders 6, Anti shipping 6, 7 enemy aircraft operated DOVER the South Coast and Home Counties.

Italy 15th.

24 Baltimores attacked Road Junctions South of ISERNIA, and 86 Fighters attacked trains North of PESCARA. 2 Baltimores and 1 Fighter shot down by A/A.

Greece. 15th

35 Mitchells escorted by 35 Lightnings bombed 2 Airfields near Salonika., at one of them 10 Aircraft were destroyed on the ground.

Dodecanese. 14th. About 40 JU 87's and 88's made a heavy attack on LEROS. No details yet received.

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON 25

OFFICE OF THE DIRECTOR

SECRET

October 18, 1943

MEMORANDUM TO THE SECRETARY:

Supplementing report to you of October 11, 1943, the purchases against the African Program from October 11, 1943, to October 17, 1943, totaled $180,447.16, or a total of purchases for the program thus far of $66,768,248.37.

Attached is report giving status of shipping against these purchases.

Clifton E. Mack
Director of Procurement

Commodity	Tonnage Shipped to Date From U. S. A.	Tonnage Under Load At Port	Tonnage On Hand At Port Waiting Vessels	Tonnage En Route To Port
Agric. Mach. & Implements	2281.89		174.16	218.49
Automotive Eqpt. & Parts	988.91			165.74
Batteries	125.66		13.87	9.87
Bearings	2.85		1.1	.12
Brass & Bronze	288.4	2.5	87.6	
Brushes & Brooms	.8	.15		
Bldg. Hdw. & Material	533.49		346.38	
Chemicals	21881.66		6834.87	4112.15
Clothing, Notions & Textiles	18020.2		2624.56	4411.97
Construction Machinery			.14	10.35
Copper in Various Forms	400.09		108.46	
Elec. Eqpt. & Supplies	81.38	20.87	45.78	50.24
Explosives	14.15			
Ferro-Alloys	73.88	11.32		111.57
Food & Food Products	6032.			
Furniture & Office Eqpt.	.11	.49	.7	2.15
Glass	194.82	95.12	41.27	667.12
Graphite Products	106.03		.18	20.18
Hand & Cutting Tools	1333.02	5.81	232.59	280.32
Industrial Machinery	110.75	59.13	102.34	394.36
Iron	345.	909.99	847.76	103.25
Jute Bags	857.47		535.	
Lead & Lead Alloys	73.18		102.5	
Medical Supplies	56.12	.68	5.02	.3
Non-Ferrous Metals, Other	435.		25.93	128.37
Paper & Paper Products	5696.09	1051.93	2526.97	4343.35
Rope & Twine	247.7	34.75	14.	12.
Rubber	831.9		255.32	632.1

Commodity	Tonnage Shipped to Date From U. S. A.	Tonnage Under Load At Port	Tonnage On Hand At Port Waiting Vessels	Tonnage En Route To Port
Shoes & Boots	315.68	5.34	571.66	1694.01
Steel, Alloy & Carbon	12279.71	413.12	6630.86	5318.27
Steel, Pipe & Tubing	333.71		635.46	1287.03
Tin Plate	2097.64		641.6	3535.9
Zinc		27.96	27.29	101.81
Totals	76,039.29	2639.16	23433.37	27611.02

BRITISH AIR COMMISSION
1785 MASSACHUSETTS AVENUE
WASHINGTON, D. C.

TELEPHONE HOBART 9000

[PL]EASE QUOTE
[R]EFERENCE NO.........................

With the compliments of British Air Commission who enclose Statement No. 107 -- Aircraft Despatched -- for week ended October 12th, 1943.

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

October 18th, 1943.

MOST SECRET

STATEMENT NO.107

Aircraft Despatched from the United States
Week Ended October 12th, 1943.

TYPE	DESTINATION	ASSEMBLY POINT	BY SEA	BY AIR	FLIGHT DELIVERED FOR USE IN CANADA
GLENN MARTIN					
Baltimore V	M.E.	M.E.		5	
Mariner GR I	U.K.	U.K.		2	
VEGA					
Ventura	Canada	Canada			19
Ventura GR V	S. Africa	S. Africa		1	
Ventura GR V	M.E.	M.E.		2	
CURTISS					
Kittyhawk	N.W. Africa	Casablanca	47		
Kittyhawk	Australia	Sydney	17		
FAIRCHILD					
Fairchild C-61	M.E.	Alexandria	7		
Cornell PT 26	S. Rhodesia	Capetown	23		
STINSON					
Reliant	U.K.	U.K.	6		
NORTH AMERICAN					
Harvard	S. Africa	Capetown	5		
NOORDUYN					
Harvard	India	Karachi	14		
GRUMMAN					
Martlet	U.K.	U.K.	1		
Martlet	India	India	9		
Hellcat	U.K.	U.K.	3		
Tarpon	India	India	11		
		Total	143	10	19

Movements Division
British Air Commission

October 16, 1943.

TRANSLATION

MINISTRY OF FINANCE AND COMMERCE
REPUBLIC OF PERU

Lima, October 18, 1943.

Excellency:

I am pleased to acknowledge receipt of your esteemed communication dated September 14, 1943, with which you transmitted to this office a copy of the revised outline of the Plan for an International Stabilization Fund, which includes now some of the suggestions of the experts of several countries.

In thanking you for this important despatch, I have the satisfaction of informing you that the great importance of the problems related to international post-war monetary cooperation has not escaped the consideration of our Government. Although it has not been possible until now for us to send to Washington special delegates to enter into the preliminary discussions, there has just been named in this capital a Commission charged with the study of these same problems. It is intended that their suggestions may be taken into account at the first opportunity, when instructions will be given to the persons who may finally be designated to collaborate with the experts of the other United and Associated Nations.

Very sincerely yours,

(Signed) Julio L. East

Minister of Finance and Commerce.

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

C
O
P
Y

18th October, 1943

Excellency,

I have received your letter of September 14th, and the revised draft of the tentative proposal for an International Stabilisation Fund.

I am only too glad that you have found the cooperation of our experts helpful and I can assure you that their report about the discussions held in Washington during the early summer shows the utmost satisfaction with the highly cooperative spirit of the experts of the United States.

It is my greatest wish that the necessary agreement between all Governments will be reached in the not too distant future. I hope it will be possible for you to submit for discussion also the other parts of the great framework of the Post-War Economic Organisation.

Yours sincerely,

L. Feierabend

Minister of Finance

His Excellency,
Mr. Henry Morganthau, Jnr.,
Secretary of the Treasury,
Washington 25.

NOT TO BE RE-TRANSMITTED

U.S. SECRET
BRITISH MOST SECRET

COPY NO 12

OPTEL No. 342 Information received up to 10 a.m. 18th October 1943.

1. NAVAL

One of H.M. Destroyers and a Greek Destroyer when in LEROS/KAWMMNOS Area night 16th sank two E-boats and a small cargo ship. One of H.M. Frigates sank a U-Boat yesterday about 400 miles East of CAPE FAREWELL. Of five U-boats attacked by aircraft off Iceland (C) yesterday one was sunk.

2. MILITARY Italy The 8th Army is regrouping behind a screen of active patrols. U.K. patrols have entered CASTELLINO and further left Canadian troops have reached MONTAGNO and are approaching BOIANO.

On 5th Army front progress is slow but there are indications of slight enemy withdrawal. Administrative arrangements at BRINDISI and BARI are developing satisfactorily.

Russia See D.D.M.I.'s telegram to MILITARY A TTACHE

3. AIR OPERATIONS Western Front 16th/17th. Aircraft despatched BERLIN 8, AACHEN 3, DUISBURG 1, Sea Mining 54, Intruders 26, anti-shipping 7, leaflets 16. All returned safely. 20 enemy aircraft operated over East and South East England, 10 of them penetrated to LONDON Area. One M.E. 410 was destroyed by a Mosquito. Some bombs were dropped at WALTHAMSTOWE and ST. PANCRAS. 13 casualties reported so far.

Italy 15th. Spitfires met 45 enemy fighters over the battle area and destroyed 5 of them.
15th/16th. Wellingtons dropped 60 tons on one of the ROME airfields and bombed sea-planes on LAKE BRACCIANO. 19 Bostons bombed roads and railways in centre of Italy.

16th. Escorted Mitchells dropped 33 tons at ANCONA railway centre with good effect. 72 Mustangs attacked roads and motor transport near BENEVENTO 62 enemy fighters were met over the Battle Area, enemy casualties 6.. 0. 3.

Mediterranean 16th. Eight Lightnings escorted by 8 M.C. 205 of the Italian air force attacked shipping in the Ionian Islands, one ship was hit and left burning.

Dodecanese. 15th/16th. Heavy bombers dropped 18 tons at MARITZA airfield RHODES.

16th. Total of 46 JU 87 and 88 made 5 attacks on LEROS, delayed action bombs rendered the Harbour temporarily unserviceable.

47

NOT TO BE RETRANSMITTED

U.S. SECRET
BRITISH MOST SECRET

COPY NO 12

OPTEL NO. 344

Information received up to 10 a.m. 19th October 1943

1. NAVAL One of H.M. Cruisers damaged in air attack Aegean 17th but reached ALEXANDRIA. 14 killed 30 wounded.

17th/18th two destroyers bombarded KOS harbour. Discharge at Naples now averages 5,000 tons per day.

2. MILITARY Italy Fifth Army. East of CAPUA our forces advanced about 3 miles and West of CAPUA about 1 mile except in the coastal sector where there was no change.

Eighth Army. Active patrolling continued. Our forces are being built up on the TERMOLI-VENCHIATURO line.

3. AIR OPERATIONS Western Front 18th. Fighter bombers dropped 7 tons on an airfield at ST. OMER. They also attacked shipping off the DUTCH coast and railways in Northern FRANCE. A 1000 ton Coaster, an R-boat, and A/A ship, several other small ships and 8 locomotives were damaged. Casualties by Allied fighters......enemy 4.3.2. Ours 5 missing.

18th/19th Aircraft despatched. HANOVER 360 (17 missing and one in the sea). BERLIN 8, STOLBERG near AACHEN 4, EMDEN 7, DUISBURG 11, Seamining 6, Leaflets 12, Intruders 23, Anti-shipping 1.

An enemy mine-sweeper was sunk off the SOMME estuary. At HANOVER thick-cloud and bombing scattered. 10 enemy aircraft operated over LONDON and the Home Counties. Some houses demolished at LAMBETH and ENFIELD and a Wardens post destroyed at FINCHLEY.

Italy 17th. 96 Fighter bombers attacked railway objectives in the PESCARA area and concentrations North of NAPLES.

Dodecanese 16th/17th Allied heavy bombers dropped 21 tons on MARITZA Airfield.

Rhodes 17th. 8 enemy aircraft attacked CASTELORIZZO.

4. HOME SECURITY Casualties in London 17th/18th now reported 15 killed 41 seriously wounded.

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, October 19, 1943

Press Service
No. 39-15

Under Secretary of the Treasury Daniel W. Bell announced today final figures - $18,943,000,000 - for the Third War Loan.

Mr. Bell expressed the gratification of Secretary Morgenthau over the impressive totals amassed during "this greatest of all War Loans."

In commenting on the sale of the various issues, the Under Secretary pointed out that the sales to individuals, which was the first objective of the Drive, exceeded the quota with sales of $5,377,000,000 against a quota of $5 billion. Sales to corporations, associations and other investors total $12,936,000,000 against a quota of $10 billion. Sales of E Bonds total $2,472,000,000, compared to $1,473,000,000, the prior all-time high in this class of securities, which was reached in the Second War Loan in April, 1943. The F and G Bonds total also reached an all-time high in this class of securities with a total of $831,000,000.

The unprecedented sales to individuals indicated that the number of individual bonds issued during this period would break all records.

In addition to the new totals on Series E, F and G Bonds announced, the following recapitulation of the Third War Loan sales was issued:

(In millions of dollars)

7/8% Certificates	$ 4,120
2% Bonds ('51-'53)	5,109
2½% Bonds ('63-'69)	3,298
Savings Notes (Series C)	2,483
Government Trust Accounts:	
2% Bonds ('51-'53)	151
2½% Bonds ('63-'69)	479
Savings Bonds:	
Series E	2,472
Series F and G	831
GRAND TOTAL	$ 18,943

Subcriptions to Third War Loan Drive Compared with Quotas, by States and by Classes of Investors

Final Report

(Dollars are millions)

State	Individuals, partnerships and personal trust accounts			Corporations, associations and other investors			Grand total		
	Sales	Quota	Percent achieved	Sales	Quota	Percent achieved	Sales	Quota	Percent achieved
Alabama..................	$ 71	$ 56	127%	$ 72	$ 52	138%	$ 143	$ 108	132%
Arizona..................	17	17	101	19	15	127	37	32	114
Arkansas.................	38	31	122	26	27	95	63	58	109
California-No............	197	182	108	236	242	98	433	424	102
California-So............	167	207	81	267	215	124	434	422	103
Colorado.................	49	37	132	53	35	152	102	72	142
Connecticut..............	78	99	79	432	354	122	511	453	113
Delaware.................	16	15	105	42	34	124	58	49	118
District of Columbia.....	43	50	86	60	44	135	103	94	109
Florida..................	84	58	145	74	59	126	159	117	136
Georgia..................	122	70	175	88	67	131	210	137	153
Idaho....................	16	15	109	12	10	120	28	25	114
Illinois.................	318	330	95	868	591	147	1,180	921	128
Indiana..................	118	118	100	187	139	134	304	257	118
Iowa.....................	114	89	128	134	107	126	248	196	127
Kansas...................	71	65	109	54	47	116	125	112	112
Kentucky.................	76	57	134	66	69	96	142	126	113
Louisiana................	66	58	114	74	65	113	140	123	114
Maine....................	23	27	84	39	27	143	62	54	114
Maryland.................	95	84	113	236	112	210	331	196	169

(Continued on following page)

Subscriptions to Third War Loan Drive Compared with Quotas, by States and by Classes of Investors (Cont'd)

Final Report

(Dollars are millions)

State	Individuals, partnerships and personal trust accounts			Corporations, associations and other investors			Grand total		
	Sales	Quota	Percent achieved	Sales	Quota	Percent achieved	Sales	Quota	Percent achieved
Massachusetts...........	$ 165	$ 176	94 %	$ 707	$ 607	116 %	$ 873	$ 783	112 %
Michigan................	218	225	97	344	226	152	563	451	125
Minnesota...............	102	96	107	176	120	147	279	216	129
Mississippi.............	44	34	129	21	19	111	65	53	123
Missouri................	125	129	97	246	191	129	372	320	116
Montana.................	22	19	117	19	16	118	41	35	117
Nebraska................	52	47	112	66	56	117	118	103	115
Nevada..................	6	6	102	5	4	115	11	10	109
New Hampshire...........	12	13	92	39	26	150	51	39	131
New Jersey..............	167	185	90	544	400	136	710	585	121
New Mexico..............	10	12	80	8	2	415	18	14	130
New York................	851	796	107	4,729	3,913	121	5,580	4,709	118
North Carolina..........	70	70	100	112	75	150	182	145	126
North Dakota............	21	17	124	14	12	118	35	29	121
Ohio....................	363	313	116	740	385	192	1,102	698	158
Oklahoma................	58	45	129	68	55	124	127	100	127
Oregon..................	86	58	148	69	46	150	155	104	149
Pennsylvania............	405	388	104	801	683	117	1,205	1,071	112
Rhode Island............	26	31	84	86	50	172	112	81	138
South Carolina..........	30	33	92	48	28	170	78	61	128

(Continued on following page)

Subscriptions to Third War Loan Drive Compared with Quotas, by States and by Classes of Investors (Cont'd)

Final Report

(Dollars are millions)

State	Individuals, partnerships and personal trust accounts			Corporations, associations and other investors			Grand total		
	Sales	Quota	Percent achieved	Sales	Quota	Percent achieved	Sales	Quota	Percent achieved
South Dakota..........	$ 23	$ 20	117%	$ 19	$ 15	127%	$ 42	$ 35	121 %
Tennessee.............	89	64	139	96	77	125	185	141	131
Texas.................	262	201	130	258	219	118	520	420	124
Utah..................	17	20	84	37	21	175	54	41	132
Vermont...............	8	9	86	19	18	103	26	27	98
Virginia..............	68	74	93	125	79	158	194	153	127
Washington............	81	88	92	140	103	136	221	191	116
West Virginia.........	64	42	152	71	34	209	135	76	177
Wisconsin.............	98	103	95	248	195	127	346	298	116
Wyoming...............	7	8	94	7	4	172	15	12	122
Territories & possessions	20	11	180	14	10	136	34	21	160
Subtotal..............	5,343	4,998	107	12,915	10,000	129	$18,262	14,998	122
Unallocated...........	34	2	-	21	-	-	51	2	-
Total.................	5,377	$5,000	108%	12,936	$10,000	129%	18,313	$15,000	122%
Federal trust funds....	-	-	-	630	-	-	630	-	-
Grand total...........	$5,377	-	-	$13,566	-	-	$18,943	-	-

Treasury Department

Note: Figures are rounded and do not necessarily add to totals. Percentages have been computed on unrounded figures.

Subscriptions to Third War Loan Drive
FINAL REPORT
By issues and by classes of investors

(In millions of dollars)

Issue	Included in drive					Outside of drive	Grand total
	Individuals	Insurance companies and mutual savings banks	Other corporations, associations and investors	Dealers and brokers	Total	Federal Trust Funds	
E bonds..............	2,472	-	-	-	2,472	-	2,472
F and G bonds........	565	5	261	*	831	-	831
Savings notes........	193	2	2,288	*	2,483	-	2,483
Certificates.........	366	255	3,177	322	4,120	-	4,120
2% bonds.............	1,220	1,926	1,483	480	5,109	151	5,260
2-1/2% bonds.........	561	1,939	706	92	3,298	479	3,777
Total...............	5,377	4,127	7,915	894	18,313	630	18,943

Treasury Department

* Less than $500,000.

TREASURY DEPARTMENT
PROCUREMENT DIVISION
WASHINGTON 25

FFICE OF THE DIRECTOR

SECRET

October 20, 1943

MEMORANDUM TO THE SECRETARY:

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

Progress is being made in the redistribution of Lend-Lease stocks, chiefly Russian, which, because of changed war and shipping conditions, have been made available for domestic use. Out of the approximately 200,000 tons of material released, 66,000 tons were sold and delivered as of September 30th.

Clifton E. Mack
Director of Procurement

LEND-LEASE
TREASURY DEPARTMENT, PROCUREMENT DIVISION
STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
AS OF OCTOBER 13, 1943
(In Millions of Dollars)

	Total	U. K.	Russia	China	Administrative Expenses	Miscellaneous & Undistributed
Allocations	$3965.3 (3965.3)	$1976.8 (1976.8)	$1557.5 (1557.5)	$109.7 (109.7)	$11.0 (11.0)	$310.3 (310.3)
Purchase Authorizations (Requisitions)	$3137.8 (3141.6)	$1685.4 (1695.6)	$1254.2 (1254.0)	$43.6 (43.6)	- -	$154.6 (148.4)
Requisitions Cleared for Purchase	$3059.4 (3005.6)	$1630.1 (1592.5)	$1236.0 (1232.4)	$43.1 (43.1)	- -	$150.2 (137.6)
Obligations (Purchases)	$2957.5 (2928.6)	$1595.7 (1571.7)	$1199.2 (1196.2)	$43.0 (43.0)	$7.9 (8.3)	$111.7 (109.4)
Deliveries to Foreign Governments at U. S. Ports*	$1351.2 (1342.9)	$941.9 (935.7)	$371.9 (370.6)	$19.6 (19.2)	- -	$17.8 (17.4)

*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 October 6, 1943.

EXPLANATION OF DIFFERENCE.

The decrease in Obligations in the Administrative Expenses Column is due to transfer of funds.

The reductions in Purchase Authorizations for United Kingdom are caused by cancellations and amendments to contracts.

AIRGRAM

From

Rio de Janeiro, Brazil.

Dated October 20, 1943.

Rec'd Oct. 25, 3 p.m.

The Secretary of State,
Washington, D.C.

A-2373, October 20, 1943, 1:00 a.m.

Department's telegram No.2649 of July 16,1943, 9 p.m.

The Director of Exchange of the Banco do Brasil has requested permission of the Minister of Finance to request the United States Treasury Department to further amend the Stabilization Agreement of July 15, 1937, as amended June 4, 1943, to permit gold sales by Brazil to the United States up to a maximum of $300,000,000. The Director of Exchange estimates that on the basis of current trends the present agreement limitation of $200,000,000 will be reached by the end of November this year.

It is requested that the Treasury Department be informed of the foregoing.

CAFFERY

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BRITISH MOST SECRET

COPY No. 12

OPTEL NO. 345

Information received up to 10 a.m. 20th October.

1. NAVAL On 17th/18th two of H.M. Destroyers bombarded KALYMNOS and set fire to a medium sized cargo ship in the harbour. On 18th/19th KALYMNOS was again bombarded by one of H. M. Cruiser and one of H. M. Destroyer s. Our ships were bombed on each occasion.

2. MILITARY Italy 8th Army PETACCIATO has been captured and three enemy counter attacks repulsed at MONTECILFONE. Southwest of CAMPOBASSO Canadians have captured NARANELLO and the high ground to the south.

5th Army Further progress made North and North-east of CAPUA.

3. AIR OPERATIONS Western Front 18th and 19th HANOVER. 1609 tons dropped including nineteen 8000 pound and 287 4000 pound H. E. and 718 tons of incendiaries. Not possible to estimate degree of success owing to weather but some large scattered fires and one very heavy explosion reported. Moderate heavy A/A and may searchlights co-operating with fighters using flares. 41 R.C.A.F. and 35 R.A.A.F. took part. 2 Australians missing.

19th. Escorted Beaufighters of Coastal Command off IJMUIDEN made several hits with rocket projectiles and cannon on the liner STRASBOURG 13,400 tons in tow. Three escort vessels were damaged. Aircraft of Fighter Command off the Dutch Coast severely damaged a naval auxiliary, a dredger and a 1,000 ton ship

19th/20th. Five enemy raiders flew over the South Coast, three of them reached Central London. Only 2 fatal casualties so far reported.

Italy 17th. Total of 32 Invaders, (A 36, Divebomber type Mustang) bombed a ridge 10 miles Northwest of CAPUA and 2 road junctions near NAPLES and GAETA.

18th. 30 Invaders bombed railway yards at VENAFRO Southwest of ISERNIA.

Albania 18th. 63 Spitfires carried out sweeps and escorted shipping off the Coast.

Southern Yugoslavia 18th. 36 escorted Mitchells and 46 Lightnings attacked the railway centre at SKOPLJE hitting the passenger station repair shops, storage yards and rolling stock.

Aegean Area 17th/18th. Allied heavy bombers dropped 14 tons at MARITZA airfield. 7 light bombers attacked air fields in CRETE. Wellingtons bombed warehouses and a jetty in SYROS harbour.

18th. 21 JU 88's bombed CASTELLORIZO. Hurricanes from CYPRUS intercepted and destroyed three of them.

18th/19th. Wellingtons torpedoed a 3,600 ton ship north of CRETE leaving it stationary and on fire.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Oct. 21, 1943

TO Secretary Morgenthau

FROM Mr. White

1. Stabilization Fund's Gold Transactions

During the three months ending September 30, 1943, the Stabilization Fund sold approximately $231.0 million in gold to foreign countries principally to be earmarked for their accounts with the Federal Reserve Bank of New York. Sales by countries were as follows:

Country	Sales in millions of dollars
Argentina	43.892
Brazil	54.863
Chile	5.093
Columbia	4.900
Costa Rica	5.000
Ecuador	4.782
Guatemala	5.075
Iran	1.000
Mexico	74.000
Salvador	.994
Sweden	9.975
Switzerland	9.976
Uruguay	7.482
Venezuela	4.000
Total	231.032

In addition, the Fund purchased approximately $5 million in gold from the earmarked account of the Royal Netherlands Government.

In order to maintain its gold balance, the Stabilization Fund purchased $222.9 million in gold from the Treasury General Fund.

As a result of the above transactions, there was a net decrease of approximately $3.0 million in the Stabilization Fund's gold holdings to about $7.4 million as of September 30.

2. Treasury Gold Stock

During the September quarter, the Treasury's gold stock decreased by $212.6 million to $22,174.9 million as of September 30. Known and estimated sales and acquisitions were as follows:

Sales	Millions of dollars	
Sold to the Stabilization Fund	222.9	
Sold to Industry	1.0	
Miscellaneous	3.8	
Total		227.7
Acquisitions		
Newly-mined domestic	7.6	
Imports sold directly to mints and assay offices	6.4	
Miscellaneous (coin and scrap)	1.1	
Total		15.1
Net decrease in the Treasury gold stock		212.6

3. Total Gold Holdings of the United States

	June 30, 1943	September 30, 1943
Treasury Gold Stock	22,387,522,107	22,174,951,528
Stabilization Fund Gold	10,500,529	7,448,075
Total	22,398,022,636	22,182,399,603

The decrease in the gold holdings of the Treasury and the Stabilization Fund during the September quarter was $215.6 million.

TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE
Thursday, October 21, 1943

Press Service
No. 39-20

Representatives of the Netherlands, Belgium and Luxembourg, on behalf of their Ministers of Finance, today handed to the Acting Secretary of the Treasury copies of a monetary agreement signed in London today by officers of these governments.

An official statement made on behalf of the three governments follows:

"The Netherlands Government on the one hand and the Belgian and Luxembourg Governments on the other hand (these latter bound by an Economic Union since July 25, 1921) signed today a financial agreement which they believe will have a favorable influence on the development of trade in the post war period. Following the principles of free economic relations laid down in article 7 of the Lend Lease Agreements which both parties have signed, they have for some time studied the possibilities of laying the basis for closer economic cooperation after the war.

"Realizing that restrictions on the use of foreign currencies constitute one of the greatest obstacles to international trade, the two parties have agreed to put at each other's disposal the respective currencies needed for their mutual relations.

"Thus, the Governments concerned feel that the exchange of goods and services will take place unhampered by a possible insufficient supply of exchange.

"Appreciating the importance of monetary stabilization, both parties have agreed upon a stable rate of exchange between their respective currencies, which is identical to the rate prevailing before the war.

"This agreement should not be interpreted as an impediment to the adherence on the part of the Belgian and Netherlands and Luxembourg Governments to larger monetary plans but the concluding of this agreement is a first concrete step towards the realization of any international agreement aiming at currency stabilization.

"The Netherlands, Belgian and Luxembourg Governments hope that by signing this financial agreement which includes not only those countries in Europe proper, but also all territories belonging to or mandated to the Kingdom of Belgium or the Kingdom of the Netherlands, they have made a real contribution towards international cooperation and the development of a Good Neighbor Policy; other countries can become parties to the agreement on a basis of reciprocity and it is hoped that in this manner economic relations in the post-war period will be facilitated.

"During a considerable period before the war, closer financial and economic relations between Holland and the Belgo-Luxembourg Economic Union gradually furthered a mutual understanding. During the war, in which these countries faced the same enemy, cordial relations continued and created the atmosphere in which the conclusion of this far reaching agreement was made possible. On the basis of this agreement, experts of both parties will study the methods to insure friendly trade relations which they hope will ultimately lead to the elimination of trade barriers which might form an obstacle to commerce.

"Washington, D. C.,
October 21, 1943."

In the delegation which delivered copies of the agreement and of the accompanying statement to the United States Treasury were Dr. B. Kleijn Molekamp, Minister Plenipotentiary of the Netherlands, Baron Herve de Gruben, Counselor of the Belgian Embassy, and Hugues Le Gallais, Minister of Luxembourg to the United States.

Speaking for the Treasury Department, Acting Secretary Gaston said:

"I know that Secretary Morgenthau not only will appreciate being informed so promptly of this agreement but will welcome the action taken by the Governments of the Netherlands, Belgium and Luxembourg. As the agreement itself indicates, it is an application of the good neighbor policy which holds great promise for the restoration of economic as well as political order in the world after victory in the war against the agressors is won. Agreements made in the spirit in which this understanding has been reached will contribute greatly to the stabilization of currencies and to the revival of sound international trade in a reconstructed world.

"It is a manifestation between neighbor nations of the same spirit of cooperation in international monetary matters that Secretary Morgenthau has advocated for application to a broader area. The agreement will itself facilitate the effort to attain understandings of broader scope."

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AIRGRAM

Secretary of State,

Washington.

FROM CHUNGKING

Date Sent: October 21, 1943 (by pouch)

A-72, October 18, 10 a.m.

Rec'd: 11-5-43 11 a.m.

The Kwangtung Provincial Bank, with head office now at Kukong, Kwangtung, has inquired as to the possibility of opening a branch in Chicago, Illinois. As the Embassy has no information in regard to the banking laws of the various states, it will be appreciated if the Department will inform us as soon as possible whether the banking laws of Illinois permit the opening of branches by foreign banks. If so, general information is requested as to the procedure and requirements.

GAUSS

JBR/mcl

eh:copy
11-9-43

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COPY No 12

OPTEL No. 346

Information received up to 10 A.M. 21st October 1943.

1. NAVAL

Levant 19th/20th. Three of H.M. Destroyers carried out sweep in Aegean without opposition and one of them bombarded KOS blowing up a petroleum dump. One of H.M. Submarines is overdue and must be considered lost.

2. AIR OPERATIONS

Western Front 20th 213 Fortresses (B.17) with Fighter support despatched against DUREN (29 miles South West of COLOGNE) of these 92 aircraft dropped 260 tons in cloud results unobserved. 8 Fortresses missing, 1 crashed in the sea. Spitfires (3 missing) carried out sweeps over FRANCE. Enemy casualties 9.0.1. Escorted Typhoons attacked air fields at WOENSDRECHT and in ST. OMER area. Mustangs (P.51) damaged 6 locomotives.

20th/21st. Aircraft despatched. LEIPZIG 358 (16 missing) BERLIN, EMDEN, BRAUWEILER and KNAPSACK 29, Sea-mining 12, Leaflets 31, Intruders (1 missing). At LEIPZIG thick clouds bad weather and bombing scattered. 31 enemy aircraft operated over Southeast England and East Anglia, also 27 minelaying mostly off Yorkshire Coast. 10 penetrated to London area with casualties nil, 1, 1. A fire was caused at WOOLWICH ARSENAL and bulk of serious casualties at Bethnal Green.

Italy 18th. In addition to attacks on railway yards 66 Invaders (A.36) attacked airfield in ROME area, destroying 15 enemy aircraft on the ground and 3 in combat

19th. 11 Liberators (B.24) destroyed 4 bridges in area South Southeast of ANCONA. 43 Invaders attacked airfields at VITERBO and TARQUINIA destroying 14 aircraft on the ground. 159 light bombers and 234 Fighters attacked communications in battle area.

Crete and Dodecanese 18th/19th. 9 heavy bombers attacked ANTIMACHIA airfield (KOS) and 6 light bombers raided HERAKLION Airfield (CRETE)

Burma 17th. Effective attacks on railway 150 miles North of MANDALAY by 26 heavy and medium bombers. Ends.

MEMORANDUM FOR THE SECRETARY.

October 22, 1943.

Mail Report

Not for a long time has mail been so dull as it was this week. A drop in tax mail and a rise in bond mail kept the volume of correspondence about as it was last week, and the various discussions were little more than re-echoes of earlier letters.

Only a handful of the communications carried objections to higher taxes, or to the new Treasury Tax Bill, and these had lost much of their edge. Along with a dozen inquiries as to tax matters, chiefly refunds that are said to be due, there were 50-odd suggestions about possible sources of revenue. Included in these were 19 letters on a sales tax -- 9 for and 10 against, 2 endorsements of the CIO tax program, and 3 plans for Federal lotteries, as well as many ideas for miscellaneous taxes.

With the beginning of the Third Bond Drive, reports of overpurchases of Series E bonds rose sharply, and have continued to come quite frequently. There must have been some publicity concerning the Statute that prohibits the Secretary of the Treasury from buying Government bonds, for several have written to know why he is thus prohibited. The idea-of-the-week for sales promotion was a small denomination bond issued particularly for use as a Christmas gift. Other bond questions and suggestions -- and there were many of them -- followed the usual well-worn grooves.

This week brought 63 bonds for redemption, again about 20 of them postmarked Patchogue, New York. Complaints about delayed bonds from persons connected with the War Department reached 42, which now represents an average weekly figure. There were 28 individual reports of interest that was overdue on Bonds.

Memorandum for the Secretary. October 22, 1943.

The remainder of the week's mail was centered on the census of foreign property, on new pennies, and on the Salary Stabilization Amendment. The last of the three continued to draw exceptionally heavy fire, especially from Congressmen or their constituents who asked Congressional intervention in the matter.

Fewer demands for Government economy were made this week, and anonymous and abusive mail was infrequent. The only newspaper article that caught the interest of correspondents was one entitled, "I am the Treasury of the United States", by Benjamin DeCasseres, printed in The New York Journal American. A few of the clippings of this article were accompanied by letters pointing out its detrimental effect on bond sales.

G. E. Forbush
by Kay Pearson

General Comments

Congressman Lex Green (Florida). Reference is made to communication of October 15 addressed to you by Honorable S. W. Getzen, Vidal Building, University Avenue, Gainesville, Florida, and urging that the wives and dependents of soldiers may not have to pay to local banks exchange or fees for the cashing of allotment checks. I shall be glad to hear from you concerning any relief which may be had concerning this.

F. Louise Croissant, Albany, N.Y. Perhaps unfortunately some years ago I purchased a Chile bond. Now, according to the Foreign Funds Control of your Department, I am obliged to fill in a few answers on 4 sheets of paper 8½ x 14. The pamphlet containing instructions for filling out TFR-500 consists of 24 pages of fine print. Our country existed for many years without such a census, and in these days of newsprint shortage and manpower shortage, it seems reasonable to believe that our country could have existed for awhile longer without spending so much time, effort and money. If there is any good reason for taking this foreign property census now, some of my friends and I will be very glad to have it explained to us by someone in your office.

Mrs. Richard Worrell, West St. Paul, Minn. Another Churchill "baby" has made its appearance. This time our own Secretary of the Treasury has been appointed to make the secret negotiations behind locked doors, in aiding in the establishing of a "World Money Stabilizing Plan". Of course, the American people, who are carrying the brunt of all of Churchill's established policies, are, as usual, kept in the dark. How long does Churchill and his American "yes-men" think that our really true citizens will tolerate this interference with old established principles? Our monetary system has served us well indeed - why change it? * * *

Spruille Braden, Ambassador of the United States of America, Habana, Cuba. I take pleasure in enclosing herewith a certified check for $250.00 payable to and endorsed by me, which I have received from Mr. L. Vernon Andrews, President of the Comité Pro-Defensa de la Democracia, Manzanillo, Province of Oriente, for transmission to the Treasury Department. Mr. Andrews has requested that this amount be consigned to a special fund for donations to the war effort. I have expressed to the Comite, through Mr. Andrews, my sincere appreciation of their generous contribution to our cause.

Senator Allen J. Ellender, (Louisiana), sends a letter he has received from R. N. Burg, Secretary, Unity Life Insurance Company, New Orleans, Louisiana, which reads as follows: * * * This business is primarily conducted by salesmen who are compensated solely upon a commission basis. We have not changed our "commission rates", but if we are limited to paying our salesmen the same "dollar income" in 1943 as they earned in 1942, it would be necessary for us to throw out of immediate service about 168 employees. These commission agents have already earned more "dollar income" in 1943 in the nature of "commissions" than they earned in 1942, without any change having been made in the COMMISSION RATES. Such a ruling is absurd. How does this Government expect people to purchase Bonds, or even exist, if their income is being constantly interfered with by the Governmental Agencies and the cost of living continuing to rise, all the hocus-pocus of the bureaucrats to the contrary notwithstanding. * * *

C. L. Straw, President, National Bank of Paulding, Paulding, Ohio. For God's sake - GET RID OF THE WHITE PENNIES. You will learn sometime that some old things are best. There is no need for more pennies. We hold all white pennies out of circulation.

Congressman Joseph P. O'Hara, (Minnesota), sends the following letter he has received from Charles L. Hoffman, Executive Vice President, Minnesota Employers' Association, St. Paul, Minnesota: * * * The National War Labor Board has consistently held that the "rate of pay" was the principal item over which they exercised control. It is not necessary to obtain WLB approval to pay higher wages because of longer hours of work, or to pay larger commissions because of greater sales, provided the rate of pay per hour or the commission rate has not been increased. On September 30, the Deputy Commissioner of Internal Revenue issued a ruling in respect to salesmen commissions to the effect that if total commissions during the current year, calendar or fiscal, exceeded the total amount paid during the last bonus year, prior to October 3, 1942, approval must be obtained to pay such increased amount. * * * Thus, the Treasury Department takes an exactly opposite position from that of the WLB. * * * Imagine the predicament in which an employer is now placed. Assume that he has written contracts to pay certain commissions based upon sales. One salesman earned $4,000.00 in 1941. His 1943 commissions total $4,900.00, and WLB has jurisdiction and permits payment of the increase without application of approval. Another salesman earned $4,000.00 in 1941, but is entitled to $5,200.00 in 1943. Who has jurisdiction and what amount can be paid? Another salesman earned $5,200 in 1941 and has been paid $6,000.00 by the end of October, 1943. The employer in this case, must apply to the Treasury Department for approval to pay any amounts due, or to become due within the current year. Certainly the salesman is entitled to his full commissions and could undoubtedly bring legal action against the employer for failure or refusal to pay him. What, then, if the Treasury Department refuses to approve such sales? On the other hand, how can an employer know as of November 1 what sales one of his salesmen may make between that date and December 31? * * *

William K. Purves, Jr., Sacramento, California. On October 28, I will be 9 years old. My grandfather is giving me $20 for my birthday. Here it is. My birthday will be a very happy one if you will give this $20 to the Coast Guard Academy at New London. * * *

Congressman H. C. Lodge, Jr., forwards the following letter from J. Arthur Krauss, Newton Center, Mass.:
As my compensation is strictly on a commission basis on net shipments, I will be seriously affected by the recent arbitrary ruling of the Treasury prohibiting my employer from paying me more in dollars this year, regardless of my sales, than in the fiscal year ending prior to October 3, 1942, without their approval. * * * If it is necessary to keep us from making a little more money, they should not have waited until the year is almost gone to make the ruling. In my particular case, if this ruling is upheld, I will either have to borrow money or cash War Bonds that I had hoped to hold to maturity, to cover my living expenses for the balance of the year.

Favorable Comments on Bonds

H. K. Edgerton, President & Treasurer, Lebanon Woolen Mills, Lebanon, Tenn. I believe that you can make many, many sales if you would reinstate the "A" Bond. Of course, there are many who are not subject to the withholding tax, and if they are, they have to pay additional income taxes because of outside income. This "A" Bond, of course, is for the little fellow because the "C" Bond is of such large denomination. If the "A" Bond had been available during the Third War Loan Drive (as local chairman, I am familiar with it), I believe it would have increased our sales considerably. We need a Bond of this type to help pay our Federal taxes and it is hoped, after you investigate, that you can reinstate this Bond, or issue one that is similar to it.

Charles Mislen, West New York, N.J. Your Bond Drives have been swell and went over 100 percent -- a hard job, but done well. * * *

Unfavorable Comments on Bonds

Senator James E. Murray, (Montana), sends letter he has received from L. S. Olsen, Seattle, Wash., which reads as follows: * * * A story that is going the rounds among workers here will result in a marked decrease in War Bond investments. This story, and it may be propaganda, is to the effect that after this War, our Government intends to increase the value of gold from $35 to $105 per ounce, so as to reduce the War debt through this increased gold value. Workers here say that if this should come to pass, they will receive only one-third of the present value of their investment in Bonds. I am still purchasing $150 per month in Bonds, and will continue to do so for a while at least, as I want to find out what truth there is to this story. Some say the U. S. Treasury is back of this move, others say it is a part of the Republican Presidential platform, but which is not supposed to see daylight until after they control the reins of Government. * * *

Henry S. Loomis, Mt. Vernon, N.Y. * * * In spite of the huge success of the campaign just now concluded, it is evident that the small buyer has not invested to the extent hoped for, and that therefore the counter-inflationary aim of the issue was not entirely realized. One reason for this result is that the purchase of Bonds was not presented to the small buyer in a manner that parallels the offerings of merchandise that he is accustomed to buying. The approach that has been taken so far, is that used for raising large funds from those accustomed to investing in, or contributing to such funds. * * * A million prospective subscribers to the last loan were scared out of a purchase by big bids, or, seeing the big bids made, said to themselves, "Let the big fellows do it". Many a theatre performance was a success from the measure of money raised, but a flop from the number of little fellows buying. Plain Janes and Joes went to a rally with $18.75 to $75.00 in their fists, and took the wad back home to spend after all, because they would not put themselves up to look like pikers. For the same reason they hesitated to buy from the neighborhood volunteer "Bondardier". Tell these folks, "We want your $18.75 and you cannot lend us over $75.00 this time", and you will get them by the million. * * *

Dan Kelly, San Francisco, Calif. September, 1942, I bought one $25.00 Bond at Ft. Leonard Wood, through Major Munger, and I am satisfied this Major, or would-be Major, has appropriated this $18.75 to his own use, as I have written at least 25 letters, and no Bond. The company I am employed by wants to know why I do not buy Bonds. Do you blame me? Will you look into this as I am satisfied this has gone to one of the Major's parties.

Elmer A. Hall, Los Angeles, Calif. I would like some information on a Bond I was buying while I was in the Army, stationed at St. Petersburg, Fla. I lacked one payment having the Bond paid for when Major Davis of Orlando, Fla., 26th Air Base, cancelled it. He gave no information on how to complete the Bond, or if my money would be returned to me. * * *

E. M. Seifert, Jr., Chairman, Salinas War Finance Committee, Salinas, Calif. After the Second War Loan Drive, your Department asked for names of those who participated in the selling of Bonds. Subsequently, we each received a "Certificate of Patriotism". We are not sending a list of names this time because we want to save our country needless expense and wasted manpower hours to put out these certificates. What has been the cost of putting out these certificates in the past? Although the money is spent, and nothing can be done about that, your answer will show us how much we can save in the future by not doing something we all here feel is entirely unnecessary.

Lee Powell, Hotel Monterey, N.Y.C. I owned $6,000 of Treasury 43/45 Bonds which were called October 15, 1943. I intended to replace them with the 2½% Treasury Bonds of the Third War Loan. On this day, October 15, when I went to my bank to make this exchange, I found out I was too late, as October 11 was the last day for this. Now if I want to make this exchange, I must pay a premium and commission, so instead I took the cash. I take the N. Y. Sun and World Telegram every day and saw nothing in the financial pages stating when they must be exchanged. After all the effort made that we should buy War Bonds, a person would think that they would get a chance to do so.

Geo. I. McFarland, Baraboo, Wis. During the last War Bond Drive I purchased two $1,000 Bonds and received Bonds immediately. During 1942 I worked at the Badger Ordnance Works plant near Baraboo. I was employed in the Corps of War Department Engineers from May, 1942, to January 15, 1943. I bought War Bonds, and during the latter months I subscribed more than 98% of my salary for War Bonds. In November, 1942, I had one $500 Bond paid up, and in January, 1943, I had the second $500 Bond paid up. Up-to-date I have not received any Bonds. I can understand that Federal offices are overworked and that there could be confusion under War conditions, but I cannot reconcile this delay in delivering Bonds to subscribers with any reasonable efficiency.

L. F. Hofer, Portland, Oregon. I would greatly appreciate knowing the reason for mailing interest checks covering interest on Series G Savings Bonds, by Air Mail, as per enclosed envelope. I am curious as to the reason for mailing these checks by Air Mail, which involves not only what appears to be six-cents additional postage expense for each enclosure, but principally the taking up of air transport space which is so closely rationed and at such a premium today.

Mrs. L. Huschke, Janesville, Wis. I am writing in regard to some Bonds my son has. He is in the Navy and overseas. He was engaged to a girl so sent money to her to buy Bonds for their future. She got four and has her name on also, and now has broken the engagement and will marry another fellow next week. She gave me the Bonds but will not sign off. How can I get them into just my son's name now, as she is not entitled to them now? He does not get back to the states any more so will you tell me how to get them out of her name? * *

F. J. Dedekam, Boonton, N.J. In connection with the last drive to sell War Bonds, I, as Air Raid Warden, was asked to cover my district, which I naturally gladly did. I sold some Bonds and took $75.00 worth myself, which I, for personal reasons, had requested in two $50 Bond certificates. To my great surprise the bank sent me one $100 certificate and I had to take the trouble to go to the bank to find out why my request had been ignored. All the satisfaction I got was that I was told it was Government orders. * * *

Mrs. Florence Phillips, Bradford, Pa. I was Minute Man on the Bond Drive for the War Department Pittsburgh Ordnance. We have only received one Bond for 1942. I have four coming and other women have several due. Now, not receiving the Bonds hurt the payroll plan in this district as they feel if they are not going to get their Bonds, why pay for them? We have tried different ways to get action on this, and have failed. I hope your office can give us some action, or at least refer us to the proper office.

Charles E. Howard, Lt., A-V(S), USNR, U. S. Naval Air Station, Livermore, Calif. The other day I received from your office a folder descriptive of the various Bonds issued by the Government in connection with the Third War Loan, on the last page of which a series of hypothetical questions are asked and answered - among which appears the following: "Will the Government accept a personal check in payment for a Bond?" "Yes". * * * Yet, in my case, it is so difficult to buy these

Bonds, and I am sure that these facts hold true in many other cases of the men in the services, that I am sure you should know of it. I sold my home when I went into service and have continued banking in my home city of Detroit, Mich. I am stationed at a small Naval Station where it is practically impossible for me to get to a local bank. The proceeds of my home sale are being paid me monthly, and I had intended to purchase, as was so strongly recommended, Series E Bonds through our local Post Office in Livermore, Calif., as long as I am here. Today I took my personal check to the Postmaster of Livermore for $3,750 to purchase these Bonds, and this check was refused unless I would wait for the check to clear, and then these Bonds would be delivered to me. A man in the service cannot wait for all this to take place because he may be transferred (one of the serious objections to the allotment for Bonds which I encountered as one of the Bond officers in a recent drive at the Naval Station). Further than that, I have never, until today, had a loan which I was making questioned because a personal check was offered. * * * It seems to me that the Government would be taking absolutely no chances in delivering the Bonds at the time the check is presented. It all seems backward to me and that the reaction of others to such a rule might be the same as it was with me. It is a lender-borrower transaction and usually the suspicion of the worth of the loan is not cast upon the lender. Maybe I'm wrong.

Favorable Comments on Taxation

Samuel Sharpe,(Attorney), N.Y.C. Will you kindly send me a copy of the statement made by you before the House Ways & Means Committee recently, outlining the Treasury's fiscal program, and a copy of the statement made before the same committee, in support of the Treasury's program, by Mr. Randolph Paul, the Treasury's very able General Counsel? Your persistent refusal to support a general sales tax, in the face of the vigorous criticism of the big-business press, is most commendable. More Power to you!

Unfavorable Comments on Taxation

Letter signed by 29 teachers of Dover High School, Dover, N.J. We school teachers, forgotten members of the so-called white collar class, have been reading with anxiety about the several proposed new tax measures being considered by our Government. Now, we hasten to beg fair consideration of what may happen to us if taxes should climb. * * * Out of our small salaries most of us are attempting to pay for homes, provide for the future through small amounts of life insurance, and purchase War Bonds as often as is prudent. * * * Isn't it true that all our tax levies are supposedly based on the financial ability of a person to pay? However, groups of people on fixed incomes like ours stand to lose homes, life insurance, and pensions because our salaries shrink and may continue to shrink to the vanishing point. On the other hand, those whose wages have skyrocketed are by contrast waxing fat. * * * If we in our efforts to make a contribution to the general welfare offer services which are no longer needed, then we deserve to be forced into something more remunerative and more necessary to the winning of the war. However, if education contributes some little good to the future of the country we love, may we not have some consideration in the new tax proposals -- enough that will at least enable us to carry on without fear of total economic disaster?

Marshall W. Sergeant, Detroit, Mich. The most recent punitive action attempted by both the Treasury and Navy Departments against the Lincoln Electric Company of Cleveland, Ohio, is extremely distasteful to any real American, and must be equally pleasing to all un-American groups who wish to destroy the Governmental ideals of our forefathers. I am aware of the Lincoln's hostility to the New Deal. How, I ask you, could anybody who operates with real efficiency feel otherwise? The Bureau of Internal Revenue harassed the Lincolns by sending squads of typical New Deal investigators to try to find something wrong with their income tax reports, and found everything 100 percent correct and in order.

The Lincolns had to get a court injunction to prevent these same investigators from carrying away their records. * * * The Lincoln family has made millions by hard work and efficiency of operation, and their Incentive Plan, yet they live in their homes on probably five thousand, and not over ten thousand dollars per year. Can you imagine anything more American? And can you point out any New Deal Bureaucrats or any labor leaders who have made as much, honestly, and who live as democratically among their fellow men? * * * Please remember that we are in a war and that it is no time to pick on the most efficient operators because their policy for years has been to pay their employees well, without the help (?) of a Union, and because they get a day's work for a day's pay.

John P. Gaty, Vice President-General Manager, Beech Aircraft Corporation, Wichita, Kans. * * * Due to the discrepancy created by Section 404.9, (a-2), of TD5277 the employer is unable to give the employee credit for the excess of his weekly income tax exemption over his basic weekly gross wages on any supplemental wage payment, based on a specific pay period. This results in a generous overpayment of income tax to the Federal Government. The attitude of employees toward this unfair collection of taxes has caused great concern because of its effect on the original purpose of our incentive wage plan. It has been proven the incentive wage method of payment has reduced labor turnover, absenteeism, and has provided an ever-increasing efficiency of production of vital war materials through the personal incentive of every employee of our organization. * * * The purpose of this section is not clearly enough defined to enable us to change the attitudes of the employees affected to their satisfaction, and as a result we are confronted with a major labor problem.

Mrs. T. F. Sanders, Des Moines, Iowa. * * * My husband, a brick mason, was employed by a firm here for only two days in one week, making $26.00. They deducted Social Security, which was 26¢, and a withholding tax of $3.80, leaving a total of $21.94 for his entire week's earnings. By law he is allowed $24.00 as he is married and living with his wife and claiming all exemptions, so the excessive amount of $3.80 on a $26.00 week's check is an error on their part, is it not? My husband consulted the officials of the company, but they insisted they were correct and that a clerk at the Federal Office had approved their system of taxation. Is your office approving such a seemingly flagrant case of tax injustice, or is that the tax plan of the Administration? * * *

William M. David, Vice President, The Pennsylvania Co., (Insurance), Philadelphia, Pa. * * * We are Executor of the Estate of Franklyn Sharpless who was a First Lieut. in the U. S. Army Air Corps and who lost his life on July 1, 1942. After the passage of the last Income Tax Act we put a claim in for refund of the 1940, 1941 and 1942 income taxes which either the decedent had paid prior to his death or we paid as Executor. The Treasury has just advised us that the claims for 1940 and 1941 are disallowed because the tax was paid in both instances prior to the date of his death (the 1940 tax was paid in March 1941, and the 1941 tax in March 1942). We are not questioning this opinion of the Treasury Department, but I would like to point out this to you. If a man in our armed forces is good enough to pay his tax when it is due, and later loses his life in action, apparently no refund will be available, but if he avails himself of his privilege and does not bother to make a return, or, if he makes a return, doesn't bother to pay the tax, then apparently the tax is forgiven. To put it a little bit differently -- there seems to be a premium on the nonpayment of taxes. Certainly it seems to me only fair that if unpaid taxes are forgiven, taxes which are paid for the same period of time by other men in the armed forces should be refunded. * * *

PARAPHRASE OF TELEGRAM

SECRET FOR THE PRESIDENT FROM THE SECRETARY OF THE TREASURY.

Your 1946, October 22, 12 p.m.

The following replies to your suggestion of October 22 that Sir John Anderson and I should discuss in London the considerations presented in the September 9, 1943 memorandum on the financial position, which Sir Kingsley Wood sent to me.

Before the matter is taken up with the British it would seem to me desirable that the interested agencies of the United States Government should come to agreement. Problems of that character have been for some time considered by an informal committee, on which there are representatives of Mr. Crowley's organization, Lend-Lease, State Department, Navy, War, and Treasury. I had already cabled home that until my return further action should be suspended on the draft proposed letter to Mr. Crowley. This letter was designed to obtain the reaction of all representatives on the informal committee before any definite recommendation was made and the draft was submitted to each member. I had received cabled information that the American members differed in their views as to whether it was wise to take action proposed in the draft of the letter to Mr. Crowley.

I suggest that because of this apparent difference in view as to the course which it would be wise for us to follow that more effective progress could be made if an attempt is made first to reach agreement among our own interested agencies. We have received from the British Government full data on which to base a recommendation and full information as to their views in the matter.

Therefore, before any final action is taken and if there is agreement among the members of the informal committee as to their recommendations, of which you approve, the matter can be taken up in Washington with the British representatives, among whom there are several who have taken part for many months in discussions of the matter and to whom the problem is thoroughly familiar.

If you still believe after receipt of this cable that I should go to London, I shall of course go willingly. In the event that I am to go, it seems to me of the utmost importance that I should have instructions to present the point of view of the Treasury to Sir John Anderson, which point of view should be of course that of the Administration.

Should appreciate word from you in Cairo, where I shall arrive on Monday. My plans are to be there two days.

SECRET

PARAPHRASE OF TELEGRAM
SENT OCTOBER 22, 1943

U.S. URGENT

AMERICAN CONSUL

ALGIERS

No. 1946 midnight

The following message is to be given to Secretary Morgenthau from the President. Quote: pending reply from you on the following, I am requesting Mr. Crowley to defer discussions with the British, which he wishes to initiate and which propose that reduction in British balances be brought about by reduction of lend-lease supply of civilian goods. If you find it convenient, I believe it would be desirable for you to discuss with Sir John Anderson considerations which are set forth in memorandum sent you by Sir Kingsley Wood, dated September 14, 1943, and which deals with the British financial position. Full consideration should be given by each government to the other's views in this matter, which is of importance to both and which each will desire to consider frankly. Your report should enable us to make a sound decision, as I am certain that you and Sir John can make headway in bringing about a mutually satisfactory conclusion by the two governments.

The Dominican
Republic
(Seal)

TRANSLATION

THE SECRETARY OF STATE FOR TREASURY AND COMMERCE

Ciudad Trujillo,
Dominican Republic,
October 22, 1943.

Excellency:

I am pleased to acknowledge receipt of your courteous communication of September 14 with the new corrected draft of the proposal for the establishment of an International Monetary Stabilization Fund, prepared by the technical experts of the United States.

The Department in my charge has taken note of all that was expressed in your communication, with the purpose of taking it into account in the realization of the careful study of the above mentioned new formulation of the plan which you have been so good as to submit for our consideration.

We are pleased to learn that the conversations carried on with the United States experts by the technical representative of the Dominican Government, Sr. Henneman, have been profitable for the favorable success of the work and the meetings carried on in this connection. We hope that in a similar manner the conversations carried on by him may be useful for our definitive edification concerning the possibilities of the matter.

We remain in the hope of new information which, according to your promise, Your Excellency may have the opportunity to send us in the future and for which--as for information which you have already submitted to us--we give you our highest thanks.

Very sincerely,

(Signed) J. FURCY PICHARDO,
Secretary of State for Treasury and Commerce.

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

[redacted]

NOT TO BE RETRANSMITTED

12

U.S. SECRET

BRITISH MOST SECRET

OPTEL No. 347

Information received up to 7 A.M. 22nd October, 1943.

1. MILITARY Italy 8th Army. Oup patrols reached River TRIGNO in the Coastal Sector. East bank of River BIFERNO reported clear of enemy.

5th Army. U.S. troops have captured PIEDIMONTE D'ALIFE and ALIFE. Bridgehead over River VOLTURNO north of CAPUA is now 8 miles deep. On coastal sector canal 3 miles North of River VOLTURNO is considerable obstacle but 3 ferries are in operation. 6 bridges are now in use over VOLTURNO

Aegean Germans occupied LEVITHA and SYMI on 19th and 20th.

Russia Bridghead North of KIEV has been expanded. PETROV (50 miles South of KREMENCHUG) has been captured. Centre of MELITOPOL is clear of enemy and fighting continued North and South West of town.

2. AIR OPERATIONS Western Front 20th/21st. 1013 tons dropped on LEIPZIG. 21st/22nd. Mosquitoes despatched without casualty: EMDEN 6, BUDERICH 4, DORTMUND 1, Intruders 4. 8 enemy aircraft (1 damaged) operated over S.E. England. 3 reached LONDON. Some damage and a few casualties from single bombs in scattered places.

Italy 20th. 54 Escorted Fortresses (B.17) (1 missing) bombed airfields in ROME area destroying 15 aircraft on the ground, Mitchells (B.25) dropped 25 tons on CORVETERI airfield (25 miles W.N.W.).

Rome Heavy and Medium bombers attacked 3 bridges 55 to 80 miles N.W of Rome hitting target in each case. Near ANCONA a train destroyed by Warhawks (P40F).

Yugo slavia 20th. Escorted Mitchells successfully dropped 46 tons on railway centre at Nish.

Burma 20th. 24 enemy vombers escorted by 18 Fighters attacked CHITTAGONG causing only slight damage. Enemy casualties. 0.4.3. Ours 3 Hurricanes missing 1 pilot safe.

84

10/23/43

Reading copy of Secretary's address with General Eisenhower broadcast from Allied Headquarters in Algiers at 6 p.m., Saturday, October 23, 1943.

This is a busy and exciting place. It is the nerve center of the war we are fighting successfully against the Nazis.

General EISENHOWER, the brilliant Commander-in-Chief of all our Allied Forces in this area, is here. On his staff British and American officers are working in a team - working so closely and with such mutual understanding that except for their uniforms and insignias it would be difficult to tell that two separate nations are represented.

Down the street a few blocks from where I am speaking to you is the headquarters of General GIRAUD, who told me at lunch that his wife, three daughters, six grandchildren and his sister-in-law have all been taken to prison by the Nazi Gestopo within the past few days. GIRAUD has stripped his uniform of decorations and says he will wear none until he has marched into BERLIN.

Further down the street is the headquarter of Patriotic, hardworking General De GAULLE who, since 1940, has carried on the good fight, with whom I had an interesting and friendly talk this afternoon.

At supper at the home of ROBERT MURPHY, our ABLE AND courageous minister, I had a long talk with ALEXANDER BOGOMOLOV, who represents the Soviet Union.

These men and their forces also represent an important part of the vast and invincible war machine that centers around this picturesque old city.

There could be no more fitting place than this to report to you people back home the final results of our highly successful Third War Loan.

I am happy to tell you that between September 8th and October 2nd, the American people invested eighteen billion nine hundred forty-three million dollars in War Bonds. In over-subscribing the Third War Loan by nearly four billions, the American people have backed the attack of our fighting men with the typical American spirit.

I have just returned from the front in ITALY, and I want to assure you that everyone of your dollars - everyone of the dollars that you are investing in War Bonds, or paying in taxes for the war - is being well spent.

Under General CLARK's superb leadership, I saw as fine a group of fighting men as exists anywhere in the world today. I saw a well-knit, smooth-running well-oiled fighting machine at work. Your men are well clothed, well fed and in the pink of physical condition. Each and everyone of you who subscribed to the Third War Loan can have a personal feeling of satisfaction that you have helped to equip, and feed and train this army. Yours is a very important job in the war.

Before I made my trip to the front lines, I talked to General EISENHOWER about the importance of our War Loan Drives to the men in the field. What he had to say was so interesting and so important that I have asked him to tell you, himself, what he told me. Here is General DWIGHT D. EISENHOWER, Commander-in-Chief of the Allied Forces.

(EISENHOWER)

250

GENERAL EISENHOWER: Thank you, Mr. Secretary.

First, let me say that it would be difficult to exaggerate the influence of our successful War Loan Drives on the men and women under my command.

This is a hard war; a bitter, bloody war. Those who are where the guns are firing and the bombs dropping - they know that we are up against a tough, vicious, treacherous enemy. Make no mistake - it will be a long, long way to final victory, and the road will continue to be rough. Our men know it. They are ready for it. But they want to be always sure, above all else, that the Home Front stands firmly behind them. They want to know that the folks at home keenly realize that we are all in this together, fighting for our right to lead a free existence.

This war will continue to take everythin[g] that each of our soldiers has. And we know - every General knows - that the most important part of any soldier's equipment is his fighting spirit. In the final analysis, this spirit is equally as important as guns and ammunition, because no General can win a battle, even with the best of equipment, if his men are not determined and confident. And they are completely confident only when they feel they are being backed to the limit by the folks back home. That is why overwhelming success in War Loan Drives is vitally important to the war over here. A successful War Loan Drive gives renewed proof to the man fighting in the mud along the Volturno River, to the man struggling every inch of the way toward Rome, to the men who never forgets that he is living in constant danger of his life - that his fellow citizens back home have confidence in his ability to bring freedom back to the world, and are doing their full part to perpetuate the kind of America that we want.

The bald truth is that the man in the front lines believes it to be the patriotic obligation of the people back home to support the war until it hurts. They expect you to do your duty! You have not let them down; I know you never will. My confidence in you is equal to that I have in the victors of Gafsa, of Hill 609, of

Bizerte, of Messina, Salerno and Naples. I believe in you as I do in my airmen that bomb the enemy by day and by night, And as I believe in our gallant seamen that carry our troops, protect our convoys and assist the Army in assaulting the enemy's strongholds.

Yet I think my men would like to have me be brutally honest with you and tell you that sometimes in the past they have worried about how deeply you feel the war. They know it is your war as much as it is theirs, and they know how important it is to have you all-out - producing war materials to the limit, and buying bonds to the limit. It re-assures them to know that you are willing to make the sacrifices necessary to turn over to your government these billions upon billions of dollars. To keep faith with the fighting man you will keep it up - keep it up until those who are fighting at the front, and all of you working and striving at home - shall, as one indestructible team, have won the final battle, and tyranny and oppression have been blasted from the earth.

MR. MORGENTHAU:

Thank you General EISENHOWER.

Thanks to President ROOSEVELT and General MARSHALL, and through the cooperation of General EISENHOWER, and all the commanding Generals in this Theater of Operations, I have been permitted to see the war at point-blank range. I would like to report to you what I found.

I started out from ALGIERS with General EVERETT HUGHES, Deputy Theater Commander under General EISENHOWER, and our first stop was the Island of SARDINIA. The fighting was over in SARDINIA, but I was able to see immediately why our armies are not through when the Nazis are gone.

Actually, there are vast problems in taking over and maintaining conquered territory.

Next we went to TUNIS, where I talked with General DOOLITTLE and Air Marshal TEDDER. Together these men - an American and a Britisher - direct our bombing forces that are softening up Germany for the invasion that will come some day.

In General DOOLITTLE's War Room, I could see what the American bombers you are building back home are doing in the enemy's country. I could see how our air and ground forces work like players on the same football team.

Leaving TUNIS, I went to PALERMO, the city in SICILY that was taken after a desperate struggle by General PATTON's valiant Seventh Army. With General PATTON, I stood on the balcony of the Royal Palace and looked out over the long road that turned and twisted up into the mountains beyond the city, the road down which General PATTON had come, fighting every inch of the way.

General PATTON told me about the troops who took this city.

"The American fighting men are the best in the world" he told me. "Some of them fought for fifty-four straight hours without stopping, without even a good rest."

[redacted].

I flew next to NAPLES, and here I saw miracles being performed by our Allied Military Government and our army engineers in getting the city back on its feet.

237
165

From MARK CLARK's headquarters near NAPLES, I went up to the front lines - over roads and through villages that had been abandoned by the Nazis only the day before.

Here I saw our American troops actually in battle and I saw what they are up against. I had no idea of the terrible terrain in this area over which we must fight the Nazis. The area between NAPLES and ROME is mountainous and thick with trees and foliage. It is ideal for defensive action, because the Nazi forces can hide high in the mountains, and fire on our forces without being seen. And when they are driven from one mountain, they need only to retreat a few hundred yards to another and it is the same thing all over again. Winter is coming, and bad weather will further complicate this battle. That is why I am more sure than ever that the day of final victory is a long way off and the fighting will be tough and bloody.

I talked to many boys at the front. They were ~~bright~~, cheerful and eager, and the first thing they always asked was: "How are things back home?"

I told them what you are doing to help fight the war. When I told them that the Third War Loan had been over-subscribed by almost four billion dollars, they were pleased. And I think they were re-assured, because it is easy to worry about the cost of the war when you see destruction all around you. They wonder if you will keep supplying the money necessary to equip them properly. They know that when ample material isn't at hand, the Generals must alter their strategy to get along on less - and the war is unnecessarily stretched out a few more days, or a few more weeks, or a few more months. Our Generals should never need to look over their shoulders to see if sufficient equipment is on hand. They should have more than enough of everything. They should be asked to worry about nothing, except fighting the war.

I assured the men and their commanding officers too - that the American people would build all the material they need, and will pay for it.

Some of our men worry about the amount of our War Bill that will be left for them to pay when they return home. They know that with our high national income, we can afford to pay a much greater portion of the war costs currently through taxes and bonds.

Are we paying enough?

One of these days, with the victory won, our men are going to come back to the United States to pick up where they left off. We owe it to them to have the kind of economy back home which will provide opportunity for them.

We cannot justly expect our soldiers to fight the war, then come home to spend the rest of their lives paying the bill.

I should like to say again as I have said before that in my estimation we should be paying 50% of the cost of the war currently through taxation; and in addition, we should continue to buy war bonds.

251

Like all war jobs, paying higher taxes is unpleasant, but must be done. It calls for sacrifice - but a small one compared to sacrifices I have seen here at the front.

General PATTON, General CLARK and others have told me many stories about real heroism and the complete absence ~~elimination~~ of fear on the part of our men. This is what has made our troops victorious against the seasoned Nazis, trained for over a generation in the art of killing and torture. Don't let us fool ourselves for a minute by under-estimating the fighting qualities of the enemy. But let me assure you that the American soldier has proved that he has got what it takes, man for man, to lick the enemy.

The very least that we civilians can do at home is to see that we supply these fighting men with a steady flow of everything that they may need until final victory is ours.

TELEGRAM SENT

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

October 23, 1943.

9 p.m.

AMERICAN EMBASSY

MOSCOW

1075

FROM SECRETARY OF THE TREASURY FOR HARRIMAN.

QUOTE. With reference to the matter I discussed with you in Algiers, a copy of the letter I sent to Secretary Hull before his departure is as follows:

INNERQUOTE October 5, 1943. Dear Cordell:

Last April a draft of the International Stabilization Fund proposal was submitted to the Russian Government by Mr. Berle together with a letter expressing the hope that the Soviet Government would send technical experts to this country to discuss the proposal with our technical experts here. Soon thereafter, Mr. Gromyko stated that his Government was keenly interested in the postwar monetary proposals and wished to obtain as much information on the subject as possible from us. The Soviet Government did have present an observer at some of the group

conferences

conferences of technicians that were held here, but so far have not sent any experts to discuss the proposal with our experts.

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

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

To date we have not heard from them and wondered if you would care to mention the subject when you are in Moscow and encourage them to send their experts here. I think that you will agree that it will be unfortunate if we have to go forward with any formal

discussions

-3- #1075, October 23, 9 p.m. to Moscow.

discussions of postwar monetary problems among the United Nations without having had an opportunity of discussing them with the experts from the U.S.S.R.

Sincerely,

(signed) Henry

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

UNQUOTE

STETTINIUS
(ACTING)
(FL)

FD:FL:PAK EU

NOT TO BE RE-TRANSMITTED COPY NO 1

BRITISH MOST SECRET

U.S. SECRET

OPTEL NO. 348

Information received up to 10 a.m. 23rd October.

1. NAVAL

Mediterranean

20th/21st. A British cruiser and a Greek destroyer bombarded Rhodes.

21st/22nd. 3 of H.M. destroyers bombarded Levitha. Stores and ammunition have been landed at Leros

2. MILITARY

ITALY

Eighth Army. Lupara (10 miles W.S.W. Larino) has been occupied and further South Canadian division has by passed enemy position just West of Guardiaregia (10 miles South west of Campobasso).

Fifth Army. U.S. Forces have pushed forward slightly all along their line. United Kingdom troops have captured an important hill feature 5 miles North of Pignataro (7 miles N.W. Capua).

AEGEAN

Germans occupied Pharmako Island (15 miles N.E. Leros) on or before 30th October.

RUSSIA

On 22nd Russians extended their bridgeheads South of Rechnitsa and South of Pereyaslav (60 miles S.E. Kiev) and reached position within 20 miles of Krivoi-rog.

3. AIR OPERATIONS

Western Front

22nd. Escorted Marauders (B26) dropped 85 tons on Evreux Airfield and Typhoons dropped 8 tons on Abbeville and Tricqueville airfields. Mustangs (P51) damaged locomotives in Belgium and Whirlwinds a railway bridge near Cherbourg. During the day enemy casualties 9, 5, 8. Allied 8 aircraft missing.

22nd/23rd. Aircraft despatched Kassel 569 (42 missing) Frankfurt 36 (1 missing). Cologne 12 (1 missing) Dortmund 1, Sea mining 17, Leaflets 10, Intruders 27 (1 missing). Weather at Kassel good and clear but bad enroute. Marker bombs well placed, many fires reported. 18 enemy aircraft operated over home counties of which 8 penetrated London area. Bombs scattered damage slight and few casualties. 2 Mosquitoes mising from interception patrols.

Italy

20th. Invaders (A36) dropped 41 tons on communications in battle area destroying a bridge and damaging a viaduct.

20th/21st. 38 Wellingtons bombed Furbara airfield near Rome.

21st. Over 200 heavy and medium bombers attacked railways and roads North and North West of Rome. Fighter bombers attacked communications and other targets in Cassino area (North of Naples).

Yugoslavia.

21st. 24 Lightnings (P38) successfully attacked engine sheds at Skoplje.

Aegean

20th/21st. Liberators (B24) and Halifaxes dropped 19 tons on Maritza airfield (Rhodes).

Rec'd. 2:35 P.M.
10/25/43 100

NOT TO BE RE-TRANSMITTED

[illegible]
[illegible]

COPY NO 12

Information received up to 10 a.m. 24th October 1943.

1. MILITARY

Italy – 8th Army Near the coast troops of 78th Division have driven back the enemy rearguard and crossed the river TRIGNO. Further south our patrols have report[illegible] MONTENERO, LUCITO and [illegible] clear of enemy. Canadians have captured a hill feature 4 miles west north west of VINCHIATURO.

5th Army U.S. troops have occupied [illegible] D'ALIFE and 56th U.K. Division captured SPARANISE 9 miles northeast of CAPUA. Near the coast our patrols are within [illegible] miles of MONDRAGONE where [illegible] counter attack.

2. AIR OPERATIONS

Western Front 22nd/23rd KASSEL 1669 tons dropped including 369 4,000 pound H.E. and 902 tons of incendiaries. Well concentrated bombing around accurately placed markers clearly seen by all crews. Fires soon took strong hold and towards end of attack large expanse of built-up area was burning furiously. Enemy fighters active, 6 claimed destroyed and [illegible] damaged.

23rd. Typhoon bombers attacked shipping at ST. [illegible] [illegible] small tanker and [illegible] a destroyer. [illegible] 1,000 ton [illegible] in the Bay of Biscay.

23rd/24th. 76 enemy aircraft operated over U.K., [illegible] over [illegible] area, 12 sea mining same locality and 6 over south east counties of which two penetrated to LONDON dropping a few bombs at [illegible]. Everywhere only minor damage reported.

Italy 21st/22nd. 46 Wellingtons bombed a bridge and road and railway junctions south west of FROZINONE and on 22nd escorted medium bombers attacked bridges near Orvito and GROSSETO.

Greece 22nd. 36 escorted Mitchells attacked [illegible] Airfield.

Adriatic 21st. Warhawks searching for shipping south of ZARA reported destroying 5 J.U. 87.

Burma 21th. 23 Mitchells attacked bridges 20 miles west of KATHA.

3. NAVAL Early 23rd one of H.M. cruisers in company with 6 destroyers while proceeding westwards off northern BRITANNY was torpedoed and sunk. Shortly afterwards one of H.M. destroyers was also torpedoed and subsequently sunk. The enemy ships were neither identified nor brought to action. [illegible] officers and 103 ratings were picked up from the cruiser and 11 officers and [illegible] ratings from the destroyer. On afternoon 23rd an infantry landing ship returning from GIBRALTAR in company with 6 others was bombed and sunk north west of CAPE FINISTERRE. Later a second landing craft reported that she was seriously damaged.

Mediterranean Early 23rd one of
On 21st/22nd U.S. light craft sank a 5,000 ton ammunition ship southeast of ELBA.

Aegean 22nd One of H.M. destroyers and a Greek destroyer were mined or possibly torpedoed by E-Boats east of KALYMNOS. The British ship blew up and no survivors have been so far reported. The Greek ship was beached off the TURKISH coast with about 20 killed and 20 wounded/ On evening 23rd one of H.M. destroyers carrying 200 military personnel to LEROS was mined and sunk in the same locality. Number of survivors so far not reported. Yesterday two of H.M. destroyers sank a U-Boat which had previously been attacked by aircraft south of ICELAND.

AH

October 25, 1943.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

Your two cablegrams, dated October 24, from Algiers were received by Norman Thompson at approximately 11:30 this morning and he furnished me copies at 11:45. I immediately talked to Taylor of Monetary Research and Miss Kistler of the same office about the Lend-Lease matter. Miss Kistler obtained a copy (I believe from Oscar Cox) of the message to you signed by the President and Stettinius read to me over the telephone the substance of your reply, which he had just received. I also talked to Dean Acheson and Miss Tully and called Chic Schwarz to ask him for any reactions on the speech which he could get.

Miss Tully knew nothing about the matter but promised to call me back as soon as she could see the President, which she did early in the afternoon. She told me, as I reported to you, that the President said he knew nothing of any cable to you except those relating to his boys. I outlined to Miss Tully (having in the meantime talked to Stettinius) the substance of the cable to you and of your reply. She said she would talk to the President again and try to let me know about the answer. At this writing I have not again heard from her.

Stettinius told me the cablegram to you had been prepared by Dean Acheson and, he thought, Oscar Cox, and that he was referring your reply to Dean Acheson. He did not completely disclaim responsibility however. He said it seemed to him that we were not getting anywhere among the various government agencies as to what position we ought to take about the British dollar balances and the Lend-Lease account, that the matter was "all scrambled" and that there were "many different views among the fellows at the conference" (that is on the draft letter). In view of this situation he personally felt it would be very desirable for you to talk to Sir John Anderson and get some fresh information as to the British financial position and the British point of view so that you would be prepared to come back with some definite recommendations to settle the matter.

After I had talked to Stettinius Mr. Taylor and Miss Kistler gave me some further information about the line-up, which was that on one side Acheson, Knollenberg and Denby, the latter two of the Lend-Lease group, were against pressing the British for further concessions, while the Treasury, the Office of Economic Warfare, including Crowley, and Oscar Cox took the opposite view. They told me of the agreement to maintain a British balance here of about 900 million and the unwillingness of the British some time ago to consider Lend-Leasing strategic minerals and also of their present position that we should remove capital goods available for post-war use from the Lend-Lease category confining it to consumption goods in view of the fact that the British balance has now grown to about a billion and a half.

I got Dean Acheson on the telephone shortly afterward and he told me that your cable had just come to him. He said the reason for their transmitting the cable to you was that Crowley was pressing them for action, that there was lack of unity of opinion here and that being so they thought that you could go a long way toward clearing up the matter by conversations in London. I told him that you had cabled orders to hold up all action on the draft letter. He replied that what I said was his first knowledge of that fact and that this materially changed the situation and that probably everything could wait until you got back.

Although Miss Kistler had earlier prepared a longer draft of a message to you, I then drafted the message which was sent and had Norman Thompson dispatch it after getting it initialed by Taylor and Miss Kistler.

Oscar Cox had in the meantime told Miss Kistler that he approved the message to you only on the basis that it was merely a suggestion and that so far as he was concerned he saw no point in further discussion with the British at this time.

WH

TREASURY DEPARTMENT
PROCUREMENT DIVISION
WASHINGTON 25

OFFICE OF THE DIRECTOR

FOR VICTORY BUY UNITED STATES WAR BONDS AND STAMPS

SECRET

October 25, 1943

MEMORANDUM TO THE SECRETARY:

Supplementing report to you of October 18, 1943, the purchases against the African Program from October 18, 1943, to October 24, 1943, totaled $492,614.01, or a total of purchases for the program thus far of $68,686,957.52.

Attached is report giving status of shipping against these purchases.

Clifton E. Mack
Director of Procurement

Commodity	Tonnage Shipped to Date From U. S. A.	Tonnage Under Load At Port	Tonnage On Hand At Port Awaiting Vessels	Tonnage En Route To Port
Agric. Mach. & Implements	2281.89	57.04	203.59	233.15
Automotive Eqpt. & Parts	563.91	5.88	22.04	143.88
Batteries	125.66	2.86	11.01	9.87
Bearings	2.85	.54	1.15	.21
Brass & Bronze	288.4	2.5	37.6	
Brushes & Brooms	.5	.15		
Bldg. Hdw. & Material	533.49	94.14	283.58	
Chemicals	21881.66	1846.27	6449.95	3559.85
Clothing, Notions & Textiles	18049.16	485.72	2571.55	4388.69
Construction Machinery		.23	.02	10.24
Copper in Various Forms	400.09	1.84	112.38	41.59
Elec. Eqpt. & Supplies	110.5		39.08	48.82
Explosives	14.15			
Ferro-Alloys	73.88	11.32	35.5	111.57
Food & Food Products	6032.			
Furniture & Office Eqpt.	.11	1.18	1.1	1.06
Glass	194.82	95.12	100.75	607.66
Graphite Products	106.03		.18	20.18
Hand & Cutting Tools	1347.39		225.61	279.13
Industrial Machinery	117.56	75.2	81.07	404.03
Iron	345.	1155.56	602.19	103.25
Jute Bags	857.47		535.	
Lead & Lead Alloys	73.18		102.5	
Medical Supplies	56.12	.68	5.02	.3
Non-Ferrous Metals, Other	435.		25.93	128.37
Paper & Paper Products	5696.09	2026.84	2538.06	3477.38
Rope & Twine	247.7	34.75	14.	12.
Rubber	831.9	1.73	275.1	610.59

Commodity	Tonnage Shipped to Date From U. S. A.	Tonnage Under Load At Port	Tonnage On Hand At Port Waiting Vessels	Tonnage En Route To Port
Shoes & Boots	315.68	5.34	569.42	1877.73
Steel, Alloy & Carbon	12279.71	1428.64	5929.77	5618.1
Steel, Pipe & Tubing	333.71	204.47	430.99	1287.03
Tin Plate	2097.64	110.6	610.81	3456.09
Zinc		53.57	1.88	101.81
Totals	76,118.85	7,662.17	21,949.83	26,538.78

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October 25, 1943.

Dear Mr. Peyser:

Your letter of October 22, enclosing a copy of the October report of the progress under the Third Soviet Protocol, has been received during the Secretary's absence. I shall be glad to bring this material to Mr. Morgenthau's attention immediately upon his return to the office.

Sincerely yours,

/s/ H. S. Klotz

H. S. Klotz,
Private Secretary.

Mr. E. A. Peyser,
Director, Foreign Division,
War Production Board,
Washington, D. C.

KP/dbs

WAR PRODUCTION BOARD
WASHINGTON, D. C.

IN REPLY REFER TO:

October 22, 1943

Mr. Henry Morgenthau
Room 280
Treasury Department
Washington, D. C.

Dear Mr. Morgenthau:

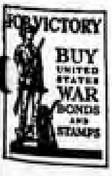
I am enclosing herewith for your information a copy of the October report of the progress under the Third Soviet Protocol.

You will note that most of the items are up to the Protocol schedule.

Sincerely yours,

E. A. Peyser
Director, Foreign Division

attachment



WAR PRODUCTION BOARD

WASHINGTON, D. C.

October 18, 1943

IN REPLY REFER TO:

My dear Mr. President:

Attached hereto is a tabulation showing the progress made during September, and during the three months ending September 30th, toward fulfilment of materials and equipment production programs for the Union of Soviet Socialist Republics under the Third Protocol. Attached also is a summary of the major problems and developments which have marked production aspects of the program during the first quarter of the new Protocol period.

You will note that the program is proceeding smoothly and in accordance with Protocol offers. Of especial interest is the fact that stocks, which have long been a matter of major concern, now appear to be under control.

Respectfully yours,

C. E. Wilson
Executive Vice Chairman

The President
The White House
Washington, D. C.

PRODUCTION ASPECTS OF THE MATERIALS AND EQUIPMENT ITEMS UNDER THE THIRD RUSSIAN PROTOCOL AS OF OCTOBER 1, 1943

The War Production Board part of the Third Protocol schedule is generally on a very satisfactory basis. Certain details and problems remain to be cleared up insofar as industrial equipment is concerned, but otherwise the program is going forward in accordance with plan.

I. MATERIALS

In connection with materials, outstanding developments are as follows:

ALUMINUM

A favorable aluminum supply situation has made possible increasing aluminum shipments considerably above the rate called for by the Protocol offer. Under terms of the Protocol, Canada and the United States jointly are required to deliver 4,000 long tons of aluminum (dural and ingot combined) per month. For the third and fourth quarters, it has been found possible to increase this to 6,000 long tons per month without requiring that shipments be reduced during the second half of the Protocol year in compensation. In addition, on urgent Soviet request, we have been able to arrange for delivery of 13,000 long tons as an advance against first and second quarters, 1944, Protocol requirements. Altogether, the U.S.S.R. will receive some 49,000 long tons of aluminum from the United States and Canada during the second half of this year.

It might be noted that while the War Production Board does not feel itself in a position to recommend a formal increase in the Protocol offer for the first six months of 1944 above the 4,000 long tons per month now specified, it appears that if the supply situation continues favorable, the War Production Board probably will be willing to agree to continuation of a 6,000 long ton per month rate until the end of the Protocol year. From this it will, of course, be necessary to deduct the 13,000 long tons already advanced.

Mill shipments of aluminum have generally been in accordance with schedules requested by the U.S.S.R. Some fabricated orders which originally were expected to be completed in the third quarter had to be extended into the first month of the fourth quarter, but the quantities involved were offset by increased shipments of ingots.

NICKEL

Nickel shipments are proceeding satisfactorily. Some difficulty was experienced at first in effecting plant deliveries sufficiently early to insure arrival of each month's allotment at port in time for dispatch to the U.S.S.R. during the month in question. However, these difficulties have been cleared up and monthly allotments of nickel are now being made available at plant by the fifteenth of the preceding month. This makes possible arrival of the nickel at the West Coast early in the month in which it is due.

Soviet representatives have recently requested the Office of Lend Lease Administration to arrange for advance to the fourth quarter, 1943, of 1,000 short tons of nickel due in the last months of the Protocol period. The War Production Board is currently investigating whether this request can be met. It may be that the Combined Raw Materials Board will be able to arrange to make available 1,000 short tons from surplus stocks held in India by the Indian Government.

COPPER

At the opening of the Third Protocol period, stocks of copper products and of copper base alloys, particularly brass strip, were somewhat large. It was therefore felt by the War Production Board and the Office of Lend Lease Administration that pending a reduction in stocks, pressure should not be exerted to maintain mill shipments at the exact rate called for by the Protocol offer. As a result, production of copper items in July and August came to only about half the amount proposed under the Protocol offer for those two months. In the meantime, however, Soviet liftings greatly increased, and stocks were reduced below a safe working level. In view of this, the War Production Board undertook in September to bring about increased deliveries. Suppliers were instructed not only to bring production up to the rate called for by the Protocol, but also to work toward making up deficits resulting from July and August slow downs. September deliveries reflected these efforts and it appears that from now on the Protocol rate will be maintained.

It will be some time, however, before the July-August deficit can be made up. In this connection, it seems necessary to point out that in a case such as this, that is, where production has been deliberately retarded because of stock conditions, it is not always possible to get production back up to schedule on sudden notice. Much less is it possible to make up accumulated deficits. The War Production Board emphasized this point when details of the Third

Protocol were being discussed, and it insisted that there be included in the preamble of the Protocol a provision which would make it clear that the U.S. could not consider itself liable to make up, regardless of effect, deficits which were brought about because production was held back to prevent stocks from getting out of hand. In the case of these copper items, it is felt that eventually the July and August deficits can be made up. But the War Production Board is not willing to undertake to make them up immediately and at the expense of disrupting schedules throughout the industry.

FERRO-ALLOYS

The War Production Board at present is not making allocations against Protocol offers of ferrosilicon and ferrochrome because of excessive stocks. On July 1, stocks for both ferrosilicon and ferrochrome equalled four to five months' Protocol requirements. In consequence, it was understood that allocation under the new Protocol offer would begin only when stocks had been appreciably reduced, and that no attempt would be made to make up any resulting "deficit". In August, for the first time in several months, liftings of ferrosilicon and ferrochrome took place. However, these were relatively small (950 short tons of ferrosilicon and 80 short tons of ferrochrome). It is therefore felt that allocations should continue to be held up.

Soviet representatives recently asked the Office of Lend Lease Administration if it would be possible to substitute ferromolybdenum (1,120 short tons) and ferrovanadium (224 short tons) for a part of ferrosilicon and ferrochrome offered under the Protocol. Despite certain production difficulties, the substitution was agreed to by the War Production Board and shipment of the material, which is said to be greatly needed for the expansion of alloy steel production in the U.S.S.R., is expected to take place in the fourth quarter, 1943.

STEEL

The decision of the Soviet Government to reduce the request for new production of steel from 710,000 short tons to 500,000 short tons has made necessary reworking the Third Protocol steel program. This reworking is in process. It seems now that the alloy program will continue without great change, and that the necessary tonnage reduction will be made in the carbon program. It will probably be necessary to cut rail production under the present rate (i.e. a rate which would result in a total production of 378,000 short tons by June 30, 1944).

At the same time, other carbon steel production will have to be limited to a few specialty items such as tinplate, locomotive tires, car wheels, and a few wires.

By special arrangement, Canada is producing 40,000 short tons of rails for the U.S. on Russian account. This means that the U.S. will be expected to produce only 460,000 short tons of steel, alloy and carbon combined. Present production is slightly above this rate. By the end of the fourth quarter, approximately 260,000 short tons will have been made available, i.e. some 40,000 short tons more than is required for the six month period.

CHEMICALS

Due to excessive stockpiles, allocations of phenol, ethylene glycol, urotropine, and acetone have been under the rate called for by the Protocol offer. Recent liftings have eliminated the acetone stockpile, and Russian representatives are urgently requesting not only that deliveries in accordance with the proposed offer begin, but that the deficit resulting from reduced third quarter shipments be made up. The War Production Board is arranging to increase shipments to the monthly rate promised in the Protocol, but the Board cannot undertake to make up the accumulated deficit. Acetone has become one of the tightest chemicals and drastic measures are having to be taken to meet the most urgent domestic requirements. Since the quantities which were not allocated the U.S.S.R. during the third quarter went to fill other requirements, those quantities are not now available for meeting the Soviet demand. In this case, therefore, the War Production Board feels that, in accordance with Protocol provisions relative to control of production to prevent the growth of excess stocks, the deficit cannot be made up.

Shipments of caustic soda and ethyl alcohol, the two most important chemical items from the tonnage standpoint, have been taking place above the Protocol rate. The U.S.S.R. would like a further increase in ethyl alcohol deliveries, but difficulties incident to the transport of ethyl alcohol to the West Coast makes this impossible. It would be possible to produce larger quantities, but it would not be possible to transport and store these quantities at ports of embarkation.

Under the "Other Chemicals" category, Soviet representatives have requested a large number of spot items. It has been possible to supply most of them. A few, however, have had to be turned down because of tight supply conditions.

CABLE

Stocks of cable as of July 1, 1943 were of such size (43,000 short tons were held in Treasury warehouses alone) that it was felt by the Office of Lend Lease Administration and the War Production Board that production should be held under the rate called for by the Protocol offer. Under the terms of the Protocol, quarterly allocations of 10,750 short tons of copper for cable production would be required. Allocations of only 8,000 short tons in the third quarter and 4,000 short tons in the fourth quarter were authorized. Despite this reduction, however, stocks of cable have increased rather than decreased. A total of 58,000 short tons was held in warehouses as of August 31, as against a total of 43,000 short tons on July 1. It has been decided, therefore, to continue to hold cable production under the Protocol rate. Present plans call for allocations of only 4,750 short tons in the first quarter, 1944, and 4,000 short tons in the second quarter. This means that total allocations of contained copper for wire and cable under the Protocol will be limited to some 21,000 short tons instead of the approximately 42,000 short tons originally intended.

Of the various types of cable which the U.S.S.R. is receiving, most of the cut has been made in power cable, telephone cable, and bare copper wire. Marine cable, submarine cable, type RW wire, type RD wire, control cable, mining cable, etc., were cut only slightly. The determining factor in working out the distribution of the particular cuts was the size of stocks of the various types in question.

II. INDUSTRIAL EQUIPMENT

Industrial equipment programs and orders carried over from the Second Protocol period are progressing very satisfactorily. The refinery program is virtually completed except for a few specialty items. Of a total of approximately 149,000 short tons of equipment involved, all but some 5,000 short tons had been shipped from plant. The uncompleted items, which will be required in the U.S.S.R. only in the final stages of construction of the refineries, are scheduled for delivery in January, 1944. The last phases of the "Second Protocol" power program are currently being wound up, and it is anticipated that practically all plant shipments will be finished by the end of November. Engineering and preliminary work on the block signal system have been completed, and plant shipments are scheduled to begin in January, 1944. The entire system should be ready for export before the end of June, 1944. Machine tools, forging presses and hammers, small cutting tools, cranes, pumps, etc., carried over from the Second Protocol period are all being delivered according to schedule.

Approximately 70% of the requisitions covering Third Protocol production offers under new orders have been cleared by the Office of Lend Lease Administration and the War Production Board, and production against most of them is now under way.

In the case of the remaining 30% of "new orders", Soviet representatives have not yet submitted necessary requisitions. The Office of Lend Lease Administration is currently working on this problem, however, and it reports that the situation should be cleared up in the near future.

The only industrial equipment items already under order which are causing concern to the War Production Board are bearings, precision measuring tools and control instruments. Deliveries in these categories are behind schedule. Extensive efforts are being made by the Foreign Division and by representatives of the industry divisions involved to improve the situation. It is hoped that through these efforts, sharp increases in shipments can be effected shortly.

III. ADVANCE FOURTH QUARTER PROTOCOL ORDERS UNDER THE "$300,000,000 CATEGORY"

Several programs have been submitted by the U.S.S.R. under the Third Protocol offer to accept up to $300,000,000 of requisitions for industrial equipment to be delivered after June 30, 1944. Among these are a $25,000,000 emergency refinery program and an approximately $33,000,000 power program. Both of these have been approved and the latter has been partly worked into production schedules.

A more recent program is a steel metallurgical program totalling approximately $83,000,000 in value. The War Production Board has completed its review of this and has submitted a full report of its findings and recommendations to the Office of Lend Lease Administration and the Protocol Committee. The position taken by the War Production Board is that from the production standpoint, the program appears feasible. The domestic steel expansion program will be largely completed by January, 1944 and a very large capacity will exist for production of such items as the U.S.S.R. has requested. It is felt that the equipment specified probably can be produced without extraordinary interference with present or anticipated domestic orders, and that no greater amount of labor or critical materials will be required for these items than for any other industrial equipment items which might be ordered for the same dollar outlay. However, it should be understood that the Russian program should be subordinated to the completion of the United States steel expansion program now nearing completion. The program as submitted calls for seven complete steel mills, and for equipment for four coke plants, seven blast furnaces, and for eighteen open hearth furnaces, as well as for

a considerable quantity of miscellaneous rolling mill and other equipment. It should be noted that of the equipment for furnaces and coke plants, only a part of the total which will be required is requested from the United States. The rest would be supplied by the U.S.S.R.

A number of other programs have also been requested under the $300,000,000 category, but review of these has not been completed by the War Production Board and other interested agencies.

The War Production Board anticipates that varying priority ratings will be required for $300,000,000 items. It is not felt that a flat rating of AA-1 should be granted, because this would result in many items being completed before June 30, 1944. It is planned that ratings granted shall be such as to insure reasonably satisfactory progress prior to June 30, 1944 on the items included. In the case of most power equipment, this rating will probably have to be AA-1. In the case of the metallurgical program, on the other hand, a rating of AA-3 or AA2X will probably suffice.

IV. STOCKS

The materials and equipment stocks situation, which has long been the cause of major concern, is showing signs of definite improvement. During the July 1 - September 30 period, considerable progress was made in breaking the jam of materials and equipment held at dock side and in railway yards, especially on the Pacific coast. At the same time, stocks of materials and equipment held in Treasury and Ordnance warehouses and depots decreased by approximately 60,000 short tons.

In regard to materials, a serious condition exists now only in the case of cable, certain chemicals and ferro-alloys. Nonferrous stocks have been reduced to the minimum required for pipe lines. Steel is steadily being brought under control, and by the end of the year it also should be at the level required for pipe lines. Cable and chemical stocks are still considered too large, but production controls referred to above promise to bring about a marked improvement during the next few months.

Industrial equipment stocks have increased during the three month period. The principal reason for this, however, is the fact that there have been very large deliveries of petroleum refinery equipment. While petroleum refinery equipment has not itself gone into stockpiles, it has displaced other equipment which would otherwise have been exported and has forced this equipment into warehouses. Since the petroleum refinery equipment program has practically been

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completed, it seems likely that shipments of other industrial equipment will increase and that stocks will gradually decline from this point on.

An indication of the general materials and equipment stock situation as of October 1, together with the trend of the last three months, can be secured from the following table. It should be noted that this table, which is based upon data supplied by the Ordnance Department and the Procurement Division of the Treasury Department, applies only to items held in warehouses and at depots. In addition to the quantities shown, there were considerable quantities at dock side and in transit to dock side.

STOCKS HELD IN WAREHOUSES ON USSR ACCOUNT
(Short Tons)

Item	As of June 30	As of Sept.30	Net Change
I. Materials			
Aluminum	274	337	+ 63
Nickel	47	X	- 47
Molybdenum	0	0	0
Copper base alloys	17,588	9,490	- 8,098
Magnesium	154	154	0
Zinc	0	0	0
Copper Products	3,482	3,089	- 393
Ferro-Alloys	4,362	4,599	+ 237
Steel	408,325	271,775	-136,550
Copper Wire and Cable	43,323	58,241	+ 14,918
Paper Products	2,471	3,439	+ 968
Wire Cloth	81	107	+ 26
Other Materials	6,522	6,032	- 490
Total Materials	466,629	337,263	-129,366
II. Industrial Equipment			
Machine Tools	16,275 a/	38,992 b/	+ 22,717
Forging Presses & Hammers	10,685 a/	19,589 b/	+ 8,904
Power Equipment	9,773	18,804	+ 9,031
Industrial Boilers	6,309	12,072	+ 5,763
Misc. Electrical Equip.	4,183	6,558	+ 2,375
Electric Furnaces	2,013	5,388	+ 3,375
Oil Refinery Equipment	12,259	1,798	- 10,461
Tire Manufacturing Plant	2,244	888	- 1,356
Aluminum Mill	331	442	+ 111
Various Indust. Machinery,n.e.s.	28,784	55,445	+ 26,661
Bearings	99	333	+ 234
Graphite Electrodes & Related Products	861	1,137	+ 276
Abrasives	972	488	- 484
Instruments & Laboratory Equip.	701	1,799	+ 1,098
Misc. (Incl. Treas. Procured Machine Tools)	734	1,117	+ 383
Total Indust. Equip.	96,223	164,850	+ 68,627
Tires and Tubes	4,575	725	- 3,850
Grand Total Excl. Chemicals	587,427	522,838	- 64,589
Estimated Chemicals (Excl. Toluol & T.N.T.)	64,000	69,000	+ 5,000
Grand Total Incl. Chemicals	651,427	591,838	- 59,589

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X - Less than 1 S.T.
a/ Stocks as of June 20, 1943
b/ Stocks as of Sept. 20, 1943

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STATUS OF MATERIALS AND EQUIPMENT PRODUCTION PROGRAMS UNDER THE THIRD RUSSIAN PROTOCOL, AS OF OCTOBER 1, 1943

(SEPTEMBER DELIVERY DATA SUBJECT TO REVISION)

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Protocol Item No.	Item	Unit	3rd Protocol Production Program	Made Available at Mill in U.S.A. Sept. 1, 1943 – Sept. 30, 1943	Made Available at Mill in U.S.A. July 1, 1943 – Sept. 30, 1943	Percent of 3rd Prot. Program Completed as of Oct. 1, 1943	Ratio of Actual Deliveries to Prot.Sched. (Prot.Sched.=100)	Balance to be Produced as of Oct. 1, 1943 To Complete 3rd Protocol Prod. Program	Comments
NON-FERROUS METALS									
3	Aluminum (Ingot and Fabricated)	S.T.	35,760	7,560	20,160	56	224	15,600	Aluminum shipments to date include 672 S.T. rod and bar, 336 S.T. tubing, 5,712 S.T. sheet, 3,360 S.T. secondary ingot, 10,080 S.T. primary ingot. Through increased deliveries in September, the full 20,160 S.T. scheduled for the third quarter was shipped. This quantity exceeds Protocol requirements for the quarter by 11,280 S.T.
4	Nickel								
A	Pig Nickel	S.T.	3,600	300	900	25	100	2,700	
B	Nickel in Monel Scrap	S.T.	-	0	50	-	-	(50 Excess)	A total of 600 S.T. of nickel in monel scrap has been offered, but the U.S.S.R. has not yet indicated that it desires to take it. The amount made available in August was ordered for experimental purposes.
C	Nickel in Steel and Other Non-Ferrous Products	S.T.	2,400	219	626	26	104	1,774	Contained nickel deliveries to date consist of 369 S.T. in steel; 135 S.T. in nichrome wire and strip; 112 S.T. in cupro-nickel strip; and 10 S.T. in nichrome squares.
5	Molybdenum	S.T.	4,000	335	1,005	25	100	2,995	
6	Copper, Electrolytic	S.T.	(121,400)	(7,648)	(19,666)	(16)	(64)	(101,734)	Electrolytic copper figures refer to copper contained in various materials requiring copper which are being supplied the U.S.S.R. Deliveries to date include 11,270 S.T. contained in copper base alloys; 2,534 S.T. contained in copper goods and tubes; 95 S.T. contained in bi-metal; and 5,767 S.T. contained in wire mill products.

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Protocol Item No.	Item	Unit	3rd Protocol Production Program	Made Available at Mill in U.S.A. Sept. 1, 1943 – Sept. 30, 1943	Made Available at Mill in U.S.A. July 1, 1943 – Sept. 30, 1943	Percent of 3rd Prot. Program Completed as of Oct. 1, 1943	Ratio of Actual Deliveries to Prot. Sched. (Prot. Sched.=100)	Balance to be Produced as of Oct. 1, 1943 To Complete 3rd Protocol Prod. Program	Comments
	NON-FERROUS METALS (Continued)								
7	Copper Base Alloys	S.T.	107,520	7,174	16,258	15	60	91,262	It is anticipated that the deficit in deliveries which was incurred in the third quarter to prevent the accumulation of excessive stocks will be largely offset during the fourth quarter. Present schedules for the next four months call for deliveries considerably above the Protocol requirements.
8	Magnesium	S.T.	4,032	336	1,008	25	100	3,024	
9	Zinc	S.T.	13,440	1,120	3,360	25	100	10,080	
11	Copper Goods and Tubes	S.T.	15,000	1,360	2,534	17	68	12,466	It is anticipated that the deficit in deliveries which was incurred in the third quarter to prevent the accumulation of excessive stocks will be largely offset during the fourth quarter. Present schedules for the next four months call for deliveries considerably above the Protocol requirements.
79	Special Non-Ferrous Alloy Wires	S.T.	269	8	19	7	28	250	Only very small quantities of special non-ferrous alloy wires have been requisitioned to date.
80	Nichrome Wire	S.T.	538	62	169	31	124	369	
94	Cobalt	S.T.	80.5	0	40	50	100	40.5	The production program shown is for the first half of the Protocol period only; the ratio of actual deliveries to the Protocol schedule has, therefore, been adjusted to take this into account.
	Total Non-Ferrous Metals (Excluding Item 6, Copper, Electrolytic)	S.T.	186,639.5	18,424	46,129	25	100	140,510.5	

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115

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Protocol Item No.	Item	Unit	3rd Protocol Production Program	Made Available at Mill in U.S.A. Sept. 1, 1943 - Sept. 30, 1943	Made Available at Mill in U.S.A. July 1, 1943 - Sept. 30, 1943	Percent of 3rd Prot. Program Completed as of Oct. 1, 1943	Ratio of Actual Deliveries to Prot. Sched. (Prot. Sched.=100)	Balance to be Produced as of Oct. 1, 1943 To Complete 3rd Protocol Prod. Program	Comments
	FERRO-ALLOYS								
12	Ferrosilicon	S.T.	-	0	0	-	-	-	The U.S. has offered to supply 784 S.T. of ferrosilicon and 448 S.T. of ferrochrome per month. But by agreement this offer is to become effective only when stocks held on U.S.S.R. account are reduced to two months' requirements. At present, stocks total more than five months' requirements and no liftings are currently taking place. In consequence, no allocation was made in August and none is planned for the immediate future. However, at the request of the U.S.S.R., supply of 1,120 S.T. of ferromolybdenum and 224 S.T. of ferrovanadium has been authorized, as substitutions for shipments of ferrosilicon and ferrochrome.
13	Ferrochrome	S.T.	-	0	0	-	-	-	
	Total- Ferro-Alloys	S.T.	-	0	0	-	-	-	
	ALLOY STEEL								
16	Polished Drill Rods								No major adjustments are being made in the alloy steel program as a result of the U.S.S.R.'s reduction in its over-all steel requirements from 710,000 S.T. to 500,000 S.T. A few minor changes may be made but pending a final decision in regard to these the production program originally offered the U.S.S.R. is being considered as more or less binding.
B	High Speed	S.T.	96	16	33	34	136	63	
C	Other Alloy	S.T.	45	6	17	38	152	28	
17	High Speed Tool Steel	S.T.	4,480	865	1,781	40	160	2,699	
18	Tool Steel								
B	Alloy X12	S.T.	672	104	219	33	132	453	
C	Alloy X12M	S.T.	672	192	210	31	124	462	
D	Other Alloys	S.T.	3,382	697	1,721	51	204	1,661	
E	Die Blocks	S.T.	1,468	0	0	0	0	1,468	
19	Cold Finished Bars	S.T.	10,898	1,012	2,777	25	100	8,121	
20	H.R. Alloy Bars and Billets	S.T.	67,569	7,362	14,418	21	84	53,151	
21	Stainless Steel								
A	Sheets	S.T.	2,671	52	82	3	12	2,589	
B	Strip	S.T.	336	335	756	225	900	(420 Excess)	
C	Bars	S.T.	756	76	117	15	60	639	

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Pro-tocol Item No.	Item	Unit	3rd Protocol Production Program	Made Available at Mill in U.S.A. Sept. 1, 1943 - Sept. 30, 1943	Made Available at Mill in U.S.A. July 1, 1943 - Sept. 30, 1943	Percent of 3rd Prot. Program Completed as of Oct. 1, 1943	Ratio of Actual Deliveries to Prot.Sched. (Prot.Sched.=100)	Balance to be Produced as of Oct. 1, 1943 To Complete 3rd Protocol Prod. Program	Comments
ALLOY STEEL (Continued)									
26	Steel Wire								
A	Ball Wire	S.T.	6,563	173	617	9	96	5,946	
B	Strip	S.T.	0	168	281	-	-	(281 Excess)	
C	Other Alloy	S.T.	0	0	191	-	-	(191 Excess)	
27	Steel Alloy Tubes								
A	1% Cr.-3% Ni.	S.T.	994	352	352	35	140	642	
B	4-6% Chrome	S.T.	8,625	694	2,240	26	104	6,385	See preceding page for comments.
C-E	Carbon .5% Moly., Pipe Sizes	S.T.	0	0	9	-	-	(9 Excess)	
F	S.P. Ball Bearing Tubes	S.T.	5,376	713	713	13	52	4,663	
28	Stainless Steel Wire	S.T.	0	239	503	-	-	(503 Excess)	
29	Special Alloy Wire	S.T.	0	92	353	-	-	(353 Excess)	
	Total Alloy Steel	S.T.	114,603	13,078	27,390	24	96	87,213	
CARBON STEEL									
10A-F	Rails, Accessories and Other Railway Material	S.T.	-	18,087	63,136	-	-	-	
10	Copper Clad Strip (Bimetal)	S.T.	-	0	0	-	-	-	
16A & 17A	Plain Carbon Tool Steel and Drill Rod	S.T.	-	1,077	2,116	-	-	-	A breakdown of carbon steel requirements under the Third Protocol by specific items has not yet been worked out by Soviet representatives. Of the total of 500,000 S.T. of steel which is to be produced for the U.S.S.R. during the Third Protocol period, 385,397 S.T. are to be carbon steel. Of this quantity, 40,000 S.T. (rails) are being produced by Canada on U.S. account. This means that the U.S. is expected to produce 345,397 S.T. of carbon steel.
19D	Plain Carbon Bullet Core	S.T.	-	1,721	6,288	-	-	-	
24	Tinplate	S.T.	-	3,497	10,114	-	-	-	
	Other Carbon Steel	S.T.	-	4,708	14,895	-	-	-	
	Total Carbon Steel	S.T.	345,397	29,040	96,549	28	112	248,848	

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117

Protocol Item No.	Item	Unit	3rd Protocol Production Program	Made Available at Mill in U.S.A. Sept. 1, 1943 – Sept. 30, 1943	Made Available at Mill in U.S.A. July 1, 1943 – Sept. 30, 1943	Percent of 3rd Prot. Program Completed as of Oct. 1, 1943	Ratio of Actual Deliveries to Prot.Sched. (Prot.Sched.=100)	Balance to be Produced as of Oct. 1, 1943 To Complete 3rd Protocol Prod. Program	Comments
CHEMICALS									
36	Phenol	S.T.	12,000	1,046	1,796	15	60	10,204	Because of excessive stocks, allocations of chemicals are still being held to a minimum in all cases except glycerine, caustic soda and ethyl alcohol. Acetone stocks have been greatly reduced and allocation of this material in accordance with the monthly rate called for by the Protocol is scheduled to begin in October.
44	Ethylene Glycol	S.T.	3,360	275	275	8	32	3,085	
45	Methanol	S.T.	6,720	0	0	0	0	6,720	
46	Urotropine	S.T.	6,720	0	0	0	0	6,720	
61A1	Glycerine	S.T.	6,720	0	1,857	28	112	4,863	
61A3	Caustic Soda	S.T.	40,320	2,708	13,137	33	132	27,183	
38A	Ethyl Alcohol	S.T.	107,520	18,738	42,594	40	160	64,926	
61A5	Acetone	S.T.	6,720	0	657	10	40	6,063	
61A	Other Chemicals	S.T.	12,096	139	877	7	28	11,219	
	Total Chemicals	S.T.	202,176	22,906	61,193	30	120	140,983	
MARINE AND SUBMARINE CABLE									
1	Marine Cable	KM.	1,200	20	153	13	52	1,047	
2	Submarine Cable	KM.	600	0	119	20	80	481	
	Total Marine and Submarine Cable	KM.	1,800	20	272	15	60	1,528	
POWER AND RELATED CABLE									
74	Insulated Cable and Wire (Copper Content)	S.T.	-	1,385	5,688	-	-	-	See following page for comments.

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POWER AND RELATED CABLE (Continued)									
74A	Bare Cable and Wire (Copper Content)	S.T.	-	3	9	-	-	-	Stocks of power and related cable are still increasing, equalling as of October 1 more than a year's shipping requirements at the current rate of liftings. The production program for the Third Protocol period has, therefore, been modified by the War Production Board and the O.L.L.A. Present plans call for the production of only 21,000 S.T. of both insulated and bare items instead of the 41,516 S.T. originally scheduled under the Protocol. No objections have been made to this change by Soviet representatives. It is hoped that with this reduction in production stocks will be brought to reasonable levels within the next few months.
	Total Power and Related Cable	S.T.	21,000	1,388	5,697	27	108	15,303	
MISCELLANEOUS MATERIALS ITEMS									
85	Sheet Fiber	S.T.	1,000	191	720	72	288	280	
83	Parchment Paper	S.T.	1,680	0	0	0	0	1,680	No requisitions have been submitted to date for paper products.
83A	Condenser Paper	S.T.	146	0	0	0	0	146	
83B	Cigarette Paper	S.T.	336	0	0	0	0	336	
35	Other Materials and Their Products	$	5,000,000	-	-	-	-	-	
INDUSTRIAL AND RELATED EQUIPMENT									
15A	Cemented Carbide Tips and Blanks	$	3,000,000	291,560	743,477	25	100	2,256,523	Requisitions for a large part of the offered quantities of these items have not yet been forwarded to the W.P.B.
15B	Small Cutting Tools	$	15,000,000	819,526	2,576,017	17	68	12,423,983	
15C	Measuring Tools	$	3,000,000	135,060	336,677	11	44	2,663,323	
67B	Abrasive Products	$	4,000,000	549,636	1,224,532	31	124	2,775,468	

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INDUSTRIAL AND RELATED EQUIPMENT (Continued)									
62	Machine Tools	$	120,000,000	9,537,000	32,764,800	27	108	87,235,200	September machine tool delivery data are based upon incomplete reports from fabricators and will probably be subject to an appreciable upward revision when full information is received.
63	Electric Furnaces	$	12,000,000	454,852	1,447,652	12	48	10,552,348	Requisitions for a large part of the electric furnaces offered have not yet been forwarded to the W.P.B.
64a	Rolling Mills and Equipment	$	16,000,000	322,524	412,169	3	12	15,587,831	Of the $16,000,000 offered, the W.P.B. expected $11,000,000 to be used to cover a rail mill. It has been decided by the O.L.L.A. however, that miscellaneous rolling mill equipment should be substituted for the rail mill. To date no program of substitute equipment has been forwarded to the W.P.B. Until such a program has been forwarded and reviewed from the standpoint of production feasibility, and until requisitions are cleared and contracts placed, production cannot begin. Progress against this offer, therefore, has been, and will necessarily continue to be, slow.
64b	Presses, Forges, Hammers and Related Equipment	$	30,000,000	2,594,950	5,990,150	20	80	24,009,850	September delivery data are based upon preliminary reports and will probably be subject to an appreciable upward revision.
64c	Wire Drawing Equipment	$	2,000,000	0	0	0	0	2,000,000	No new Third Protocol requisitions have been forwarded to the W.P.B. to date. A large part of the program has, therefore, not yet been gotten under way.
65	Various Industrial Equipment	$	120,000,000	11,660,558	36,094,671	30	120	83,905,329	All requisitions for items in this category have been cleared and contracts placed for some time. Production is considered satisfactory.

120

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	INDUSTRIAL AND RELATED EQUIPMENT (Continued)								
66	Control Inst. and Testing Machines	$	1,700,000	67,453	372,106	22	88	1,327,894	
69-70	Anti-Friction Bearings	$	15,000,000	747,077	2,573,944	17	68	12,426,056	
111	Block Signal System	$	14,591,500	161,091	189,107	1	4	14,407,393	The Block Signal System offered is covered by one order. Substantial deliveries against this are not expected to begin until early 1944.
140	Power Equipment	$	75,000,000	3,555,904	17,634,828	24	96	57,365,172	The entire power program offered is now under requisition. Most contracts have been placed and major items have been worked into production schedules. Orders carried over from the Second Protocol period are expected to be completed in the next two months, and deliveries against new orders are scheduled to begin in December.
	Total Industrial and Related Equipment	$	431,291,500	30,897,231	102,360,130	24	96	328,931,370	
	MISCELLANEOUS EQUIPMENT ITEMS								
67A	Abrasive Grain	S.T.	4,000	507	1,474	37	148	2,526	
68A	Graphite Electrodes	S.T.	5,757	401	1,415	25	100	4,342	
68B	Other Graphite Goods	S.T.	1,691	80	371	19	76	1,320	
68C	Graphite Powder	S.T.	1,120	140	456	41	164	664	
78	Tires, Tubes, Other Rubber Products (Rubber Content)	S.T.	40,320	1,449	9,405	23	92	30,915	

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MISCELLANEOUS EQUIPMENT ITEMS (Continued)									
47	Metallic Cloth and Screen	$	1,000,000	16,238	149,163	15	60	850,837	Very few Third Protocol requisitions for metallic cloth and screen have as yet been forwarded to the W.P.B.
48	Emergency Equipment	$	25,000,000	-	-	-	-	-	The U.S. has offered to supply up to $25,000,000 of Emergency Equipment provided the Soviet Government certifies the need for particular items totaling this amount, and provided specifications are acceptable to the W.P.B. So far only a few requisitions have been placed under this category. Because of lead factors, no deliveries took place against these in September.

War Production Board
Foreign Division
Review and Analysis Branch
October 15, 1943

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122

123

NOT TO BE RE-TRANSMITTED

U.S. SECRET
BRITISH MOST SECRET

Copy No. 12

OPTEL No. 350

Information received up to 10 P.M. 25th October 1943.

1. NAVAL

One of H.M. Minesweepers was mined and sunk on 23rd while sweeping in the Strait of BONIFACIO.

2. MILITARY Aegean The Germans are reported to have occupied the Island of STAMPALIA.

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

3. AIR OPERATIONS

Western Front 24th. Total of 201 escorted Marauders attacked three airfields in Northern FRANCE dropping ~~204~~ tons with with good results. Escorted Mitchells and Fighter Bombers attacked two airfields in in HOLLAND and shipping at CHERBOURG where a 6500 ton ship was seriously damaged. Mustangs damaged 5 locomotives in Northern FRANCE. Enemy casualties 13.16.4. One Mitchell 5 Fighter Bombers and 1 Fighter missing.

24th/25th. 19 aircraft were sent in small numbers to various town in North West GERMANY. 30 were sea-mining. All returned safely. 5 enemy aircraft operated over EAST ANGLIA.

Italy 22nd . 36 Medium Bombers 70 light bombers (1 missing) and 176 Fighters attacked enemy communications, Bivouacs and gun positions in the Battle Area.

Aegean Total of 27 JU 87 and 88 made 5 attacks on LEROS. Ends.

October 26, 1943.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

Miss Tully advised me this morning that a message had gone to you through State Department channels last night advising you that you need not go to London.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE OCT 26 1943

TO Secretary Morgenthau

FROM John L. Sullivan, Assistant Secretary

On Wednesday afternoon, October 20, I conferred with James E. Scott, Assistant Chief of the Estimates Division of the Bureau of the Budget, regarding the matters dealt with below. Mr. Mack, Director of Procurement, and Mr. Davis of the Procurement legal staff were with me.

I. Surplus Property Matters under Consideration by the President

At the outset I asked Mr. Scott what the latest developments were as to surplus property, particularly with regard to a meeting which I understood Harold Smith was to have with the President that same afternoon. (Mr. Mack informs me in this connection that Scott had prepared the material Smith was to submit to the President.)

In reply, Mr. Scott first pointed out that the surplus property situation was becoming more and more confused because of the absence of top policy determinations. On the one hand, verious executive agencies, including the Procurement Division, War, Navy, and Maritime, were all currently engaged in disposing of surpluses and were moving in various directions without proper coordination of their activities. On the other, quite a number of Senate committees are now actively considering various problems as to the disposal of war surpluses, and the Senate Committee on Expenditures in the Executive Departments has been unwilling to go forward with H.R. 2795, the bill which Budget has sponsored chiefly as a means of increasing its own powers in the field of overall management of the Government's equipment and supplies. Mr. Scott commented that he thought the President had not relieved the confusion by the statement he issued last week regarding the consideration Jimmy Byrnes is to give to surplus property problems in connection with his coordination of the termination of war contracts.

(a) H.R. 2795 and Management of Non-war Surpluses

Mr. Scott then stated that the proposal being submitted to the President by the Director of the Budget involved two things. First, a proposed letter from the President requesting early Senate passage of so much of H.R. 2795 as would give the Budget the permanent property-management control it desires. The present provision making the bill inapplicable to war surpluses during the post-war period would be retained, but it was contemplated that the President's letter would recommend omission of that part of the bill which would provide for a Joint Congressional Committee to consider the problem of post-war surpluses and to make recommendations for further legislation dealing with that subject. Mr. Scott said that the period during which it had been contemplated that the joint committee would function had already passed in view of the delay of the Senate in acting on the bill, but apparently it is also hoped that elimination of the joint committee provisions will remove entirely the controversial post-war aspects of the bill and facilitate its passage.

(b) Proposed Policy Board for War Surplus Problems

The second part of the proposal under discussion with the President, as stated by Mr. Scott, had to do with the creation of a top policy board or committee to deal with war surpluses. Mr. Scott stated that such a board would consist of the cabinet officers of the departments chiefly concerned (which he did not specify), or their designated representatives. It would also have members representing industry, agriculture, and labor. He suggested that the board chairman might be the Director of the Bureau of the Budget, the Director of War Mobilization, or someone else. Under the board the proposal contemplates that there would be a number of subcommittees, made up of representatives of various interested Government agencies, who would make recommendations to the board with regard to the disposal of particular kinds of property. There might be, for example, a subcommittee on machine tools, which would consider the various policy problems involved in the disposal of that kind of property and would make specific recommendations to the top board with regard to it. On the basis of subcommittee recommendations the top policy board would decide what agency should handle the disposal of a particular kind of property, to what extent it should be disposed of, and in what manner. It would make its recommendations to the President, who in turn would recommend accordingly to the Congress.

In that regard I stated that the policy board proposal seemed to me to be cumbersome, especially to the extent that it appeared to contemplate numerous recommendations by the President to the Congress with respect to the disposition of various kinds of property. Mr. Scott thought that would depend upon the extent to which the President would deem it necessary to make such recommendations to the Congress or would feel that the board's recommendations might be put into effect without specific legislative authorization. He alluded to the constitutional provision under which the disposal of Government property is primarily the concern of the Congress and to the considerable interest which members and committees of Congress have recently exhibited in the subject of war and post-war surpluses. While he conceded that the President might do a great deal without express legislative authority, he said he did not feel that the Bureau of the Budget would be wise to advise the President to adopt that course under the circumstances. His feeling was that there should be close cooperation between the executive and legislative branches with respect to the problem, even though the President should merely ask the Congress to lay down certain broad basic policies with respect to various kinds of property.

II. Procurement Division's Part under Proposed Policy Board Plan

I asked Mr. Scott whether it was contemplated that the Procurement Division would be the chief operating agency under the policy board plan, that is, whether it would be the chief agency to dispose of property under the policies laid down by the policy board. His reply was quite definite that the Procurement Division would be only one of the operating agencies and would handle only "some" of the property, it being for the policy board to decide to what extent various Government agencies would be utilized for the purpose.

III. Alternative Proposal for New Agency to Handle War Surpluses

Mr. Scott then stated that the policy board proposal represented the thinking of the Bureau of the Budget as to the means by which the surplus property problem could be handled by existing Government agencies. He stated that an alternative proposal is also before the President, involving the creation of a new agency to handle the whole war surplus problem. He said that such a proposal had been submitted to the President by the National Planning Association. He did not indicate whether or not this alternative proposal has any support in the Bureau of the Budget, but he appeared to believe that the President's choice was between these two proposals.

IV. Opposition to Procurement Division as War Surplus Disposal Agency

In our discussion of the policy board and alternative proposals Mr. Scott stated that he believed there is a substantial body of opposition in the Senate to entrusting the whole war surplus disposal program to the Procurement Division. He mentioned Senator George as one of those who has expressed such opposition and said that it has also been expressed by the United States Chamber of Commerce. I asked him what the grounds of opposition were, and he stated they were two: first, that Procurement's record and organization have been principally associated with procurement, rather than surplus property, and hence give no promise that Procurement can successfully cope with the problem and, second, that Procurement, as a mere Division of a Department, is not at a proper organizational level to deal with it. Mr. Scott indicated that he himself is inclined toward the same views, although he stated that it had been his effort to "build up" Procurement through the recent Federal Property Utilization program so that it might have an organization and record that would justify its handling of an important part of the post-war surplus disposal program.

5 - Secretary Morgenthau

In response to a question by Mr. Davis as to what was meant by the statement that the Procurement Division is not "at a proper organizational level", Mr. Scott stated that that ground of opposition to Procurement's handling of the program is not concerned with the question whether Procurement is in a position to police the other departments to see to it that surplus property is made available for disposition, but is based upon the view that Procurement is not at a proper level to handle disposal operations. The view is that there are so many major policy questions involved in the disposal of war surpluses that no organization acting under a single cabinet officer, whoever he may be, is equipped to do the whole job as it should be done. He went on to say that he did not mean by that statement to cast any reflection upon you but simply to say that he believes any one cabinet officer would be bound to err if given the job of solving all the many problems that would be presented.

V. Possibility that Procurement Division may be Transferred out of Treasury

I then asked Mr. Scott whether there had been any recent developments looking toward a transfer of the Procurement Division to the Executive Office of the President or to any other agency. He recalled that we were all aware of his personal view that the Procurement Division should properly be in the Executive Office of the President, but stated that he did not think such a change should be made during the war. He said he did not know of any concrete proposal, presently under consideration, that would bring about such a transfer. He referred, however, to a comprehensive study recently begun by the Budget's Division of Administrative Management of all the so-called "facilitating service" agencies and functions in the Executive Branch, with a view to possible consolidation of such service functions in an agency in the Executive Office. He said that Procurement is one of the "facilitating service" agencies being considered in that study, but he did not think the study had progressed to a point where any definite recommendations had been formulated.

Mr. Mack mentioned his recent information that General Fleming had recommended a transfer of Procurement to the Federal Works Agency, in connection with which he understood it had been proposed that General Fleming and Harold Smith discuss the matter with you. Mr. Scott said he was familiar with General Fleming's recommendation but did not directly indicate Budget's attitude toward it, except as might be inferred from his statement that he could see no justification for the Federal Works Agency in any event. He said that Federal Works today is merely supervising operations of the Public Buildings Administration and the Public Roads Administration, both of which in his opinion could operate as well under other existing departments, such as the Department of the Interior in the case of Public Buildings and the Department of Agriculture in the case of Public Roads.

I reminded Mr. Scott that he and I had previously discussed the possibility of a transfer of Procurement out of Treasury, that he had said then that he did not think such a transfer should be made during the war and knew of no definite proposal under consideration, and that it was our understanding that he would get in touch with me before action is taken on any such proposal. He said he did recall that discussion and understanding, and I told him pointedly enough so that there should be no mistake about it that I would continue to expect him to get in touch with me before action is taken on any proposal to transfer Procurement out of Treasury.

VI. Treasury's Proposed Amendments of H.R. 2795

We had submitted for Budget clearance a letter to the Chairman of the Senate Committee on Expenditures in the Executive Departments, recommending certain amendments of H.R. 2795 to facilitate operations of the Procurement Division in its sales activities under that proposed legislation. Mr. Scott's call to me about the letter had led to our meeting.

Mr. Scott said he recognized that some of our proposed amendments would improve the bill. On the other hand, he was quite positive in his view that any recommendations for amendments would "rock the boat", adding further confusion to an already confused legislative situation, and would jeopardize the chances of getting the bill through the Senate. He said he could advise us definitely that Budget is going to inform us that the presentation of our letter would be contrary to the program of the President.

When he said that Budget might go on to remind us that the bill in its present form has Treasury approval, Mr. Davis pointed out that in its latest form it is the result of hasty draftmanship at a single conference between representatives of the interested agencies and of the House committee, that it does definitely contain defects, and that it had been our thought that we were free notwithstanding the drafting conference to recommend any amendments that were found necessary upon more extended consideration. In view of Mr. Scott's attitude, however, we did not press the matter further and did not discuss any of the specific amendments proposed in the Treasury letter.

VII. Conclusion

I said I assumed that Mr. Scott would have a more definite picture of the surplus property situation by the end of the week and that I thought it would be well for us to postpone further discussion until that time. Mr. Scott agreed and said that he would get in touch with me later.

SECRET

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON 25

OFFICE OF THE DIRECTOR

FOR VICTORY BUY UNITED STATES WAR BONDS AND STAMPS

October 26, 1943

MEMORANDUM TO THE SECRETARY:

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

Requisitions totaling $8,000,000 have been received for the purchase of used equipment to provide for the mining of coal in the United Kingdom.

This additional output will be diverted to Sicily and Italy rather than supplying these requirements from this country.

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 OCTOBER 20, 1943
(In Millions of Dollars)

	Total	U. K.	Russia	China	Administrative Expenses	Miscellaneous & Undistributed
Allocations	$3966.7 (3965.3)	$1976.8 (1976.8)	$1557.5 (1557.5)	$109.7 (109.7)	$11.0 (11.0)	$311.7 (310.3)
Purchase Authorizations (Requisitions)	$3171.7 (3137.8)	$1689.0 (1685.4)	$1281.5 (1254.2)	$43.4 (43.6)	- -	$157.8 (154.6)
Requisitions Cleared for Purchase	$3076.6 (3059.4)	$1638.5 (1630.1)	$1243.4 (1236.0)	$43.1 (43.1)	- -	$151.6 (150.2)
Obligations (Purchases)	$2975.6 (2957.5)	$1609.4 (1595.7)	$1201.2 (1199.2)	$43.1 (43.0)	$8.1 (7.9)	$113.8 (111.7)
Deliveries to Foreign Governments at U. S. Ports*	$1363.5 (1351.2)	$950.1 (941.9)	$375.9 (371.9)	$19.5 (19.6)	- -	$18.0 (17.8)

*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 October 13, 1943.

EXPLANATION OF DIFFERENCE.

The decrease in China transfers is a result of the transfer of material in storage to the War and Navy Departments.

The reduction in Purchase Authorizations for China is caused by amendments to contracts.

NOT TO BE RE-TRANSMITTED

U.S. SECRET

BRITISH MOST SECRET

COPY NO 12

OPTEL No. 352

Information received up to 10 A. M. 26th October 1943.

1. NAVAL On 24th/25th about 30 E-boats operated off CROMER. Destroyers and Motor Gun Boats sank 4 and damaged 7 taking 19 prisoners. 2 Motor Gun Boats sustained damage and casualties. One of H.M. Trawlers was torpedoed and sunk. There were 2 killed and 18 missing. On 24th a Wellington sank a U-boat off OPORTO, a Spanish trawler landed 40 survivors at VIGO.

2. MILITARY Italy Increasing evidence that the enemy has withdraw his outposts East of the river TRIGNO. The Germans are using demolitions and mines extensively and are supporting their rearguards with self-propelled artillery. On 8th Army Front on 24th Canadians captured SPINETE and BOLANO 10 miles West and South West of CAMPOBASSO. The same day the 5th Army continued advancing against light enemy forces though progress was slow owing to mines and demolitions.

3. AIR OPERATIONS Western Front 25th. Medium Bombers (2 missing) dropped 57 tons on an airfield in Brittany. Typhoons (3 missing) attacked a power station at CAEN. 25th/26th. 23 aircraft sent sea-mining and 5 naval Albacores on anti-shipping patrols. 3 enemy aircraft operated over Sussex and Surrey, 2 of them penetrated LONDON area.

Austria 24th. 114 escorted heavy bombers of the North African Airforce took off to attack WEINER, NEUSTADT the objective was hidden by clouds and many aircraft had to jettison their bombs. 6 heavy bombers missing

Italy 23rd. 102 medium bombers attacked communications North of ROME. At night Wellingtons (3 missing) dropped 1?? tons on an airfield 15 miles north east of ROME setting fire to 13 grounded aircraft. 24th. 59 Medium bombers attacked a railway bridge near ORVIETO. Enemy casualties 6.5.4.

Albania 24th. 36 Mitchells bombed TIRANA airfield destroying 12 aircraft on the ground.

Adriatic On 24th and 25th aircraft sank a 2,000 ton cargo boat and a small ship and set fire to 4 other ships

4. HOME SECURITY

25th/26th. Artillery fire from the French coast killed 6 persons at DOVER.

OPTEL No. 351 was not sent to Washington.

TREASURY DEPARTMENT

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO: Mrs. Klotz October 27, 1943

FROM: James L. Houghteling JLH

When the Secretary returns I think he will be interested in seeing the attached exchange of letters between myself and President William Green of the American Federation of Labor. My letter of October 20 was the joint product of Assistant Secretary Gaston and myself.

Attachments
JLH/myr

AMERICAN FEDERATION OF LABOR

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

Washington 1, D.C.

October 23, 1943.

OCT 25 1943

Mr. James L. Houghteling, Director,
National Organizations Division,
War Finance Division, Treasury Department,
705 Washington Bldg., Washington 25, D.C.

My dear Mr. Houghteling:

I acknowledge receipt of your letter dated October 20th, in which you advise me of the very sound and valid reasons why Secretary Morgenthau could not respond to the invitation I extended him to attend and address the Sixty-Third Annual Convention of the American Federation of Labor.

The reasons which could not be made clear at the time when we expected him to attend the convention but which you have set forth in your letter, show that it was quite impossible for him to come to Boston.

I will be pleased to acquaint all of my associates of the American Federation of Labor with the facts as you have presented them in your communication.

Very truly yours,

W. Green

President,
American Federation of Labor.

Y

706 Washington Building

October 20, 1943

William Green, Esq.,
President,
American Federation of Labor,
901 Massachusetts Ave., N. W.,
Washington, D. C.

My dear Mr. Green:

Before Secretary Morgenthau left the United States on his flight across the Atlantic he made arrangements that I should write you, as soon as his arrival was announced, to give you a full explanation of his inability to address the Annual Convention of the American Federation of Labor in Boston two weeks ago.

When the Secretary received your invitation he expressed the keenest pleasure and gratification at this opportunity to meet with his good friends of the American Federation of Labor and to address them on vital questions of national finance. However, he asked me to advise you that he had been invited to appear before the Ways and Means Committee of the House of Representatives at its initial session on tax legislation on October 4th, and, as he might be called upon to appear before further sessions of the Committee, he did not feel able to set a date for an address before your Convention until this first session had indicated what the general policy of the Committee was likely to be.

On the day after the Committee hearing, Secretary Morgenthau advised me, with great regret, that he could not attend your Convention at all, because the President had just asked him to go overseas immediately on an important fiscal mission. The plans for this journey - which has now taken him as far as North Africa - had to be kept secret, and it was therefore necessary to excuse himself on the vague general ground of pressing public duties. He was very sorry that he could not advise you and your associates as to the exact reason for his change of plans. Therefore, he arranged that I should write you at the first possible moment to thank you again for the invitation and to explain exactly why he could not take advantage of it.

I hope you will be able to pass on this explanation to your associates of the American Federation of Labor, with the Secretary's greetings and good wishes.

Yours sincerely,

James L. Houghteling,
Director,
National Organizations Division.

JLH/myr

Title 31 - Money and Finance: Treasury
Chapter II - Fiscal Service
Subchapter B - Bureau of the Public Debt
Part 315 - Regulations Governing United States Savings Bonds

1943
Third Amendment to
Department Circular No. 530
Fifth Revision, dated
June 1, 1942.

Treasury Department,
Office of the Secretary,
Washington, October 27, 1943

Fiscal Service
Bureau of the Public Debt

To Owners of United States Savings Bonds, and Others Concerned:

Section 315.5 (b) of Department Circular No. 530, Fifth Revision, dated June 1, 1942 (7 F.R. 5158), is hereby amended so that the last sentence thereof will read:

> "Registration may not be made in the names of trustees under a statute, regulation, agreement, or other instrument purporting to create a trust where the funds used represent merely security for the performance of a duty or obligation".

D. W. Bell

Acting Secretary of the Treasury

Filed with the Federal Register
October 27, 1943 - 10:56 A. M.

Mrs. Klotz

141

AWB

TREASURY DEPARTMENT

WASHINGTON

October 27, 1943

MEMORANDUM ON MEETING OF THE JOINT

COMMITTEE ON REDUCTION OF NON-DEFENSE EXPENDITURES

A meeting was called at 10:30 A.M., October 27, 1943, in the Senate Finance Committee Room in the Senate Office Building. There were present:

Senators:	Post Office Department:
Byrd	Postmaster General Walker
McKellar	Mr. J. F. Gartland
Bureau of the Budget:	Mr. N. B. Wentzel
Mr. Lawton	Mr. Collins.

The meeting was opened at 10:35 A.M. Senator McKellar left at 11:08 A.M. The Committee reporter made a stenographic transcript of the meeting. Reporters were present.

Senator Byrd opened the meeting and said the Postmaster General had been requested to appear before the Committee to furnish certain information with respect to the penalty mail of governmental agencies.

Postmaster General Walker gave a brief outline of the current developments in this situation which he said grew out of a suggestion by Congressman Keefe in January, 1943, in connection with the Post Office Department Appropriation Bill then under consideration, that Government departments be required to pay postage for their mail.

Senator Byrd at this point read in the record Section 204 of the Treasury Department Appropriation Bill, approved June 30, 1943, which requires the Joint Committee on Reduction of Non-Defense Expenditures to consider this subject and to report its recommendations to the Congress at the beginning of the next session.

There was a general discussion with respect to the data to be supplied to the Committee by the Post Office Department. Senator McKellar indicated that the Committee desires the Postmaster General's recommendation with respect to the manner in which penalty mail can be reduced. Postmaster General Walker said he had taken the position that it was not his duty to determine the necessity for mail sent by the various Government departments and that any control over such mail should be exercised by the departments and not by the Post Office Department.

Senator McKellar read from a statement furnished the Committee by the Post Office Department showing the estimated cost✓of penalty mail for the fiscal years 1940 to 1943, inclusive, as follows:

1940 - -	$41	millions
1941 - -	51	"
1942 - -	71	"
1943 - -	103	"

Senator McKellar remarked that Congress should exercise some control to cut down penalty mail.

Postmaster General Walker estimated that the Post Office Department will handle 2 billion pieces of penalty mail during 1943 and that the total pieces of all mail handled will be 34 billion pieces. There was a general discussion as to the manner in which the Post Office Department estimates the number of pieces of penalty mail handled. The Postmaster General said he was not entirely satisfied with the methods pursued by the Post Office Department in ascertaining its cost for handling penalty mail and that further studies are being made at his direction with respect to this matter.

Senator Byrd inquired with respect to the Postal deficiency and the Postmaster General indicated that for the fiscal year 1943 Postal revenues exceeded expenditures by nearly 2 million dollars and that this was the first time in 25 years that revenues exceeded expenditures. He pointed out that this will not necessarily continue because operations during the fiscal year 1944 will be at a higher cost, including the full cost of the 15 per cent salary increase for Postal employees. The Postmaster General said he was satisfied some penalty mail could be omitted but he did not consider it to be within the province of the Post Office Department to make such determination.

Senator Byrd inquired whether it would be possible to have Government agencies pay postage for their mail. The Postmaster General replied he thought this would cause delay in mailings and there were no assurances that additional mailing machines for affixing postage could be obtained at this time.

Senator Byrd furnished the Postmaster General with a list of questions to be answered by the Postmaster General for the record. The Postmaster General agreed to furnish such information as soon as possible. He was excused at 11:33 A.M.

✓ on basis of regular postage charges

Mr. Lawton of the Bureau of the Budget testified and reviewed briefly the steps which the Budget Bureau has taken in connection with the reduction of penalty mail. He pointed out that the Bureau had reviewed publications issued by Federal agencies and had caused a reduction both in the number and size of such publications and in the frequency of issue. He also pointed out that the 1944 estimated envelope requirements of the Federal Service amounted to 3,772 millions, of which 2 billions were for Army requirements. He said this gave some indication of the magnitude of mail handled for the Government. He also indicated that the Bureau of the Budget was ready to cooperate with the Committee in its study of this situation.

Senator Byrd asked for a recommendation from the Bureau of the Budget as to the best method of handling the situation and gave Mr. Lawton a list of questions which he desired the Bureau of the Budget to furnish answers to for the record.

The meeting adjourned at 11:45 A.M.

MM

144

CANADIAN LEGATION
WASHINGTON

October 27, 1943.

Dear Dr. White:

I attach herewith a statement of the Canadian dollar position as at the end of September 1943.

Yours sincerely,

A.F.W. Plumptre

A.F.W. Plumptre

Dr. Harry White,
The Treasury,
Washington, D.C.

[illegible] U. S. DOLLAR EXCHANGE POSITION IN SEPTEMBER, 1943

(Millions of U. S. $)

I. [illegible]tion

	Total	Position excl. net proceeds from security sales
[illegible] of gold, U. S. Treas. Bills [illegible] balances at August 31, 1943	545	495
[illegible] of gold, U. S. Treas. Bills [illegible] balances at Sept. 30, 1943	581	519
[illegible]ease during month	36	24

II. [illegible] Factors in Total Position Change

	Increasing Position	Decreasing Position
[illegible]lies Ltd. deposits	29	
[illegible] to U. S. Gov. accounts	13	
[illegible] Mint gold to FRCB	10	
[illegible]land net receipts	2	
[illegible] of International Nickel dividend		5
[illegible] reimbursements (excl. NRO cos.)	4	
[illegible] current deficit		30
[illegible]sement for NRO co. security liquidations	6	
Sales of Canadian securities	16	
Sales and redemptions of U. S. and foreign securities	3	
[illegible]urities of Canadian securities		13
[illegible] net capital surplus	2	
	85	49
	49	
[illegible] increase in position, as above	36	

III. [illegible]ciliation with September Forecast

	3Q'43 Actual	3Q'43 Forecast	Difference (excess of actual surplus over forecast)
[illegible]rplus	14	-71	85
[illegible] payments for Canpay items, not made		-71	71
[illegible]sement from U. K. for NRO co. [illegible] liquidations, not forecast	6	—	6
Comparable Net Surplus	8	0	8
[illegible]lies Ltd. deposits	103	100	3
[illegible]pts on Newfoundland account	6	5	1
[illegible] reimbursements (excl. NRO's)	12	10	2
[illegible] current deficit (incl. Al. Co.)	-58	-60	2
[illegible] of Canadian securities	51	50	1
[illegible] and redemptions of U. S. and [illegible] securities (excl. NRO sales)	10	11	-1
[illegible]tion of Dom. of Can. bonds	-106	-106	-
[illegible] maturities of Canadian securities	-15	-16	1
[illegible] net capital surplus (excl. Al. Co. [illegible] incl. in current account above)	5	6	-1
	8	0	8

[illegible]tober 6, 1943

TREASURY DEPARTMENT

OFFICE OF THE SECRETARY

October 27, 1943

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended October 13, 1943, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

EMB

FEDERAL RESERVE BANK

OF NEW YORK

October 23, 1943.

CONFIDENTIAL

Dear Mr. Secretary:

Attention: Mr. H. D. White

I am enclosing our compilation for the week ended October 13, 1943, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke

L. W. Knoke,
Vice President.

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

Enclosure

C O P Y

Strictly Confidential

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

Week Ended October 13, 1943

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT): DEBITS: Total Debits	DEBITS: Gov't Expenditures (a)	DEBITS: Transfers to Official Canadian Account	DEBITS: Other Debits	CREDITS: Total Credits	CREDITS: Proceeds of Sales of Gold	CREDITS: Proceeds of Sales of Securities (Official) (b)	CREDITS: Transfers from Official Australian Account	CREDITS: Other Credits (c)	Net Incr.(+) or Decr.(-) in $ Funds (d)	BANK OF FRANCE: Total Debits (e)	BANK OF FRANCE: Total Credits (e)	BANK OF FRANCE: Net Incr. (+) or Decr. (-) in $ Funds (d)
First year of war(g)	1,793.2	605.6	20.9	1,166.7	1,828.2	1,356.1	52.0	3.9	416.2	+ 35.0	866.3(f)	1,095.3(f)	+299.0
War period through December, 1940	2,782.3	1,425.6	20.9	1,335.8	2,793.1	2,109.5	108.0	14.5	561.1	+ 10.8	878.3	1,098.4	+220.1
Second year of war(h)	2,203.0	1,792.2	3.4	407.4	2,189.8	1,193.7	274.0	16.7	705.4	- 13.2	38.9	8.8	- 30.1
Third year of war(i)	1,235.6	904.8	7.7	223.1	1,361.5	21.8	5.5	57.4	1,276.8	+ 125.9	18.5	4.4	- 14.1
Fourth year of war(j)	764.0	312.7	170.4	280.9	1,072.3	-	0.5	155.1	916.7	+ 308.3	10.3	1.0	- 9.3
1943													
Sept. 2 - Sept. 29	46.3	15.5	10.6	20.2	78.1	-	-	14.0	64.1	+ 31.8	-	-	-
Sept. 30 - Nov. 3													
Nov. 4 - Dec. 1													
Dec. 2 - Dec. 29													
Week Ended:													
September 22	5.1	2.3	-	2.8	16.6	-	-	-	16.6	+ 11.5	-	-	-
September 29	14.2	3.8	6.4	4.0	10.5	-	-	-	10.5	- 3.7	-	-	-
October 6	12.1	5.0	-	7.1	41.3	-	-	16.0	25.3	+ 29.2	-	-	-
October 13	11.9	4.7	-	7.2	19.1(k)	-	-	8.0	11.1(k)	+ 7.9	-	-	-

See attached sheet for footnotes.

... Outbreak of War
... $19.6 million
... $27.6 million
... 13, 1943) $54.9 million
England (... 1943) $20.9 million

(a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.

(b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to $334 million.

(c) Includes about $85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (k) below.

(d) Reflects net change in all dollar holdings payable on demand or maturing in one year.

(e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.

(f) Adjusted to eliminate the effect of $20 million paid out on June 26, 1940 and returned the following day.

(g) For monthly breakdown see tabulations prior to April 23, 1941.

(h) For monthly breakdown see tabulations prior to October 8, 1941.

(i) For monthly breakdown see tabulations prior to October 14, 1942.

(j) For monthly breakdown see tabulations prior to September 29, 1943.

(k) Includes $ 1.9 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports. $3.0 million to be held for credit of U.S. armed forces abroad. $2.0 million transferred from Reserve Bank of New Zealand account at this bank.

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

Week Ended October 13, 1943

Strictly Confidential

PERIOD	BANK OF CANADA (and Canadian Government) DEBITS: Total Debits	Transfers to Official British A/C	Others Debits	CREDITS: Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C: For Own A/C	Transfers from Official British A/C: For French A/C	Other Credits	Net Incr. (+) or Decr.(-) in $Funds(e)	COMMONWEALTH BANK OF AUSTRALIA (and Australian Government) DEBITS: Total Debits	Transfers to Official British A/C	Other Debits	CREDITS: Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr.(-) in $Funds(e)
First year of war (a)	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9
War period through December, 1940	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+ 230.2	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5
Second year of war (b)	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 9.0
Third year of war (c)	525.8	0.3	525.5	566.3	198.6	7.7	-	360.0	+ 40.5	107.2	57.4	49.8	112.2	17.2	95.0	+ 5.0
Fourth year of war (d)	723.6	-	723.6	958.8	47.1	170.4	-	741.3	+ 235.2	197.0	155.1	41.9	200.4	-	200.4	+ 3.4
1943																
Sept. 2 - Sept. 29	46.4	-	46.4	65.1	-	10.6	-	54.5	+ 18.7	15.8	14.0	1.8	4.8	-	4.8	- 11.0
Sept. 30 - Nov. 3																
Nov. 4 - Dec. 1																
Dec. 2 - Dec. 29																
Week Ended:																
September 22	9.9	-	9.9	7.7	-	-	-	7.7	- 2.2	-	-	-	0.3	-	0.3	+ 0.3
September 29	18.8	-	18.8	21.3	-	6.4	-	14.9	+ 2.5	-	-	-	3.3	-	3.3	+ 3.3
October 6	4.9	-	4.9	20.6	-	-	-	20.6	+ 15.7	17.1	16.0	1.1	21.1	-	21.1	+ 4.0
October 13	6.3	-	6.3	11.4(f)	-	-	-	11.4(g)	+ 5.1	9.2	8.0	0.2	0.6	-	0.6	- 7.6

Average Weekly Expenditures for

First year of war	6.2 million.
Second year of war	8.9 million.
Third year of war	10.1 million.
[illegible]	13.9 million.
[illegible]	9.6 million.

(a) For monthly breakdown see tabulations prior to April 23, 1941.
(b) For monthly breakdown see tabulations prior to October 8, 1941.
(c) For monthly breakdown see tabulations prior to October 14, 1942.
(d) For monthly breakdown see tabulations prior to September 29, 1943.
(e) Reflects changes in all dollar holdings payable on demand or maturing in one year.
(f) Does not reflect transactions in short term U. S. securities.
(g) Includes $ 8.8 [illegible] Supplies, Ltd. and $2.5 million received from New York accounts of [illegible] Chartered Banks.

NOT TO BE RE-TRANSMITTED

U.S. SECRET

COPY No. 17

BRITISH MOST SECRET

OPTEL No. 353

Information received up to 10 a.m. 27th October, 1943

1. NAVAL

Fortresses based on the AZORES start Convoy protection duties today.

2. MILITARY Italy On 26th 8th Army made progress all along the line mostly against very light opposition which would appear to indicate that the enemy's main defensive postion has not yet been reached. Advances were made North of CAMPOBASSO North West of CASTROPIGNANO and North West of BOLANO.

5th Army. Main thrust is aimed at high ground about PIETRAVAIRANO which unconfirmed report states is in our hands.

3. AIR OPERATIONS Western Front 26th. 8 Typhoon Bombers successfully attacked an Airfield at BREST and Fighters damaged 6 locomotives near ROUEN.

Italy 24th. Medium and Light Bombers attacked roads and railways at TERNI, FROSINONE, GAETA and SESSA AURUNCA dropping total of 175 tons with good results. Fighters attacked objectives in the Battle area.

24th/25th. Wellingtons bombed the railway centre and an Aircraft Assembly Factory at PISTOIA dropping 65 tons.

25th. 24 Mitchells bombed FROSINONE. 48 Bostons attacked FORMIA and a bridge at the mouth of the River SANGRO.

Yugoslavia 25th. 36 escorted Mitchells and 16 Lightnings attacked PODGORICA Airfield destroying several Aircraft on the gournd.

Aegean 25th. 9 enemy Aircraft attacked LEROS, two Motor Torpedo Boats reported sunk, late news, LEROS, starting noon 26th gun positions and defences were heavily bombed by total of 80 enemy aircraft.

NOT TO BE RE-TRANSMITTED

U.S. SECRET

BRITISH MOST SECRET

COPY No 12

OPTEL No.355

1. NAVAL

Early 28th 2 MTB's off the North FORELAND engaged 2 E-Boats one of which was damaged. Both MTB's sustained slight damage. A U.S. Cruiser escorted by two U.S. Destroyers bombarded the MINTURNO Area North West of NAPLES on 27th. One of H.M. Submarines sank a lighter in the Gulf of GENOA on 22nd. 49 more survivors some of them from a Destroyer and others from KOS have arrived at CASTELORIZZO via Turkey.

2. MILITARY Italy

8th Army. No substantial change on right MONTENERO captured by 8th Indian Division. Canadian Patrols have passed through FROSLONE.

5th Army. U.K. and U.S. Patrols are in touch at RIARDO slight U.K. Advance in Sector North of VOLTURNO between two railways.

3. AIR OPERATIONS Western Front

28th. Escorted Medium and Fighter bombers dropped 18 tons at CHERBOURG docks. (one Mitchell missing).

Italy 27th. Allied Fighter Bombers dropped 21 tons on gun positions on GAETA POINT.

Aegean 27th. 4 Mitchells and 3 Beaufighters attacked KOS landing ground. 6 Baltimores bombed STAMPALIA landing ground. A total of 35 enemy aircraft attacked LEROS, SAMOS and CASTELORIZZO. One was destroyed by A/A fire.

153

NOT TO BE RE-TRANSMITTED

U.S. SECRET

BRITISH MOST SECRET

COPY NO 12

OPTEL No.354

Information received up to 10 A.M. 28th October 1943.

1. MILITARY Italy To noon 27th 8th Army. Our troops have improved their positions in face of considerable opposition and in the coastal sector are now able to cover the crossings of the River TRIGNO effectively. Further south MONTEFALCONE has been occupied by troops of 8th Indian Division.

Fifth Army U.S. Forces have continued to advance astride the upper reaches of the VOLTURNO River towards VENAFRO.

Russia The Russians have cleared the Zeporozhe - Crimea Railway to within 50 miles of the Crimean Bridge.

Yugoslavia 21st. Partisans made a successful attack on the ZAGREB-BELGRADE Railway killing 100 Germans and destroying 2 trains and 60 kilometers of track.

2. AIR OPERATIONS Italy On 25th/26th and 26th a total of 558 Fighters and Fighter-Bombers attacked communications and transport north of the battle area. An ammunition train was destroyed near ORTE and numerous motor vechicles were destroyed or damaged.

Adriatic 25th Warhawks set fire to a ship of about 4,000 tons.

Greece 26th Preliminary reports indicate that SALONIKA and MIKRA Airfields 40 miles north west of SALONIKA were attacked with success.

Crete 25th/26th 9 of our heavy bombers attacked HERAKLION landing ground.

Leros 26th Gun positions and defences were attacked by about 120 enemy aircraft. No details yet available.

Ends.

154

PACKARD MOTOR CAR COMPANY

DETROIT, MICHIGAN

GEO. T. CHRISTOPHER
PRESIDENT
AND GENERAL MANAGER

October 29, 1943

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

Dear Mr. Secretary:

Your friendly visit to Packard in September gave all of us a real "lift" and we are still talking about your pleasant call.

What you said about the Rolls-Royce job and Packard's handling of it, has proven a real stimulus. We have sent examples of our various releases on the subject to Fred Smith in your office and you have doubtless noted the way we have put your constructive comments to mutual advantage in our common cause of war production.

As the inclosed indicates, a further development of the material you gave us has been shaped into this plant poster for display throughout the Packard shops. It will be a real betterment to production morale and every one of our war workers will view it with keen interest.

I hope your European trip was as successful to those concerned as your Packard visit has proved to us. It will be a pleasure to see you here again and, meanwhile, here are all best wishes for the outcome of your vital projects, and kindest personal regards!

Cordially yours,

Geo. T. Christopher

Geo. T. Christopher
President

WITH STORY OF ENGINE *You* BUILD

• How did the English engine you build, come to this country for American manufacture?

• Secretary of the Treasury Morgenthau revealed the answer on his recent visit to Packard war workers. He told how, back in 1940, he headed a small group who felt the need of a broader airplane effort. So, 18 months before Pearl Harbor, he interested the English in greater production of the Rolls-Royce engine which was then literally saving England from the worst German blitz.

• They sent an engine across in a battleship. Industrialists visited the Treasury to examine the engine for its possible manufacture. They wouldn't touch it—said it was too complicated for volume production.

• "Then Packard had the nerve to take it," said the Secretary, "and what I have seen in your shops today confirms my judgment in the wonderful job being done."

MEMORANDUM FOR THE SECRETARY.

October 29, 1943.

Mail Report

The Secretary's trip abroad, along with his foreign broadcast, supplied the only overtones of this week's mail. Objections to the extravagance of the trip came from 3 correspondents who were urging economy throughout the Government; and 3 others took issue with the statement by radio that bond dollars are well spent in the Italian area of operations. Two or three opposed the idea of appointing a top flight man to sell bonds to the military forces in that theater; however, there were 6 applications for the job. Favorable comment on any of these subjects was rare, and usually incidental to another matter.

Tax mail has now dwindled almost to the point of being a negligible part of the week's receipts. Aside from 48 postals from California which endorsed the CIO program, little more than 50 pieces concerned tax matters. These raised opposition to increased taxes, voted evenly for and against the sales tax, and offered several of the usual ideas for new sources of taxes.

In the bond mail, heavy but very routine, were 57 reports of failure to receive interest on bonds -- as a rule the 1943-45 series recently called. Bonds for redemption varied little from the total received last week, but the number from Patchogue dropped to 5. Only 27 employees of the War Department complained of undelivered bonds.

The rest of the mail related chiefly to problems of the foreign property census, such receipts having doubled the number for last week. On the other hand, protests about the Salary Stabilization Amendment, coming as before through Congressional channels, were cut in half this week. A few newspaper clippings were forwarded anonymously -- among them 3 copies of the article, "I am the Treasury of the United States", by Benjamin DeCasseres.

News that the steel pennies will not be released after the first of the year must have moved fast, for protests against them ended abruptly several days ago.

G. E. Forbush
by Kay Pearson

General Comments

Charles G. Endicott, N.Y.C. The writer, fifty-three years old, has never before written a letter to a public official, but perhaps you will take long enough to give me some information. * * * I have three youngsters in the Army and Navy. My salary has never been more than approximately $5,000, and a great deal of the time has been considerably less. Yet I have sent my children to college, partially bought my home, and in general, been a pretty decent citizen. Right now I should be laying something away for my old age; also, my kids will probably have to have a fresh start when this mess is over with, BUT YOUR DEPARTMENT COMES ALONG WITH A RULING THAT I CANNOT MAKE MORE THAN $5,000 THIS YEAR, which is going to rob me of about $400 with which I could buy War Bonds against the future; also out of which the Treasury would collect 20%. Does this make sense? Obviously you are after some of the bigger fellows who are doing some "phenagling", but why do you pick on we little fellows who are the backbone of this country? Also, we have fellows here in our office who are hard put to live with the 20% out of their pay, and yet we cannot, according to your rules, raise their pay. YET we can hire a new man at twice the pay. You see what I mean? Have you got time to give me some answers - sensible ones I mean - if there are any.

A. W. Jamison, Fayetteville, Ark. The Arkansas Gazette of October 17 contains a report by its City Editor of a definite source of excess profits taxes. The owner of a junk yard at Pine Bluff, Ark., has been buying from the Government "kegs of nails, unused metal window frames, electrically controlled steam traps and twenty-foot lengths of three-inch pipe as scrap metal at half a cent a pound". This he is offering for sale at a gross profit of nearly 500 percent. He has for sale 600,000 board feet of lumber bought at an average of a little more than $2 per thousand, and is selling it at $20 to $30. A lot of other metal pieces he has bought at $11 per ton and offers it at $55 per ton, and claims this is a fraction of the real value. A lot of shovels, apparently unused, had the handles sawed off, apparently in accord with Government regulations. Col. C. J. Overmeyer, to whom the reporter was referred, said the regulations were followed in disposing of this material. * * *

A Citizen -- Postmarked Los Angeles, Calif. A more succinctly accurate description of your Department than the attached has never been penned. It reflects the opinion of the vast majority of the intelligent citizens of this country perfectly. Please convey this on to "the boss". (Article entitled, "I am the Treasury of the United States".)

Mrs. Harry W. Schneider, Baltimore, Md. We, the Ladies of the Red Cross Sewing Unit of Jerusalem Lutheran Church of Baltimore, Maryland, wish to give the amount of enclosed Money Order for gas masks and oxygen for a soldier.

Senator William Langer, (North Dakota), forwards a letter he has received from Mr. V. J. Hillstrom, Manager, Reinhard Brothers, Inc., Fargo, N.D., which reads as follows: We urge your attention to new Treasury Department income curbs placed on men drawing commission as salesmen or field servicemen, limiting their earnings to 1941 levels. Salary Stabilization Act TD-5924 as amended hearing now being held. This is unfair and inequitable regulation, loaded with dynamite and will be destructive to all distributive business; is punishment for efficiency, hard work, and merit. These men work year in and year out on a fixed rate of commission. This regulation will seriously affect several hundred thousand salesmen - substantial men, producers of business, and will bring financial chaos to many who have already bought bonds, homes, and other investments. * * * May we urge you to present some organized opposition to this vicious program now being considered by the Treasury Department? We understand that hearings are now in progress at the Capitol and a final decision on the subject matter is likely to be released within the next few days. * * *

William D. Jaenke, Jennings, La., encloses a clipping, "Bankhead Raps 'Free Horse Rides'. Bankhead Bill Provides for Advertising Bond". * * * Senator Bankhead of Alabama evidently has political ambitions which will require national press cooperation. It is my opinion that War activities have been a boon to our newspapers. I see no evidence of our Government or the American people taking advantage of American newspapers, as all bond advertising and other War activities that have come to my attention have been sponsored and paid for by American business or the American individual. The fact that six hundred small newspapers have "folded up" during the past two years seems a rather low percentage as compared with pool halls or what have you. Judicial advertising is essential but 75% of all bond sales are made by house-to-house or person-to-person canvass. As a duly qualified sales agent for Series E Bonds, may I suggest that instead of donating some thirty millions of dollars to our newspapers, that 1/20th of 1% be allowed to issuing agents who would then be able to establish a Parish (County) Bond Headquarters so that full cooperation of all issuing agents may be had for better direction, fuller coverage, and increased bond sales? * * * We issuing agents are glad to do all we can for our Government -- we have worked for nothing -- we do not want anything, but personally I do not subscribe to Senator Bankhead's political advancement.

George W. Hamlin, President, The Canadaigua National Bank & Trust Company, Canandaigua, N.Y. I received this morning your letter of October 19, addressed to banks asking us to make further efforts for the filling in and filing of Form TFR-500 report on the part of our customers. I have seen no definite statement on the part of the Treasury as to the exact purpose of making this survey. Your letter certainly gives no adequate information as to what you propose to do with it when you get it. The average small investor feels that it is a scheme on the part of the Government to ultimately confiscate their foreign investments in this type of security. There are relatively few foreign holdings in this locality. The major part are small amounts in Canada. If you have ever made a concrete statement as to how this information will be used, and whether it is of any value either to the country as a whole, or, more particularly, to the small investor who has $1,000 or $2,000 in foreign bonds, please send me a copy of it.

Milton Nobles, Hot Springs, Ark. Fulton Lewis said last night that if our Government would now discontinue the cost plus plan on all Government contracts, and get more efficiency in our War work that we can save billions of dollars during the next 12 months. Is there any one on the Government payroll looking after the interest of wage earners in private business and the small taxpayer? Is it true that our Army and Navy heads are very wasteful in spending tax money? Does the Navy pay for false teeth of their big shots? I hear many persons say that they hope our present Administration is ousted from office soon. Bureaucrats, waste, too much politics, and not enough real leadership. I hope not.

Charles G. Terwilliger, Newark, N.J. With reference to that part of your speech of October 23rd "that every one of your dollars that you have invested in War bonds or are paying in taxes for the War is being well spent", I desire to say that I have never met a man who believed this -- neither do I think there is one person in the entire nation who believes this. How you can make a statement like the above is beyond me. If there was ever a period of paying the most outrageous prices for materials for War, or any other purpose, I have never heard of it. If all the Government officials think we are getting full value for the billions expended, then there is no hope for less taxes, but, on the contrary, they will be increased. I realize you will never see this letter and I do not care for a reply.

John T. Turvey, Sr., West Philadelphia, Pennsylvania. I just read the statement you made about the boys in foreign operations - this is about the 14% locally spent. What's wrong? Don't you think those boys are worth the small amount they spend? They are sacrificing their all to bring peace and happiness to you and me, so why make a statement that they should buy more bonds? Didn't you make a statement before that we in the United States went over our quota 2 billion dollars? What more do you want? We're behind the boys 100%. I have a boy in the Fifth Army myself. What I would like to see is for some of you guys to get behind those strikers and make them get back to work before there is some trouble caused in this country.

Favorable Comments on Bonds

E. C. Gaugwer, Lake Worth, Fla. I am proud of your letter dated December 1941, thanking me personally for my patriotic cooperation in buying U. S. bonds. To me it demonstrates the fact that you recognize the home front efforts even to the least of us. * * * I can't carry a gun but I can handle a shovel and hoe, and I do produce considerable Victory Garden vegetables, and manage a small citrus grove, which, after all, helps to Back the Attack. * * *

W. Neal Estes, Editor, The Panola Watchman, Carthage, Texas. I am very happy to have had a part in the Panola County War Bond campaigns. * * * I wish to extend to you the salutations of a grateful group of people -- the residents of my county for your very fine and astute leadership in these times of national stress. You are doing a jam-up good job in looking after the financial interests of America. Keep the good work going and we'll complete the play every time you call the signals for a touchdown.

Mrs. John C. Kelly, Minneapolis, Minn. May I offer a suggestion which I believe will streamline the handling of the ten-cent War Savings Stamp books? It seems to me the nickel that must be offered with a completely filled book is a nuisance all along the line. I suggest, as a book is only given with the purchase of a ten-cent Stamp, that the books be printed with <u>one</u> fifteen-cent Stamp printed in the first box in the book. The books could then be given for an initial sum of fifteen cents and all concerned could forever forget "plus 5¢ in coin".

Unfavorable Comments on Bonds

Bert R. Allen, Philadelphia, Pennsylvania. Re your sending "top flight man" to foreign fronts to sell Bonds. Why not just not pay the service men any wages? If that doesn't work, maybe you could think up something else.

Edward J. Dwyer, Philadelphia, Pennsylvania. While reading this evening's paper, I noticed an article which quotes you as saying that you intend to send a "top flight man" to the front to sell the boys in the service Bonds. Three years I have a boy in the Army and he was buying Bonds with every dollar he could spare, but he stopped buying them because the Bonds were not delivered. He should have at least 21 to date, but I have received only 4, and I have not received any since last January. * * * I also have a boy in Hawaii and he is buying Bonds for nearly two years and all I have received from his purchases is 3. After all, these boys have paid for these Bonds, and I think the least the Government should do is deliver them promptly, for by doing so, it would encourage others to buy more. * * *

Mrs. J. S. Mettelstaedt, New Orleans, La. We are asked to buy Bonds, but why does not your office see that service men are mailed their Bonds more promptly. My son, Robert E. Mettelstaedt, has 13 Bonds due him since 1942. * * * He, as well as others, has written C. G. Centralized Field Office, F.D., 366 W. Adams St., Chicago, "Attention War Bond Office", but has not even had a reply. I understand the volume of business this office transacts, but isn't there some way the boys can find out about these Bonds, and get them in 1943? My reason for writing you, is there are thousands of boys who have not received these 1942 Bonds.

Van Vechten Shaffer, President, Guaranty Bank & Trust Company, Cedar Rapids, Iowa. May I respectfully suggest that some effort be made to eliminate the red tape from

Bond transfers? It is obviously your purpose to distribute particularly the "E"Bonds as widely as possible. In Iowa, I believe, we have perhaps done a fair job in that direction. You have made rather a fetish of the joint ownership or survivorship registration which frequently means infinitely more trouble than had the Bonds been registered in the single name of the purchaser. Moreover, in getting such matters adjusted, it has been our experience, and I have heard it in various quarters, that it is harder to get a Bond transferred by the Federal Reserve Banks or the Treasury Department, than it is to get a passport. This leads to dissatisfaction on the part of the people, and in not a few cases to open hostility. It is essential that the continued cooperation of the kind of people to whom I refer be available to you for continued sale of these Bonds. * * * I have heard complaints from lawyers in New York and bankers in San Francisco, as well as the daily complaints of my own clerks in this bank. After all, you are asking the people of the United States, in good faith, to buy obligations of the country. If you can't accept somebody's word for the simple fact that John Jones is John Jones without the endless affidavits, form filings, etc., that are required, it is not a very reciprocal arrangement. I grant the necessity of your being informed, but a simple affidavit, properly witnessed, or made by any banking institution in the United States could, in fact, meet every requirement of anybody except some bureaucratic officials who feel it necessary to complicate everything they touch. Let's get this job done, not make it as complicated as some attorney can manage. * * *

Joseph E. Burger, Director of Market Research, Sunnen Products Company, St. Louis, Mo. * * * An Associated Press item in this morning's St. Louis Globe-Democrat mentions the criticism by Senator Donaher of Connecticut regarding the use of President Roosevelt's picture in Treasury War Bond advertising. May I suggest to you, Mr. Secretary, that this same criticism has arisen from many out here in the Middle West in connection with the large billboard advertisement containing President Roosevelt's picture in the Third War Loan. Many people feel that the President will be a candidate for re-election and, under these circumstances, the continued use of his picture and name in connection with War Loan advertising may create a very negative response from many millions of potential Bond buyers who are not in sympathy with a fourth term. You may also be interested to learn that many people felt that the phrase, "as your Commander-in-Chief, I invoke you", smacked entirely too much of the dictatorships against which we are fighting. I trust you will accept these criticisms in the constructive, friendly spirit in which they are offered.

Mr. Charles Sughroe, Stockton Herald-News, Stockton, Illinois, writes as follows on advertisement prepared under the auspices of the War Advertising Council and the U. S. Treasury Department, entitled, "How Many Boys From (Name of Town) Won't Come Back?" -- This, in my opinion, is a morale-destroyer, and I have no intention of printing it!

Charles E. Phillips, Secretary, Equitable Life Insurance Company, Washington, D.C. * * * One of our employees is very much concerned about not having received a Bond which we purchased in his name in March, 1943, and he has on several occasions indicated that he holds the company responsible for nondelivery of the Bond and wants his money refunded. The facts are as follows: In March 1943 we paid the Treasury Department in Washington for a $25 Series E War Bond to be issued in the names of and mailed to Mr. James Easton and Mrs. Caroline Easton. * * * Mr. Easton advised us that he had not received the Bond. We called Marvin Wesley's office in the Division of Loans and Currency and were advised that his records showed that a Bond was mailed to the owners on March 27, 1943. We notified Mr. Easton to check with his local Post Office, and on June 3, he replied that he had made such a check unsuccessfully. He had written to the Treasury Department concerning nondelivery of the Bond and received no reply. On June 21 the Division of Loans and Currency advised us that they would attempt to trace the Bond, and on July 6 we learned from them that the tracer they sent had failed to locate the Bond. On July 6 we forwarded to Mr. Easton an application for duplicate Bond to be completed by him and forwarded to the Chicago address indicated. Under date of October 8 our Cleveland manager writes advising us that Mr. James Easton has had no reply to his application for duplicate Bond. Our Manager's letter closes as follows: "Mr. Easton is quite upset over this and feels that he should be reimbursed by The Equitable". We are extremely desirous of cooperating with the Treasury through our Payroll Allotment Plan. However, when an employee has paid us for a Bond and fails to receive it (through no fault of this company) he is prone to hold this company responsible. In the present case approximately seven months have elapsed since the Bond was paid for. In that time the employee has had no reply from the Treasury Department to any communication and no acknowledgment of his claim. * * *

Unfavorable Comments on Taxes

Senator Tydings sends the following letter he has received from T. B. Wall, Baltimore, Maryland: I am writing you about what seems to be an impasse between the Treasury Department and the Social Security Board regarding the payments into the Social Security fund by employers for "outside Salesmen" (Commercial Travelers). I am informed by the Social Security Board that for more than two years, where the employer refuses to make deductions from the pay of "outside salesmen" and pay into the Social Security fund for the account of such employees, that the Treasury Department holds that such class of employees are not covered by the Social Security Act, and refuses or fails to take action against such employers in enforcing the provisions of the law. The Social Security Board takes the position that such class of employees are covered by the Act and that payments for their accounts should be made. * * * I submit that this difference in interpretation of the law between the two agencies has not only remained undecided for an excessive length of time, but that such delayed action jeopardizes the interests of employees who have claims against delinquent employers. Some will have reached the age of 65 years before the payments are made for their account; others will have died and their heirs deprived of the accumulation to the employee's account. * * *

Congressman Lindley Beckworth, (Texas), transmits the following letter from Melrose Tappan, President, Texas Retail Jewelers Association, Dallas, Texas: The jewelry industry in Texas, and throughout the nation, I presume, is considerably disturbed over Mr. Morgenthau's proposal to levy a 30% excise tax on retail selling prices of tableware, men's and ladies' watches, jewelry, etc. It is our opinion that the jewelers of America have been pretty good sports about Federal taxes. Two years ago a 10% tax was levied and there has been no particular criticism simply because the jewelers and the customers of their stores felt it their duty to bear a just share of the increased tax burden. Jewelers submitted to the 1941 tax with the full realization that hundreds of other items, outside the category of real necessities, were not being taxed. * * * We cannot agree that the items sold in jewelry stores are all in the luxury class. Surely the watch that is used by Army personnel to precisely time their movements - the watch that is needed to get the defense worker on time to his job - these are necessities, we believe you will agree. Tableware, in our opinion, is not a luxury. The same could be applied to the majority of items sold in our stores. * * * Our plea is that the subject of taxation should be studied most carefully before adding further to the burdens of those items which have been bearing a considerable share of the expenses of conducting the war.

H. L. Jenks, President, Foote & Jenks, Inc., (Flavor Specialists), Jackson, Michigan. We note the various proposals for increased taxes by the Treasury Department, and among them the increase in tax on Distilled Spirits from $6.00 to $10.00 per PROOF GALLON. We offer no opinion as to the justice or advisability of such a tax on liquor for beverage purposes. We ask your attention, however, to the present sad plight, and the sadder one to come if this proposal is adopted, of those who use Alcohol (a distilled spirit) as a necessary material in the manufacture of flavors and flavoring extracts for foods. In the first place, let us make it plain that Alcohol so used is not 100° proof or less, as is whiskey or rum, but 190° proof. Therefore, we are not talking about a tax of a mere $10.00 per gallon, but rather a levy of $19.00 per gallon on an essential raw material costing, delivered at our plant, ex-tax, about 70¢ per gallon. * * * In other words, the tax would be more than 27 times the cost of the Alcohol. It is now more than 16 times. In the last tax bill, a relief provision was inserted in the form of a Drawback of Tax to $2.25 per proof gallon. * * * Our first claim for such Drawback covered the period from November 30 to December 31, 1942. For various reasons this claim was very small. And yet it was not paid until July 1943 -- 8 months after the first Alcohol was used in production. Our second claim was for about $9,000 and our third $21,000. Our fourth in process at this time will be $20,000, altogether in round numbers, $50,000, some of it 10 months old -- AND NOT ONE CENT OF IT YET PAID. In other words, we are financing the Treasury without interest, in an amount equal to about 20% of our capital and surplus, or close to 10% of our total sales. * * * There must be some other and better way to collect high taxes on liquor, without ruining, or at best, so seriously hampering the industries that use Alcohol for entirely legitimate purposes having no connection whatever with Alcohol as a beverage. We feel sure that, if the desire to do so can be encouraged by a better understanding of the seriousness of the problem, the way can and will be found. We stand ready to help in any way we can.

Ray J. Pilon, Research Director Ford Local #600, UAW-CIO, Dearborn, Mich. * * * On August 13, 1943, Giuseppe Mangiapane received his usual pay. Included in this pay was a 43¢ addition as a result of a favorable disposition from the last stage of the grievance procedure (umpire). * * * Giuseppe would have received, without the 43¢, $119.60. For the purpose of income tax deduction, this would have placed him under the $120.00. The 43¢ addition brought him above the $120.00 schedule and resulted in a deduction for income tax of $9.20, which was $4.00 above his normal deduction. So the final result is that Guiseppe, in winning his justified award (43¢) through the grievance procedure, was forced to pay an additional $4.00. Naturally, Giuseppe is not very happy. My belief is that the $4.00 should be refunded by the Company inasmuch as the income tax deduction should have been made on the basis of $119.60, which was his normal income for a two-week period, representing services rendered for that two-week period, and because the grievance provided for an adjustment in wages on a case that occurred prior to the new income tax deduction system. * * *

Congressman Francis Case, (South Dakota). Correspondence from my constituents, following the "Declaration of Taxable Income" which they filed in September, has been almost unanimous in asking for simplification. I understand that some recommendations on this point have already been made to the Ways and Means Committee. From my own examination of the blanks and questions asked, I have come to the conclusion that some of the confusion occurs by reason of the wording in the heading of the declaration. The wording of the heading does not suggest to the average person that it is a declaration of two different tax liabilities. That impression is increased by the use of the same style type for the several lines. Had that been divided or had the plural word "taxes" been used in the heading, I think there would have been less confusion. This may be obviated if the victory tax is eliminated. If it is not, I would suggest breaking the form up so as to indicate it is a compilation of two different taxes or use of other devices to make that clear.

Senator Harry Flood Byrd sends the following letter he has received from Mr. G. L. Nies, Midland, Pennsylvania: * * * In the last two Loan Drives, the public has oversubscribed more than the sum in discussion for additional taxes. Why not have the Treasury Department credit this additional in Bond purchases -- this leaves no additional tax. The layman on the street has simple arithmetic difficult to refute. I thank you.

OCT 29 1943

Dear Miss Thompson:

Attached is a copy of a report which I indicated in my letter of October 22, 1943, would be prepared for Mrs. Roosevelt on the action taken by the Treasury Department on October 26th with respect to H. Y. [illegible] & Sons.

Very truly yours,

(Signed) Randolph Paul

Acting Secretary of the Treasury

Miss Malvina C. Thompson,
Secretary to Mrs. Roosevelt,
The White House.

Enclosure.

CASchmidt:ops 10/28/43

TREASURY DEPARTMENT

October 26, 1943

REPORT FOR MRS. ROOSEVELT

On October 26, 1943, the Treasury Department used its freezing powers to protect the assets of H. Y. Minami, Sr., and his two sons, all of whom are Japanese nationals. H. Y. Minami, Sr. is presently interned and his sons are in a relocation center in Rivers, Arizona. The Treasury Department's action in this case is in fulfillment of the obligation of this Government to afford protection to those persons who, by reason of governmental action taken in the interests of our war effort, are not in a position to protect themselves or their property. The significant facts as reported to the Treasury Department are as follows:

H. Y. Minami, Sr. and his two sons, H. Y. Minami, Jr. and Yoshimatsu Minami, are the owners of H. Y. Minami & Sons and General Farming Company, both of which are situated in Santa Maria Valley in California. Although all three of these people have long been residents of the United States, the provisions of the freezing order were applicable to the assets of H. Y. Minami & Sons by virtue of the fact that H. Y. Minami, Sr. visited Japan in the autumn of 1940.

On the night of December 7, 1941, Leo T. McMahon, attorney for the Minamis, advised them to transfer the business of H. Y. Minami & Sons to the General Farming Company, which was at the time ostensibly owned by two American-born Japanese, N. Hiramatsu and N. Iriyama, both of whom were employed by the Minamis. McMahon was also instrumental in having his associates placed in control of the General Farming Company. Subsequently, when H. Y. Minami, Sr. was interned and his two sons, as well as N. Hiramatsu and N. Iriyama, were removed to relocation centers in Arizona, McMahon and his associates, T. Paul Dalzell, F. F. R. Marshall, and L. R. Phillips assumed control over all of the property of H. Y. Minami & Sons and transferred all the assets of the Minamis, amounting to over $500,000, to two companies (California Lettuce Growers, Inc. and California Vegetable Growers, Inc.) which they themselves owned. If the facts reported to us are accurate, McMahon and his associates have used the powers which they acquired over this property entirely to further their own interests, and have completely ignored the instructions and protestations of the true owners.

In order to protect and preserve the assets of the Minamis, the Treasury Department has extended the provisions of the freezing order to Minami's two sons and to all property belonging to the Minamis. At the same time, we are freezing the assets of Leo T. McMahon, T. Paul Dalzell and his son, D. P. Dalzell, F. F. R. Marshall, and L. R. Phillips, and the various companies controlled by this group (including California Lettuce Growers, Inc., California Vegetable Growers, Inc., and General Farming Company). In taking this action the Treasury is advising the principals that the Treasury Department is prepared to revoke its blocking instructions only upon receipt of proof satisfactory to the Department that all the funds of the Mizuuis have been segregated by deposit into appropriate blocked accounts and that any other Mizuui property is fully accounted for and held in a manner satisfactory to the Treasury Department.

In order to prevent any dissipation of the property and to ensure the efficient operation of the business enterprises, the Treasury Department is placing supervisors on the premises.

This case is being referred to the Department of Justice for appropriate action.

(Signed) Randolph Paul

OASCHMIDT:rbb 10/24/45

this action the Treasury is advising the principals that the Treasury Department is prepared to revoke its blocking instructions only upon receipt of proof satisfactory to the Department that all the funds of the Mizrahis have been segregated by deposit into appropriate blocked accounts and that any other Mizrahi property is fully accounted for and held in a manner satisfactory to the Treasury Department.

In order to prevent any dissipation of the property and to ensure the efficient operation of the business enterprises, the Treasury Department is placing supervisors on the premises.

This case is being referred to the Department of Justice for appropriate action.

(Signed) Randolph Paul

OASCHMIDT:rhb 10/28/43

OCT 23 1943

Dear Miss Thompson:

This will acknowledge receipt of your letter of October 15, 1943, addressed to the Secretary, and its enclosures.

As the enclosures indicate, the Department's Foreign Funds Control has recently conducted an extensive investigation of H. Y. Minami & Sons and the developments leading up to its present situation. Please advise Mrs. Roosevelt that the Treasury Department expects to take action in this matter in the immediate future and will furnish her with a report on the matter within a few days.

Mr. O'Brien's and Mr. Shaeffer's letters are returned herewith in accordance with your request.

Card noted 10/26/43 E.C.

Very truly yours,

(Signed) Randolph Paul
Secretary of the Treasury

Miss Malvina C. Thompson,
Secretary to Mrs. Roosevelt,
The White House.

Enclosures.

THE WHITE HOUSE
WASHINGTON

October 19, 1943

Dear Mr. Secretary:

There are enclosed two letters which Mrs. Roosevelt has received referring to the case of H. Y. Minami and Sons, of Guadalupe, California.

With the return of the letters, Mrs. Roosevelt would appreciate any information you may be able to give her about the status of this case.

Very sincerely yours,

Malvina C. Thompson
Secretary to
Mrs. Roosevelt

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

No enclosures received in files
10/29/43 EJC

FRED A. SHAEFFER
Attorney At Law
Santa Maria, California

October 11, 1943.   OCT 13 Rec'd

Mrs. Franklin D. Roosevelt
White House
Washington, D. C.

Dear Mrs. Roosevelt:

In Collier's Weekly of October 16th under the title "A Challenge to American Sportsmanship" appears a splendid article written by yourself.

The thoughts expressed in that article are thoughts that every American citizen should take very seriously and if our constitution means anything we should extend to those American citizens the same consideration that is extended to other groups. If the Japanese can be handled in this way, it will be only a question of time until they demand that other minority groups be likewise treated, and this will be the end of our government.

While you have appealed for the support of the American people, we who are handling some of the problems of the Japanese would like to appeal to the American government for protection. I have reference to H. Y. Minami & Sons and the General Farming Company, a case of where these Japanese turned over approximately $250,000.00 worth of property to American citizens without compensation. All this property is still being held by these citizens. Suits have been instituted to recover the property for the Japanese.

The Foreign Funds Control of the Federal Reserve Bank of San Francisco has made an investigation and we understand that they have recommended that all this property be blocked. If this is done, it will protect the Japanese's interest, because it will be operated under the supervision of our government. This report, we understand, has been in the hands of the United States Treasury Department and I am given to understand that Mr. Phley is handling the report.

My concern in writing you is to ask that you see why the government will not act upon the recommendations of the Foreign Funds Control and the Federal Reserve Bank of San Francisco and block the funds of these corporations. If the accounts are blocked, the Japanese's interests will be protected. If we have to drag the matter through courts, it will be years before the thing is finally decided and it is possible that although the Japanese

Mrs. Franklin D. Roosevelt
Page 2

October 11, 1943.

would be successful in court they would end up with a hollow victory, as their assets might be dissipated.

You have appealed for American sportsmanship; I would like to appeal to our government through you to protect the interests of the Japanese. You can do this by getting some action from the Treasury Department. Will you do this?

Very truly yours,

/s/ Fred A. Shaeffer

FAS:BB

M. B. O'BRIEN
GUADALUPE
CALIFORNIA

October
Eleventh
1943

OCT 13 Rec'd.

Mrs. Franklin D. Roosevelt
The White House
Washington, D. C.

Dear Mrs. Roosevelt:

The current issue of Collier's Weekly carries a very interesting article entitled "A Challenge to American Sportsmanship", which is credited to you as its author.

There are a great many people in California who are interested in this Japanese-American issue from the standpoint of constitutional and citizenship rights. We all accept the principle of action due to military necessity, but those citizens of Japanese ancestry who have been educated in our public schools and who are imbued with the spirit of Democracy, should be given the same consideration as any other group of Alien parentage.

We are reminded constantly of the terrible consequences of Fascist and Nazi influence in Europe and elsewhere, but is it not a fact that there is a slight tinge of this same philosophy in this country, particularly with the group that is constantly disparaging the President of the United States?

The anti-Japanese issue is mainly economic. The group that fans this issue is the same group that is opposed to all social changes whereby the common people would derive some economic improvement in their status of living.

In the removal of these Japanese from California, there was considerable abuse of their rights and financial interests. Much of this can be charged to this same Fascist-minded grouping of responsible Americans which benefitted financially from the action of our Government.

The War Relocation Authority did a reasonably good job in handling the physical aspects of the evacuation. They were treated kindly and considerately, for the most part. But the lawyers who were put

M. B. O'BRIEN
GUADALUPE
CALIFORNIA

in these camps merely handled the interest of the evacuees to make a showing of a settlement without regard to the citizen rights of the evacuees. They received about the same type of treatment, in respect to the settlement of their financial affairs, that the Jews in Germany received from the Nazis after they were behind barbed wire. There may have been a little more polish put on the finishing touches, but the results were the same.

There is a case in point now that has been thoroughly investigated by Governmental Agencies and the file pertaining thereto is with the Treasury Department in Washington. To be specific, Mr. Paley, one of Mr. Morgenthau's assistants, is handling the case. This is the case concerning H. Y. Minami & Sons, of Guadalupe, California. But nothing will be done, because our Government does not want to interfere with the vested interests in California.

The rank and file of people in California have not lost their sense of American Sportsmanship, but we would like to see some of the Executive Branches of our Government reflect, by action, a little of the sportsmanship that the common people are expected to display.

Very sincerely yours,

/s/ M. B. O'Brien

/t/ M. B. O'Brien

TREASURY DEPARTMENT

OFFICE OF THE SECRETARY

October 29, 1943

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended October 20, 1943, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

EMB

FEDERAL RESERVE BANK

OF NEW YORK

October 28, 1943.

CONFIDENTIAL

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

I am enclosing our compilation for the week ended October 20, 1943, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke

L. W. Knoke,
Vice President.

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

Enclosure

COPY

Strictly Confidential

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

Week Ended October 20, 1943

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT) DEBITS: Total Debits	Gov't Expenditures (a)	Transfers to Official Canadian Account	Other Debits	CREDITS: Total Credits	Proceeds of Sales of: Gold	Securities (Official) (b)	Transfers from Official Australian Account	Other Credits (c)	Net Incr (+) or Decr. (-) in $ Funds (d)	BANK OF FRANCE: Total Debits (e)	Total Credits (e)	Net Incr. (+) or Decr. (-) in $ Funds (d)
First year of war (g)	1,793.2	605.6	20.9	1,166.7	1,828.2	1,356.1	52.0	3.9	416.2	+ 35.0	866.3(f)	1,095.3(f)	+299.0
War period through December, 1940	2,782.3	1,425.6	20.9	1,335.8	2,793.1	2,109.5	108.0	14.5	561.1	+ 10.8	878.3	1,098.4	+220.1
Second year of war (h)	2,203.0	1,792.2	3.4	407.4	2,189.8	1,193.7	274.0	16.7	705.4	- 13.2	38.9	8.8	- 30.1
Third year of war (i)	1,235.6	904.8	7.7	223.1	1,361.5	21.8	5.5	57.4	1,276.8	+ 125.9	18.5	4.4	- 14.1
Fourth year of war (j)	764.0	312.7	170.4	280.9	1,072.3	-	0.5	155.1	916.7	+ 308.3	10.3	1.0	- 9.3
1943													
Sept. 2 - Sept. 29	46.3	15.5	10.6	20.2	78.1	-	-	14.0	64.1	+ 31.8	-	-	-
Sept. 30 - Nov. 3													
Nov. 4 - Dec. 1													
Dec. 2 - Dec. 29													
Week Ended:													
September 29	14.2	3.8	6.4	4.0	10.5	-	-	-	10.5	- [illegible]	-	-	-
October 6	12.1	5.0	-	7.1	41.3	-	-	16.0	25.3	+ [illegible]	-	-	-
October 13	11.2(n)	4.7	-	6.5(n)	19.1	-	-	8.0	11.1	+ [illegible]	-	-	-
October 20	9.2	[illegible]	-	4.3	6.4(k)	-	-	-	6.4(k)	- [illegible]	-	-	-

See attached sheet for footnotes.

Average Weekly Expenditures Since Outbreak of War

France (through June 19, 1940) $19.6 million

England (through June 19, 1940) $27.6 million

(June 20, 1940 to March 12, 1941) $54.9 million

([illegible] 1941) $20.8 million

Regraded Unclassified

(a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.

(b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to $334 million.

(c) Includes about $85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (k) below.

(d) Reflects net change in all dollar holdings payable on demand or maturing in one year.

(e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.

(f) Adjusted to eliminate the effect of $20 million paid out on June 26, 1940 and returned the following day.

(g) For monthly breakdown see tabulations prior to April 23, 1941.

(h) For monthly breakdown see tabulations prior to October 8, 1941.

(i) For monthly breakdown see tabulations prior to October 14, 1942.

(j) For monthly breakdown see tabulations prior to September 29, 1943.

(k) Includes $ 2.9 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports, and $1.0 million to be held for credit of United States armed forces abroad.

(r) Revised.

Strictly

ANALYSIS OF CANADIAN AND AUSTRALIAN ACCOUNTS

PERIOD	BANK OF CANADA (and Canadian Government): DEBITS: Total Debits	Transfers to Official British A/C	Others Debits	CREDITS: Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C: For Own A/C	Transfers from Official British A/C: For French A/C	Other Credits	Net Incr. (+) or Decr. (-) in $ Funds (e)	COMMONWEALTH BANK …: DEBITS: Total Debits	Transfers to Official British A/C	Other Debits	CREDITS: Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in $ Funds (e)
First year of war (a)	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9
War period through December, 1940	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+ 230.2	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5
Second year of war (b)	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 9.0
Third year of war (c)	525.8	0.3	525.5	566.3	198.6	7.7	-	360.0	+ 40.5	107.2	57.4	49.8	112.2	17.2	95.0	- 5.0
Fourth year of war (d)	723.6	-	723.6	958.8	47.1	170.4	-	741.3	+ 235.2	197.0	155.1	41.9	200.4	-	200.4	+ 3.4
1943																
Sept. 2 - Sept. 29	46.4	-	46.4	65.1	-	10.6	-	54.5	+ 18.7	15.8	14.0	1.8	4.8	-	4.8	11.0
Sept. 30 - Nov. 3																
Nov. 4 - Dec. 1																
Dec. 2 - Dec. 29																
Week Ended:																
September 29	18.8	-	18.8	21.3	-	6.4	-	14.9	+ 2.5	-	-	-	3.3	-	3.3	+ 3.3
October 6	4.9	-	4.9	20.6	-	-	-	[illegible]	+ 15.7	17.1	16.0	1.1	[illegible]	-	21.1	+ [illegible]
October 13	6.3	-	6.3	11.4	-	-	-	11.4	+ 5.1	[illegible]	8.0	0.2	[illegible]	-	0.6	- 7.6
October 20	5.1(g)	-	5.1	13.5(f)	-	-	-	13.5(g)	+ 8.4	0.1	-	0.1	3.8(h)	-	3.8(h)	+ 3.7

Average Weekly Expenditures for

First year of war	6.2 million.
Second year of war	8.9 million.
Third year of war	10.1 million.
Fourth year of war	13.9 million.
Fifth year of war (through October 20)	9.0 million.

(a) For monthly breakdown see tabulations prior to April 23, 1941.
(b) For monthly breakdown see tabulations prior to October 8, 1941.
(c) For monthly breakdown see tabulations prior to October 14, 1942.
(d) For monthly breakdown see tabulations prior to September 29, 1943.
(e) Reflects changes in all dollar holdings payable on demand or maturing in one year.
(f) Does not reflect transactions in short term U. S. securities.
(g) Includes $ 8.0 million deposited by War Supplies, Ltd. and $4.0 million received from New York accounts of Canadian Chartered Banks.
(h) Includes $3.0 for account of Treasurer of the United States, to [illegible] U.S. currency and Treasury checks negotiated.

PARAPHRASE OF TELEGRAM RECEIVED
FROM: American Embassy, Chungking, China, Via N.R.
DATE: October 29, 1943, 3 p.m.
NO.: 2041

Reference is made to telegram No. 1858, dated October 4, 1943, from the Embassy.

About the middle of the month a Government spokesman made an announcement to the effect that some of the gold has already reached China. Although no announcement has been made of gold being sold or offered for sale, the Embassy has been informed by an authoritative source, in strict confidence, that - in order to test the market - small amounts are actually being sold by the Government.

However, it is the Embassy's understanding that the question as to whether the gold might be retained by the Government as a reserve to help maintain confidence in the continuously expanding currency is still being given consideration. It is the opinion of some observers that the Government is giving consideration to the retention of the gold also for the purpose of accumulating stock for use in connection with postwar international monetary arrangement.

GAUSS

893.51/7721

NOT TO BE RE-TRANSMITTED

BRITISH MOST SECRET
U.S. SECRET

COPY NO. 12

OPTEL NO. 356

Information received up to 10 A.M. 30th October.

1. NAVAL

One of H.M. Submarines sank a 3,500 ton passenger ship off Rapallo yesterday. An unsuccessful attack was made by E-boats at Naples on 25th/26th. One of our tank Landing Craft was sunk in Air attack on a small convoy of these craft off Casterlorizzo on 28th, 35 survivors rescued.

2. MILITARY

Italy. Little change, operations last 24 hours hampered by rain and bad visibility. Patrol reports Mondragoni unoccupied.

3. AIR OPERATIONS.

Rhodes. 28th/29th. 11 heavy bombers bombed Maritza Airfield.

Burma. 26th. Medium bombers hit a bridge over the Mu River near Mandalay.

28th. 26 Liberators (1 missing) effectively bombed an enemy Headquarters at Toungoo and also attacked the Railway station.

Print the complete address in plain block letters in the panel below, and your return address in the space provided. Use typewriter, dark ink, or pencil. Write plainly. Very small writing is not suitable.

To THE HON. HENRY MORGENTHAU JR.
TREASURY BLDG.
WASHINGTON
D.C.

From Lt. [illegible] O-1181918
APO 512, HQ. 2675 Regt
Allied Commission [illegible]
31 Oct 1943

Dear Mr Morgenthau

It was a lot of fun seeing you and I felt as though you brought along a little part of home. When I heard you were here I realized it meant good news in your name for which I was delighted.

A number of things happened after you left and Ed and I had a [illegible] word. He gave me some good advice so that I've et [illegible] more. Perhaps you may hear the details some one of these days, and I'm certain will approve.

Kindly remember me to Henny and please ask him to call Maureen when on leave. It would be great fun if he was along.

Thank you again for all your kindnesses. Don't forget the Orphans! Sincerely

[illegible]

V -MAIL

The Hon. Henry Morgenthau, Jr.
Treasury Bldg.
Washington, D. C.

Lt. B. M. Shanley 0-1031919
APO 512, H.Q. 2675 Regt.
Allied Commission,
c/o P.M., New York, New York
31 Oct. 1943

Dear Mr. Morgenthau:

It was a lot of fun seeing you and I felt as though you brought along a little part of home. When I heard you were here I realized it meant good news in your home for which I was delighted.

A number of things happened after you left and Ed and I had a pow-wow. He gave me some good advice so that I'm at work now. Perhaps you may hear the details some one of these days, and I'm certain will approve.

Kindly remember me to Henry and please ask him to call Maureen when on leave. It would be great fun if he was along.

Thank you again for all your kindnesses. Don't forget the Orphans!

Sincerely,

(Signed) Bernard

HOLD FOR RELEASE HOLD FOR RELEASE HOLD FOR RELEASE

October 31, 1943

CONFIDENTIAL: To be held in STRICT CONFIDENCE and no portion, synopsis or intimation to be given out or published until the READING of the President's Message has begun in either the Senate or House of Representatives. Extreme care must therefore be exercised to avoid premature publication.

STEPHEN EARLY
Secretary to the President

- -

TO THE CONGRESS OF THE UNITED STATES:

Food is as important as any other weapon in the successful prosecution of the war. It will be equally important in rehabilitation and relief in the liberated areas, and in the shaping of the peace that is to come.

THE OBJECTIVES OF OUR FOOD PROGRAM

The first major objective of our food program is to raise in the most efficient manner enough food and the right kinds of foods to meet our needs. That includes: first, the needs of our armed forces; second, the needs of our civilians at home; and, third, the amount required for our shipments abroad for the essential needs of our fighting allies.

The second major objective is to see that the food for our civilians at home is divided as fairly as possible among all of the people in all sections of the country, and that it is obtainable at reasonable prices.

I have not been content merely with a program for 1944 crops. I am thinking also about the balance of this year, and about the earlier months of 1944 before the crops are harvested. While the question of production for 1944 is an essential one, we must not lose sight of the necessity for keeping the prices of our present food supply at reasonable levels. We must see to it not only that the prices of food do not go up any further, but that the prices of those foods which have gotten out of line are actually reduced.

One of the great difficulties is that the steps necessary to attain these two major objectives sometimes become inconsistent with each other. For example, one of the inducements for increased production of food by farmers is to see that they get an adequate price for their products. Such a price is necessary in order to get production. However, if these prices are too high the result will be that by the time the food reaches the grocery store or butcher shop, the housewife will have to pay too high a price for it. This in turn may force a rise in wages and an increase in the prices which farmers have to pay for what they buy. On the other hand, if the butcher shop or grocery store gets an insufficient price from the consumer for meat or groceries, then the farmer in turn will get too low a price to encourage him to raise as much food as we need. In both of these cases, our production and price objectives are not likely to be achieved unless the Government assists with equalization payments or other aid.

The efforts of this Administration have consistently been directed at this double target of raising as much food as possible without placing too great a burden on the American housewife in her efforts to feed her family.

In the main our efforts have been successful. In the case of some foods, however, the objectives have not yet been attained. New measures are being taken in an effort to attain them.

FOOD PRODUCTION 1943

The increase of food production during this war has been far greater than the comparable increase in production during the last war. If, for example, we take the 1935-39 average as the base of 100, the production in 1939 was 106, in 1942 it was 126, and in 1943 it will be 132. If we use the same base of 100, the production in 1914 was 81; in 1918 it was 90, and in 1919 it was also 90.

In other words, by the fourth year of this War -- 1942 -- our food production has increased more than twice as much as it did in the same period of the last war.

The 1942 crop was the largest in the history of the United States. But food production for the current year 1943, in spite of less favorable weather, will exceed the 1942 production.

Crops will be slightly lower this year than in 1942; but livestock will be so much higher than in 1942 that the total of all food is expected to exceed the 1942 record output by about 5%. This will mean that our total farm production -- crops and livestock -- will be more than 30% larger than the average annual production for the five years preceding the outbreak of the war in 1939.

Most of us do not realize how much food actually is being raised in 1943. Here are some illustrative figures:

55 billion quarts of milk, an increase of 14% over the 1935-1939 average

10 billion pounds of beef and veal (dressed weight), an increase of 27%

1 billion pounds of lamb and mutton (dressed weight), an increase of 13%

60 billion eggs (including non-farm), an increase of 50%

4 billion pounds of chicken (dressed weight), an increase of 63%

13 billion pounds of pork (dressed weight), an increase of 78%

3 billion pounds of lard, an increase of 73%

3 billion pounds of peanuts, an increase of 125%

This record was established in the face of three major handicaps: shortage of manpower, shortage of farm machinery, and shortage of fertilizer. This record production for 1943 is an amazing tribute to the patriotism, resourcefulness, and ability of the American farmer.

Much credit is also due to the patriotic men and women who spent so much time and energy in planting twenty million victory gardens in the United States, and helped to meet the food requirements. It is estimated that about eight million tons of food were produced in 1943 in these victory gardens.

The increase in our farm output since Pearl Harbor has been the largest of any similar period in history. It called for hard work, ingenuity, cooperation and teamwork on the part of farmers, processors and distributors, as well as all the state and federal officials concerned with the food problem. They all deserve the thanks of the American people.

Due to the shortage of regular farm labor, heroic and successful efforts have been made to obtain help from the adult residents of villages and cities -- both men and women, on a part time as well as a full time basis. High school boys and girls have also been enrolled to help in critical areas during the vacation period and after school hours. They too deserve our thanks.

The record for 1943 in getting additional farm help in places where it was needed, is very impressive. For example, during May, June, July and August of this year, nine hundred thousand workers registered for farm work. Forty-eight thousand five hundred workers were brought in this year from Mexico, four thousand seven hundred from the Bahamas, and eight thousand eight hundred from Jamaica. This additional help was used on farms in shortage areas all over the United States. Altogether one million seven hundred and fifty thousand placements on farms were made.

We have also made use of prisoners of war for the raising and harvesting of crops. Essential farm labor has been deferred from the draft. Where emergencies have developed, the Army has assigned soldiers to assist in saving crops that otherwise would be lost.

One of the great difficulties -- the shortage of farm machinery and of spare parts -- developed, of course, because of the imperative need for steel for the war program. There was only a fixed amount of steel available; and it had to be divided as efficiently as possible among the critical needs for war -- ships, big guns and small weapons, tanks, new war factories and new additions to war factories, railroad cars, and a number of other vital products. It was necessary to use our best judgment in determining just where we should use the available supply of steel.

The allotment of steel for farm machinery for use in 1944 has been increased by doubling the amount available for use this year. Furthermore, no limit has been placed on the production of repair parts.

This new farm equipment, however, while it will be available for the 1944 production, was not available for 1943. However, the farmers kept their own machinery in better order. They clubbed together in the making of repairs. They joined hands in the use of farm machinery by more than one farm family. The ingenius and resourceful farmers of America, by this cooperative use of machinery, were able to turn out this record crop of 1943.

DEMANDS ON OUR FOOD SUPPLY

Even with this all-time high food production for 1943 there were still shortages in certain parts of the country in our food supply. This was not due to lack of production but rather to the extraordinary demands for food -- demands never before made in history.

The increased demands for food came from three principal sources. The largest increase in demand has come from our own civilians here at home. Many of our workers in war factories, in the mines, on the farms, and in other essential pursuits are eating more and better food than they ate before the war began. Many of them for the first time are approaching an adequate diet — so essential to the well-being of our people and to maximum war production. Even after making allowances for the rise in the cost of food since 1939, the average American family is not only spending more for food but eating more food than before the outbreak of the war. This has been one of the predominant factors in the greatly increased demand on our food supply.

The second increased demand for food has come from our nine million soldiers, sailors and marines — who had, and, of course, always will have first call on all articles of food. These service men naturally consume much more food in the Army and Navy — and they are getting better food on the average — than they did in civilian life.

The third great demand was for our lend-lease shipments of food to our allies.

There has been a lot of loose talk about impending "meat famine" and "meat shortages" for the coming winter.

During the October-March period, this winter's estimated total meat production, excluding poultry, will amount to 14.4 billion pounds, dressed weight, as compared with 12.5 billion pounds during the same period last year, and 11.4 billion pounds two years ago. As a matter of fact, this winter's estimated meat production will be by far the largest on record.

Estimated poultry production during the October-March period this winter will amount to 2.3 billion pounds, as compared with 1.9 billion pounds last winter and 1.7 billion pounds two years ago. The production of poultry has increased about 60 percent since 1939.

During the next 6 months we will also produce an estimated 2.2 billion dozens of eggs, as compared with 2.1 billion dozens a year ago and 1.8 billion dozens two years ago. Egg production has increased about 40 percent since 1939.

Also, even though our animal numbers will be at an all-time high this winter, the 1943-44 total supply of feed grains will, except for last year, be the largest supply on record and approximately 20 percent above the 1937-41 average. On a per animal basis, the feed supply will not be as large as in the last several years, but it will be about equal to the average of the ten years ending in 1932.

From the standpoint both of increased production and of price control, the food effort in this war is a far greater success than that of the first World War. Facts bear out this statement, but I suppose that facts are not going to deter those who want to create dissatisfaction or those who spread scares such as "food shortage" and "meat famine."

FOOD PRODUCTION 1944

Our food plans for the future are, of course, predicated on the assumption that we must not only continue our shipments overseas but actually increase them. The war is by no means won, and the global effort must be continued and accelerated. The requirements for our armed forces will be increased, not only because they will have a larger number of men and women than in 1943, but because more of them will be stationed in distant parts of the world.

The average soldier or sailor eats approximately five and one-quarter pounds of food per day — almost half as much again as the average civilian who eats only three and three-quarters pounds per day. The greater the number of men in the armed forces the larger are the demands on our food supply.

In the last war we fed four million people in uniform — largely concentrated in the United States and in France. In this war by the end of 1943 we will have almost eleven million men in uniform, and they will be scattered in all parts of the world. At the beginning of this year our armed forces totaled about seven million; at the end of this year the estimated strength will be 50 percent higher. That is the reason why in 1942 approximately only seven and a half percent of our food production was allotted to our armed forces whereas in 1943 the figure will be about fourteen percent. As our army grows, as more men are sent overseas, larger food reserves will have to be accumulated, and civilian belts will have to be tightened. Furthermore our armed forces require more of the so-called "protective" foods such as meat, fats and oils, milk and canned goods — foods which are, therefore, bound to run short for the increased civilian demands.

Our armed forces are now eating in each month 328 million pounds of meat, 34 million dozens of eggs, 28 million pounds of butter, 221 million pounds of potatoes — and staggering amounts of other foodstuffs. And the quality of this food is the best that we can give them.

The armed forces of our allies will also increase in 1944 and they will have to receive food assistance from us.

The amount of food going to Lend-lease is gradually increasing. In 1941 it was two percent of our food production; in 1942, approximately six percent. This year because of increasing Russian shortages and other needs it will probably reach ten percent. In 1941 and 1942 England was the largest recipient of Lend-lease food, but owing to the German invasion of the Ukraine in 1942 more food has had to be sent since then to the Soviet Union. In fact Russia, in the first six months of 1943, received one-third of all our Lend-lease food shipments.

All these war uses will require about one-fourth of our total food supply for the year beginning October 1, 1943, leaving about three-fourths for our civilian population. This three-fourths, however, because of our increased production will amount approximately to as much, per capita, as was used during the 1935-39 period.

I am sure that the American people realize that every pound of food which we send to our fighting allies is helping our own soldiers in their battles and is speeding the day when all our fighting men and women will come home.

The food that is sent to Russia is almost all for the use of the Russian Army.

Although British farmers, by strenuous efforts, have succeeded in increasing their production from forty percent of Britain's needs to sixty percent, she still has to rely upon imports in order to avoid starvation. American food provides only ten percent of the entire British food supply — and yet it has been a great help in feeding Montgomery's army and the R.A.F. and in sustaining the millions of workers in vital British factories, shipyards and mines. I think it is safe to say that England could not have continued in the war without the help she received in American and Canadian food.

When Russia was invaded, forty percent of her usual food production was lost. Emergency food shipments were sent from Great Britain and the Middle East, but we also had to step up our own shipments. I am sure that no one will disagree with the wisdom — to say nothing of the need and obligation — of sustaining the gallant Russian fighters with American food.

(OVER)

The fact is that with all our shipments, civilian diets in England and in Russia — particularly in Russia — are far below our worst shortage periods. In fact, in Russia food for civilians has been cut to the barest minimum.

Through lend-lease, the United States seeks to put a share of its food resources to the most effective use against the enemy. Conversely, through reverse lend-lease, the striking power of our own armed forces abroad has been greatly augmented by substantial quantities of food provided by our allies. The United Kingdom, Australia and New Zealand have provided the largest amount of food, but we have also received food under reverse lend-lease from other parts of the British Empire and are receiving increasing quantities of foodstuffs from the French in North Africa.

Some illustrative figures may indicate the importance to our war effort and to our national economy of the food which we obtain from our allies as reverse lend-lease aid without payment.

Although we did not start receiving food under reverse lend-lease from Australia and New Zealand until a year or more after our lend-lease program started, the amounts received - in comparison to what we have lend-leased - are relatively large.

Thus, for example, through August of this year, the United States has received from Australia and New Zealand more than 90-million pounds of beef and veal, compared to a total of 99-million pounds of beef and veal which the United States has provided under outgoing lend-lease to all lend-lease countries combined. In July and August 1943, Australia and New Zealand supplied us roughly the same amount of beef and veal under reverse lend-lease as we lend-leased to all countries.

We have received from Australia and New Zealand alone, 55 percent of the amount of butter and 16 percent of the amount of lamb and mutton which we have exported under lend-lease to all countries.

During the year 1943, the United Kingdom is providing under reverse lend-lease substantial quantities of many foodstuffs — such as flour, bread, potatoes, sugar, vegetables, coffee, and cocoa — in order to supplement the food our forces receive from the United States. The foodstuffs received from the United Kingdom under reverse lend-lease save valuable shipping space and include such commodities as fresh vegetables which cannot readily be shipped from the United States.

The United States is supplying much of the pork that England consumes. The delivery of beef to our Army from the Southern Dominions and the shipment of pork to England from the United States is a good example of sharing among the United Nations, on the basis of what each has to contribute to total war.

Most of the food for the American armed forces in the South and Southwest Pacific comes from the land and factories of that area. In order to provide for our troops, Australia and New Zealand have expanded their food production and processing facilities. Despite thi however, the large food requirements of our forces have caused shortag of many foods for the Australians and New Zealanders. Nevertheless, these two countries continue to supply our food requirements as revers lend-lease without payment by us.

A certain small percentage of food will have to be used as the United Nations liberate presently occupied countries, until such time as the populations of these countries can have a chance to become self-supporting.

For example, a very small percentage of our food now goes to feed the liberated people of North Africa and Sicily and Italy. This includes only the bare necessities of life. Feeding people in this area is not only a military necessity, it provides strength for the hard work that has to be done by them in order to produce new supplies of food and other goods. Already the people of French Africa, with some assistance from us in expanding their agricultural production, have been able to produce a sufficiently good harvest in 1943 so that they can now even supply food to our forces there. This not only saves shipping but augments our own food supply. The people of French Africa, without payment, and under reverse lend-lease arrangements have also supplied the Allied Forces with substantial quantities of flour for use in the Italian campaign. This, too, has helped our food, as well as our shipping situation.

Agreements have just been concluded to provide the United Nations with more than 100,000 tons of fruit and vegetables. The 1944 harvests in North Africa, aided by American agricultural supplies and a year of peaceful cultivation, should ease the strain on the food supply of the United States still further. In North Africa, we and the other United Nations, have truly beaten our swords into ploughshares.

Food supplied to the liberated peoples also pays other dividends. It prevents epidemics. It is a potent psychological and morale weapon for those starving people whose countries are still overrun by the Axis. While starvation has been the weapon used by the Axis resulting in disease, misery, and death, the United Nations are using food as one of their most potent weapons to shorten the war and win a lasting peace.

The War Food Administration has accordingly raised its sights for 1944. A preliminary calculation calls for the planting of three hundred and eighty million acres of crops, as compared with three hundred and sixty-four million acres in 1943. That will be the largest farm planting in history and should result in the breaking of food production records for the eighth successive year.

The War Food Administration, with my approval, has requested the Congress to extend the life of the Commodity Credit Corporation and to furnish additional funds. I regard this as vital to the War Food Program. It will also enable us to carry out our pledge to the farmers, that we will assure them against a price collapse for the two years following the war.

Of course the goals set by the War Food Administration will be meaningless unless the farmers themselves are willing to adopt them as their own goals, and are able to fulfill them. Therefore, the War Food Administration is discussing the national needs with the State War Board of each state, and with representative farmer groups and leaders and public officials in each state interested in agriculture. In this way determination will be made by consultation with the farmers themselves and with federal and state officials as to what parts of the national requirements can be contributed by each state.

The County War Boards and local committees of farmers will also be consulted as to how the state quotas should be apportioned among the various counties of the respective states.

The state and local people will also be consulted about the extent of government support prices and government loans and government purchases that will be necessary to attain the goals of production set. In other words, the farm program of production and prices for 1944 is going to be formulated finally, only after consultation with the farmers of the Nation and those who are interested in farming. Upon the basis of this collective judgment, the final goals for the year's production will be formulated well in advance of the production season, so that each farmer may know what to count upon.

(OVER)

In order to obtain the great production level of 1943, it was necessary to assure the farmers that their return would be sufficiently high to encourage them to plant and at the same time it was necessary to insure the consumer against prices for food which would be too high for him to purchase. This could be done only with the use of government funds, and in order to bring about the proposed increased production for 1944 it will be necessary to use additional government funds.

All of the restrictions on acreage which were imposed by the AAA program in former years have been removed for 1944, as they were for 1943 with few exceptions. Only tobacco marketing quotas will be maintained — in order to encourage tobacco farmers to put more of their land into food products.

There are some people, who for political reasons, now maintain that these early acreage restrictions which were put into effect in 1933 and subsequent years are partially responsible for the present shortage. Of course the facts are otherwise. When these restrictions were imposed the farmers' income had dwindled away to practically nothing; they were unable to get decent prices for their crops because they raised so much more than people were able to buy, and also because the foreign market for their products had practically disappeared. As a result of this glut, this stifling excess of supply over demand, farm prices faded away to almost nothing; and it was necessary to restrict production by taking inferior land out of production in order to save agriculture from the complete bankruptcy which was threatening it in 1932.

The farmers themselves voted to do this, because of conditions which consumers well understood and appreciated, for they knew that that was the only road to salvation for agriculture and for the country as a whole.

Since the present war began, however, and the demand for food has outstripped the supply, these restrictions have been lifted and there are now no limitations on the production of food.

Another fact which is often overlooked by the critics of our acreage adjustment program is that more acres were put into soil-improving crops and legumes and that many conservation practices were instituted — such as terracing, cover cropping, and contour farming — which actually improved the soil so much, that although less acreage was in production, more food per acre was produced. In fact the great improvement in our soil which resulted from our agricultural programs has made possible the record food production of recent years.

In planting for 1944, we are determined not to repeat the blunder of the First World War — plowing, and planting crops without regard to the fitness of the land, and without regard to proper soil conservation. The "dust bowl" which was created by these practices has caused too much sorrow and suffering and financial loss in recent years to let us forget the lesson.

The increased production goals for 1944 involve not only an increase in the total food production but also shifting production from one kind of food to other kinds which are more necessary. The plan calls for the right amount of the right things in the right places — and the objective will be to stretch our food supply as far as possible. Accordingly, the largest increases in production will be for those crops which furnish food for direct human consumption.

Plans are also under way to increase our food supply by the development and procurement of food abroad. I have already mentioned how our assistance in developing food production in North Africa has made and will make available food for our armed forces abroad under reverse lend-lease. Other sources of foreign food may be available to us. The functions of handling foreign food development are being centralized in the Foreign Economic Administration so that our food supply can be augmented in the most effective way.

SUPPORT PRICES AND EQUALIZATION PAYMENTS

In order to induce farmers to increase production to these new goals and at the same time keep the cost of food down, it will be necessary to increase the amount of government funds which were used for these purposes in 1943.

Government funds have been used in various different ways in order to see that the farmer got a fair price for his product — a price high enough to encourage him to raise more crops — without raising the price to the consumer. All of these administrative methods of guaranteeing a minimum price to the farmer for his products — whether they take the form of non-recourse loans, or guaranteed prices, or subsidy payments, or actual purchase and resale — are generically called price supports, and are included in the price support programs. The purpose of the price support program is primarily to encourage the farmer to grow a crop with the assurance that, no matter what happens, he is going to get a certain definite return for it. If the price which the ultimate consumer pays as fixed by the price regulations is less than an amount which will pay the farmer this return, then the government absorbs the loss and sees to it that the farmer gets what was guaranteed to him. The farmer also enjoys this guarantee when prices in the market fall below the support level. If the price which the consumer has to pay as fixed by the price regulations is high enough to pay the farmer his support price, then of course there is no loss to the government.

In certain commodities the War Food Administration knows in advance that it will have to bear part of the cost. Nevertheless, the charge will be a necessary part of the program to produce enough food, without having the consumer pay too much for it.

We cannot and should not expect the farmers of the nation to increase their production all over the United States if they face the definite risk of loss by reason of such production. We do not expect industrial war plants to take such risks and there is no reason why the farmers should.

I am attaching herewith a statement of the commodities for which Commodity Credit Corporation support prices were in effect during 1943 (Schedule A). The Congress will notice that in some of the commodities such as cotton, corn, wheat, tobacco and rice these support prices have been in effect for several years.

I am also attaching a statement showing the cost to the Government of this support price program for 1943 (Schedule B). The Congress will notice that production of only a fraction of the commodities required any outlay by the government. In other words, in the majority of the products, the price which the consumer paid was high enough to cover the support price; whereas in a small percentage of the crops, the price which the consumer paid was not high enough to pay the farmer the price which was promised. For these items, the Commodity Credit program for 1943 cost the government three hundred and fifty million dollars. The administrative expenses of the Commodity Credit Corporation in carrying out the program were less than three percent.

This cost does not include the Reconstruction Finance Corporation program for reducing the prices of meat and butter, which will amount to an additional four hundred and fifty million dollars per year.

(OVER)

I am sure that the Congress and the people feel that this expenditure of eight hundred million dollars per year is a moderate sum to pay in order to help accomplish the objectives which we have in mind -- greater production and lower consumer prices -- for a whole year. In fact it is about equal to the cost to us of waging this war for three days.

We are only applying here the same principle which has proved so effective in the production of other war materials -- such as copper, lead, zinc, aluminum, and others.

Every nation now in the war has used some form of government equalization payments in order to hold down the cost of living and at the same time to allow a fair return to the farmers. A good part of the great success of the stabilization program in both Canada and Britain is due to the effective use of government funds in this way.

Although this program cannot hold the line without the enforcement of a firm price control and without an adequate tax and savings program to absorb excess purchasing power, nevertheless it is equally true that the firmest price control and the wisest fiscal policy cannot do the job themselves without the use of price supports.

When properly used they have three important advantages: First, they stimulate production of certain necessary and select crops. Second, by preventing price increases, they eliminate inflationary tendencies. Third, they encourage the distribution of food through normal legitimate channels instead of black market operators, who are willing to pay higher prices to farmers with the expectation of selling above ceiling prices.

When effectively used, this program not only performs this necessary function in stabilization of the cost of living, but it also results in great savings to the government and to consumers. The expenditure of very small sums makes it possible to avoid pyramiding price increases all down the line -- from the producer through the processors, wholesalers, jobbers and retailers -- the cost of which runs to extremely large amounts.

In the case of copper, for example, it has been estimated that every dollar paid by the government to subsidize and increase production has saved the government twenty-eight dollars.

In the case of the coal and oil transportation subsidy, very moderate payments have avoided major increases in prices. If there had been increases in the prices of these basic items, they would have increased the cost of producing practically every commodity manufactured on the East Coast.

In the case of food, the money spent by the government has not only assured us increased production, but, directly and indirectly, has saved the government and consumers billions of dollars.

The agencies charged with responsibility for stabilizing the cost of living will, from time to time, place before the Congress the programs necessary to hold the line. These will require money. I strongly urge the Congress to give serious consideration to their requests. I am confident that the Executive and Legislative branches of the Government can pull in harness to get the job done.

FARMERS' INCOME

The administration of the food program has certainly resulted in a great benefit to farmers. Farm income last year reached an all-time peak -- and this year it will be higher still. The increase in the prices that farmers pay for the commodities they buy, on the other hand, has been held to very much less than the increase in the prices they receive for their farm products.

In consequence, the net income of farm operators -- income after all expenses -- has risen to the highest level ever enjoyed by farmers. The average annual realized net income of the farm operators of the nation during the five pre-war years, 1935 to 1939, was \$4,668,000,000. The realized net income for 1939 was \$4,430,000,000. In 1942, it was \$9,500,000,000. The estimate for 1943, is \$12,475,000,000.

We cannot, however, look at the total income of farm operators by itself. We must also look at the income of the farmer in relation to the income of the rest of the country.

The average income per farmer since the outbreak of the war in 1939 has risen more than the average income of the other parts of the population. This was also true between 1910 and 1914, which is the primary base period for parity calculation. In 1942, the increase in the average income per farmer over the parity base period was 38 percent greater than the increase in the average income of the other people in the country. In 1943, it was 50% greater.

In plain language, the farmer, this year, is not only better off in relation to others in the population than he was before the war broke out; he is better off than he was in the base period 1910 to 1914, and better off than he has been in any year since that time.

This is just and desirable.

All through the twenties, and through the early years of the thirties, per capita farm incomes were far below fair levels. The nation has profited from the fact that this injustice has been corrected.

It has been argued that the farm population has been receiving a decreased proportion of the national income. This is true. But it does not deny the fact that the average individual farmer is more prosperous today, as compared with the rest of the population, than he has been in thirty years. Any seeming contradiction is resolved by the fact that the non-farm population has increased during this thirty year period by more than fifty per cent, while the farm population has remained virtually unchanged.

While, therefore, the proportion of the national income going to the farm population as a whole has declined, the income per farmer has increased more than the per capita income of the rest of the country.

The present program of management of farm prices -- prices received and prices paid -- had not injured the American farmer in the past. I am sure that it will not in the future.

In addition to these favorable prices and incomes, the farmer has been guaranteed government support of the prices he receives for war crops, not only during the war, but for two years afterward -- a guarantee against post-war disaster afforded to no other group. The farmer has been assured that the bottom will not fall out of his market -- as it did after the last war. This guarantee has made it possible for him to increase his investment in plant and equipment with the certainty that the investment would continue to pay dividends. It has also assured to the Nation a farm production large enough to meet our war requirements.

The support price program, coupled with the program to meet special farming costs without raising prices to consumers, is an essential part of winning the war. The subsidies that

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are used cannot properly be called producer subsidies or consumer subsidies. They are war subsidies. The costs which they cover are war costs. On the farm as in industry the war has pushed costs above the levels that prevailed before the outbreak of war, and above the levels that will prevail when victory has been won. These are costs of war, and it is entirely appropriate that they should be met out of the public treasury, just as are the costs of producing tanks and planes and ships and guns. There is no valid reason why the present stabilization subsidies should not be continued as well as the support prices to farmers, so long as they are clearly in our national interest -- as they are in stabilizing the cost of living in time of war.

CONSUMER FOOD PRICES

In the Stabilization Act of October 2, 1942, the Congress directed that the cost of living be stabilized as far as practicable at the level of September 15, 1942. Between that date and May 15, 1943, however, the cost of living rose 6.2 percent. This was a serious increase, constituting a grave threat to the entire stabilization program. It was particularly serious because the cost of living, since January, 1941, had risen considerably more than the Little Steel formula had permitted wages to rise.

Obviously, wages cannot be stabilized at a certain level unless there is also a stable cost of living. Obviously, too, the millions of people with incomes fixed long before the war -- salaried white-collar workers, clergymen, school teachers, other state, county, and city officials, policemen, firemen, clerks, old-age pensioners, those living on insurance policies, dependents of men at the front -- all had to be protected against the rise in the cost of living which was eating steadily into the buying power of their unchanged incomes. So much public attention has been directed at the increased income of workers in war plants, that it has been diverted from this great mass of our population many of whose incomes have remained fixed all during the war.

It is essential that we keep prices down also in order to prevent the spiral of inflation from beginning. As soon as the price of food goes up materially, workers naturally demand higher wages in order to meet these prices. Higher wages will, in turn, boost all production costs -- for civilian and military items both. This in turn will cause farmers' costs to rise, and will result in even higher prices for food. No one can tell where the end will be. A higher cost of food can increase the total cost of the war in geometrical progression.

In the face of this situation, I issued an order in April 1943 to hold the line; and, at the time it was issued, I said:

> "To hold the line we cannot tolerate further increases in prices affecting the cost of living or further increases in general wage or salary rates --..... The only way to hold the line is to stop trying to find justifications for not holding it here or not holding it there."

Although last May, the cost of living did stand 6.2 percent above the September, 1942, level, not all the items in the family budget showed this increase -- or anything like it. On the contrary, the greater part of the budget was firmly stabilized. Thus, rent had increased not at all over the 8-month period; housefurnishings had increased by only a little over 1 percent; clothing by 1.7 percent; fuel, electricity, and ice by 1.3 percent; and miscellaneous items, such as laundry services and drug supplies by 3.5 percent.

The major portion of the increase in the cost of living -- to be precise, three-fourths -- was attributable to the failure to stabilize one sector of the economy -- food prices. These prices rose by 13 percent. Even with regard to the foods themselves, however, the record was not all so black. Most of the family food budget -- in fact the whole range of foods except only fresh fruits and vegetables -- was held to an increase of less than 4 percent. It was the remainder of the food budget -- the fresh fruits and vegetables -- that did the real damage. Fresh fruits and vegetables rose 58 percent between September 1942 and May 1943, and accounted for over three-fifths of the increase in the entire cost of living during that period.

To put this somewhat differently, 90 percent of the cost of living had been largely stabilized. Ten percent of the cost of living had been permitted to get out of hand. That was the situation which confronted us last May.

The "easy" way out of this situation would have been to let wages rise above the base date level in the same degree that the cost of living had risen. That is what some did urge. That would have been a serious blunder. For if the line had been relaxed on the wage front, we may rest assured that the resulting pressure of costs would have forced prices and the cost of living up once more, thus calling for still another rise of wages. Just as the Stabilization Act is to the everlasting credit of the Congress, so the wholehearted support which responsible organized labor gave to the hold-the-line policy stands to the everlasting credit of labor in the United States. The responsible labor leadership saw that the easy way out was no way out at all, and they rejected it. Instead they threw their full energies into making effective the program to reduce the cost of living, the program to bring the cost of living back into balance with wages.

The "hold-the-line" order was designed to undo the damage that had been done, and to prevent any further damage. The rise in the cost of living having resulted almost entirely from the increase in certain food prices, the program was quite properly designed to bring those food prices back to their September levels as far as possible.

Reductions in cabbage and lettuce resulted from squeezing the water out of the price structure by reducing excessive margins of distributors wherever they were found to exist.

The retail prices of meat and butter were reduced by ten percent. In these instances, the prices received by farmers and distributors did not permit reduction without bringing returns to unreasonably low levels. Accordingly, an equalization payment was paid by the Government to the processor to enable him to reduce the price of these products without loss to himself and without reducing the price he paid the farmer. The Reconstruction Finance Corporation undertook to make these payments to processors of meat and butter, so that retail costs of these foods might be held down while the producers received large enough returns to encourage output.

The public treasury has been using, as food production aids, other forms of payments under the Agricultural Adjustment Act and so-called Section 32 operations for supporting prices.

Additional or subsidy payments have been made to industry in order to secure wartime production of many essentials, including copper, zinc, aluminum, and other critical materials. We have paid premiums to speed up construction of ships and other war materials.

(OVER)

In consequence of these programs, the rise in the cost of living, which had proceeded without interruption from the early months of 1941, was brought to an abrupt halt. In June, 1943, the cost of living fell to 5.9 percent above the September 1942 level, in July to 5.2 percent, and in August to 4.8 percent. It is true that in September 1943, the cost of living rose by nearly one-half percent. It was not due to food but mainly to the cost of clothing.

There is now being put into effect a program, recently announced, to reduce the retail prices to consumers of other items: apples, onions, potatoes and sweet potatoes, peanut butter, lard and vegetable shortening.

Furthermore, preparations are being made to establish ceilings at levels substantially below current retail prices on other winter vegetables.

A major part of these decreases will be made possible without the use of subsidies and by means of a reduction of margins and returns which are excessively high. In some cases, however, it will be necessary, in order to hold the retail price at reasonable levels, for the Government to absorb part of the cost of transportation, to take a moderate loss on purchase operations, and to make direct payments.

In addition we intend to assure to the consumer that part of the savings in price to which he is entitled, and to prevent it from being dissipated by ceiling violations.

This program is intended substantially to effectuate the directive of the Congress. We are confronted, however, by acute pressures elsewhere, which threaten to break through the line. There are two situations which require immediate action. These are milk and bread — basic items in every family's diet. In the case of milk, increases in feed costs and other costs have brought the dairyman's returns down to a level far below that of producers of other farm commodities. Adequate production of this vitally important food is threatened. A program has just been announced by the War Food Administration to help meet the milk situation. This is discussed hereafter in connection with the problem of supplying feed to dairy farmers. A program to prevent an increase in the price of bread is now being developed.

In the four years following July 1914, the advance in food prices was 67 percent as compared with a rise of 47 percent in the last four years. In the four years of the last war, the greatest rise in the costs of the average family occurred in prices for clothing and housefurnishings. Housefurnishings rose 82 percent, and clothing 90 percent. The General Maximum Price Regulation of May 1942, prevented such an extreme increase in this war. From August 1939 to September 1943, the increase in clothing and housefurnishings were only one-third as much as in the same period of the last war.

Since August 1939, the month before the war broke out in Europe, the total cost of living in the United States has increased not quite 26 percent, as compared with an advance of 53 percent in the same period in the last war.

FEED FOR DAIRY CATTLE

The price of grains used as feed for cattle has also advanced to a greater degree than the price of dairy products. Grain prices have advanced more than 60 percent since 1941, while the price of dairy products has advanced only about 40 percent.

To those who recognize the importance of milk, butter and cheese in maintaining a healthy, vigorous civilian population, this increased cost has given real concern about the supply of dairy products.

In order to enable dairy producers to obtain feed for their cattle without raising the price of their milk and other dairy products to the consumer, the War Food Administration has adopted a program of making payments to dairy farmers based on the increased cost of their purchased feed since September 1942. The payments will be made directly to the dairy farmer, except in those cases where it may be desirable to make the payment to him through a cooperative association or other marketing agency.

While the program as announced is for a three months' period, some form of equalization payment will probably be necessary as long as the margin between feed costs and dairy prices remains unfavorable.

In order to relieve the pressure on our feed supply, the War Food Administration has announced a reduction in the support price for hogs effective on October 1, 1944, and has removed certain slaughter quotas. The purpose of this is to encourage hog raisers to market their hogs earlier and at lighter weights.

In addition to this program, the War Food Administration is bringing in large quantities of grain from Canada for feeding purposes. This movement has been hampered by a series of transportation difficulties, including the late blocking of Buffalo Harbor with ice and the unusual fog during this Summer on the Great Lakes.

In spite of these difficulties, there has been shipped from Canada to the United States during 1943 up to date, approximately one hundred and twenty-five million bushels of feed of all kinds. As much additional grain will be brought in as transportation facilities will permit.

Furthermore, every effort will be made to see that the supply of feeds is distributed equitably throughout the country, the War Food Administration taking such steps and absorbing such transportation costs as may be necessary to secure this objective.

RATIONING AND DISTRIBUTION

The greatest difficulty in the food program has been to bring about a fair and equitable distribution of the available food supplies. It is obvious that there is not enough to furnish all civilians with all the food they want. As I have said, this is the result, to a great extent, of the fact that so many civilians have so much more money to spend than there are civilian supplies of all kinds, including food, to go around.

There are some who advocate taking off all restrictions on food because of the vast food production which the American farmers have raised. But with the great excess of purchasing power now in the pockets of the American people, the supply would never last. We might have a feast for a few months, but then there would be a real shortage — not only for civilians at home but for our own fighting men and those of our allies.

I am confident that the civilian population of the United States is ready to give up certain eating habits and accept certain shortages. They know that they must, if the war is to be won. A sharp line will have to be drawn between the luxuries of life and the necessities of life. A shortage in sirloin steaks or in choice fruits does not mean that the war food program has failed.

(OVER)

In view of the fact that more food is wanted than actually exists, it is necessary to have regulations and rationing which are sometimes very burdensome. But they are the only way to insure that everybody gets a fair share irrespective of his economic or social or political standing.

Some of them are needed to hold back from commercial channels a portion of the supply which was produced during months of high production so that the civilian supply can be kept on a fairly even keel month in and month out. This is particularly true of perishable foods and vegetables where the supply conditions change sharply from season to season. For example last year there was a good crop of potatoes but the American people ate up the entire year's supply in ten months so that in the last two months there were few potatoes available in many parts of the country. This kind of situation must be avoided. We cannot afford to eat up a year's supply in ten months, and do without for the balance of the year. We must find a way to husband all of these supplies spacing consumption evenly through the year. Fortunately we have an abundant supply of potatoes this year.

One of the difficulties has been the uneven geographical distribution of food supplies. Certain parts of the country have had abundance, while others have gone without. Part of this is caused by transportation difficulties; part is caused by the fact that excessive demand has made it profitable to sell within the area in which the crops are grown rather than to ship to other markets. This makes it necessary for the government to develop programs to insure orderly geographic distribution of all important foods. National interest requires that every part of the country obtain a fair share.

More equal geographic distribution and a more even distribution through the year could be accomplished by the extension of rationing to some of the important foods which are not today rationed. However, for the perishable items, this would entail especially serious administrative difficulties. Therefore, it is planned that the government itself either purchase or otherwise control certain foods, or absorb the transportation costs -- in order to stretch consumption through the year, and to insure distribution that is fair to all parts of the country. Such operations would also go a long way toward stamping out black markets. These devices will be used selectively and only to the extent necessary to achieve the objective of year-round, orderly distribution.

Control and distribution by rationing has involved many difficult administrative problems, most of which have been solved by experience. No one would contend that mistakes were not made. Nevertheless there has been steady improvement. A recent survey has shown that 93 percent of American housewives agree that a good job — a job fair to all -- has been done.

Unfortunately the 7 percent who are not satisfied are more vocal than the 93 percent who are. Many reasons explain this.

Although civilians with their greatly increased purchasing power will not be able to purchase all the food for which they have the money, there will be a sufficient amount of good wholesome food for the people of the United States.

From a nutrition standpoint the civilian per capita food supply during this year of 1943 will compare favorably with the average for the pre-war period 1935 to 1939.

There have been inconveniences to the American dining table -- even shortages of certain foods. But no American has gone hungry — in fact the American people as a whole are eating more now than they did before Pearl Harbor.

The American people realize that unless every farmer does his share to get full production and unless every civilian plays fair and does not seek to get more than his proper share of the limited supply, they may be depriving some of our soldiers or fighting allies of needed food to sustain them in their struggle.

ADMINISTRATION OF THE FOOD PROGRAM

There has been loose talk in some quarters about the need for a food "czar" to have full control of food -- including not only production and distribution but prices, rationing and transportation. The fact is that the production and allocation and distribution of food of all kinds are all now under the control of one man -- the War Food Administrator.

The War Food Administration is the agency which allocates available supply of food to civilian, military, and lend-lease needs.

That part of the food supply which is allocated to civilians, insofar as rationing and ceiling prices are concerned, comes under the supervision of the Office of Price Administration. The Office of Price Administration does not ration food on its own initiative, but only on the recommendation of the War Food Administration. In other words, the War Food Administration determines when the demand for food of a certain kind so exceeds the supply of that food that rationing is required. When such determination is made, the Office of Price Administration takes charge of the actual mechanics of rationing.

This is the most logical procedure, because it places the actual administration of rationing -- the ration coupons, the ration boards, the ration regulations -- in the same body of citizens that rations gasoline, fuel oil, shoes and the other products, and it leaves the determination of the necessity for rationing food in the War Food Administration. There can be no reason, in logic or necessity, for setting up a new ration board in all the localities in the United States for each different product.

With respect to prices, it is true that the War Food Administration should be concerned with the fixing of price ceilings. It is. No price ceiling on agricultural commodities is fixed by the Office of Price Administration without the concurrence of the War Food Administration. In other words, the Office of Price Administration and the War Food Administration either agree on a price or any disagreement is settled by the Director of Economic Stabilization. In this way the Food Administrator has a great deal to say about the price of food -- but not all. For the price of food should be kept in proper relationship to the prices of other commodities; and therefore it has been deemed advisable to put all price fixing and enforcement in one agency. There is no reason why the War Food Administration should have its own corps of price enforcement officials to duplicate the work of the other price enforcement officials in the Office of Price Administration.

With respect to transportation it would be impossible to give the War Food Administrator complete control over the transportation of food because every car used to transport food is a car which is also greatly in demand for the transportation of other war products. Obviously there must be an agency which apportions the transportation facilities among the various war needs and it would disrupt prosecution of the war and result in chaos if the War Food Administrator were able to take a car needed for steel or weapons or chemicals or equipment and use it for food transportation.

The case is exactly the same for prices as for transportation. We cannot permit any part of the program, food or rubber, or any other, to have a free hand in bidding materials and manpower away from other equally essential parts of the war effort. If in transportation chaos would result, how shall we characterize the consequences on the price front where the relationships are even more complex and delicate than in transportation?

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The fact is that the administration of food is now properly centered in one man and one agency, except only where such administration might encroach upon other war agencies which deal with such separate but relevant subjects as price control, transportation, etc.

There have been many complaints about the existence of black markets in food. It is an unfortunate fact that many persons who complain of black markets are themselves individually encouraging them by their patronage. Some black markets exist in all nations which have rationing. The operators of these black markets are unpatriotic — and as they are caught, they will be punished. But we should all attach as much blame to those of our citizens who hurt their neighbors and their nation by paying exorbitant prices in black markets. Vigorous efforts are being made by the appropriate government agencies to stamp out black markets.

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The objectives of our food program will, as in the past, be to grow and raise as much foodstuffs as is humanly possible.

We shall maintain our fighting men as the best fed in all the world.

We shall guarantee that every individual of our civilian population will have an ample and healthful diet. Everyone may be assured that there will be enough food to go around. No one need fear that only a comparatively few people will be able to afford an adequate and varied diet.

We shall assist in fulfilling the requirements of our fighting allies for food and shall also assist in assuring that the liberated peoples will be given sufficient food to regain their physical and economic strength.

Our farmers will receive a return over and above their costs of production that will compensate them decently and adequately for their long and arduous work. At the same time, the consumers of the nation will be protected against rising costs which are properly chargeable to the war effort itself.

The price support program is proving reasonably successful on both fronts: increasing production and maintaining fair food prices for the consumer. I am convinced that to abandon our present policy would increase the cost of living, bring about demands for increased wages which would then be justifiable, and might well start a serious and dangerous cycle of inflation — without any net benefit to anyone.

Some people say "a little inflation will not hurt anyone." They are like the man who takes th first shot of opium for the sensation he thinks it will give him. He likes it, although he swears that he will not make it a habit. Soon he is taking two — and then more and more — and then he loses all control of himself.

Inflation is like that. A little leads to more. I am unalterably opposed to taking the first shot by Congressional, or by any other, action. The nation cannot afford to acquire the habit. We have children to think of.

Those who are advocating an inflation course will have to be ready to accept responsibility for the results. We have so far been following a tried path, and are getting along fairly well. This is no time to start wandering into an untried field of uncontrolled and uncontrollable prices and wages.

With the same determination that has led our fighting men to conquer their military objectives, we at home shall reach the objectives of our food program. We will get the production that we have set as our goal. We will see that the supplies of food are distributed fairly and equitably and at stable prices that are fair to the consumer. To do this we shall have to draw upon that basic characteristic of a democracy — a characteristic that has its roots in the American farm community. We shall draw on our teamwork, teamwork of the farmer, and the consumer, and the distributor, and the Government in both its legislative and executive branches.

The accomplishments of the past year have been great. We shall demonstrate to the Axis how the teamwork of a free people can make even those records fall. We shall demonstrate that freedom and teamwork make the people of a democracy the most efficient producers in the world — whether it be of battleships, tanks, planes, guns, or of the produce of the soil.

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE,

November 1, 1943

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SCHEDULE A

CURRENT SUPPORT PRICES OF THE WAR FOOD ADMINISTRATION

Commodity	Price Support
Hogs	Average for good-to-choice butcher hogs at Chicago: $13.75 per cwt. for hogs weighing 200-270 pounds, through September 30, 1944; $12.50 per cwt. for hogs weighing 200-240 pounds, October 1, 1944-March 31, 1945.
Eggs	Purchased on offer-and-acceptance basis equivalent to not less than 30 cents per dozen in spring and early summer, and an annual average price of 34 cents, basis U.S. average farm price, effective through June 30, 1944.
Butter	46 cents per pound for 92 score, Chicago basis, effective through June 30, 1944.
Cheese	Equivalent of 27 cents per pound, including subsidy for U.S. No. 1 American cheese, Plymouth basis, effective through June 30, 1944.
Dry skim and evaporated milk	12.5 cents per pound for roller and 14.5 for spray process, extra grade, f.o.b. plant, Mid-West basis, with support prices for evaporated milk about in line with prices for butter and dry skim milk, effective through June 30, 1944.
Chickens	90 percent of parity, excluding broilers or chickens weighing less than 3 pounds, effective through June 30, 1944.
Turkeys	90 percent of parity, effective through June 30, 1944.
Soybeans for oil	For 1943 crop: $1.67-$1.86 per bushel, U.S. average farm price, for yellow or green soybeans of high oil content, with price of $1.80 for No. 2 yellow, 14 percent moisture content, and storage allowance of 7 cents per bushel, on farm-stored seed under CCC loan.
Flaxseed for oil	For 1943 crop: $2.85 per bushel, basis No. 1 at Minneapolis, with storage allowance of 7 cents per bushel on farm-stored seed under CCC loan.
Cottonseed	For 1943 crop: $55 per ton, f.o.b. shipping point, Oklahoma, Texas, and New Mexico; $56, other States.
Peanuts	For 1943 crop: Support prices Virginia and Spanish types all uses average $140 per ton; runner type, $130. Adjustments for grade. Uniform price to all farmers for peanuts of like type or grade within each area or region.
Dry beans .... (Designated classes; pea; medium white; great northern; small and flat small white; pink; pinto; cranberry; small red; light, dark, and western red kidney; lima, and baby lima)	For 1943 crop: $6.50 per cwt. for U.S. No. 1; $6.35, U.S. No. 2; in bags, f.o.b. country shipping points, except $7.50 per cwt. for U.S. No. 1 and $7.35 for U.S. No. 2 lima; baby lima; light, dark, and western red kidney. Loan on thresher-run dry edible beans, all classes except tepary and mixed, at $5.50 per cwt. for U.S. No. 1; $5.35, U.S. No. 2; and $5.10 U.S. No. 3.
Dry peas:	
Smooth types............ (Designated classes: Alaska, Scotch green, first and best, narrow-fat, white Canada)	For 1943 crop: $5.65 per cwt. for U.S. No. 1 and $5.40 for U.S. No. 2, in bags, f.o.b. carrier at country shipping points. Loan on thresher-run smooth dry edible peas of $4.50 per cwt. for U.S. No. 1 and $4.25 for U.S. No. 2.

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Commodity	Price Support
Dry peas (Cont'd):	
Wrinkled types .... (Designated classes: alderman, perfection, profusion, surprise, Thomas Laxton)	For 1943 crop: \$4.25 per cwt. for U.S. No. 1; \$4.00, U.S. No. 2; in bags, f.o.b. carrier at country shipping points, for peas grown for canning purposes under contracts approved by State War Boards but which, for various reasons, will not be canned.
Blackeye (South)	For 1943 crop: \$5.75 per cwt. for U.S. No. 1, cleaned, bagged, and delivered to designated points; \$5.60, U.S. No. 2; and \$5.35, U.S. No. 3.
American-Egyptian and Sea Island cotton	For 1943 crop: American-Egyptian, 48 cents per pound net weight for No. 2 1½-inch cotton. (USDA 1290-43) Sea Island 56-70 cents per pound (Puerto Rican) and 48-59 cents (Mainland).
Cotton, corn, wheat, tobacco, and rice	Farmers cooperating in the agricultural conservation program will be eligible for loans equivalent to 90 percent of parity (or 85 percent in the case of corn and wheat) as of the 15th of the month preceding the beginning of the marketing year as provided in the Agricultural Act of 1938, as amended. (USDA unnumbered release, 11-27-42). Loan rate for 1943 cotton, 19.26 cents per pound for middling 15/16-inch, gross weight. (USDA 272-44). Loan rate for 1943 wheat, average of \$1.23 per bushel at the farm.
White potatoes	For 1943 crop: 90 percent of parity as calculated at the beginning of the marketing year, but not less than specified prices for certain grades of potatoes in specified commercial areas, and 50 cents per bushel on normal yield of acreage planted to potatoes in excess of 90 percent of the farm goal, up to 110 percent of the goal, effective on acreage planted after February 1, 1943.
Sweetpotatoes	For 1943 crop: \$1.15 per bushel, August-November; \$1.30, December-January; \$1.45, February-April; for U.S. No. 1 packed in bushel crates, baskets or hampers. U.S. No. 2 containing at least 75 percent U.S. No. 1, 15 cents under price for U.S. No. 1. For U.S. No. 1 or better, cured, properly packed in bushel crates, baskets or hampers, \$1.50 during Jan. 1944; \$1.65, February.
Vegetables for fresh consumption..........	For 1943 crop: \$50 per acre for each acre over 90 percent of the farm goal (for carrots, snap beans, li- beans, beets, tomatoes, cabbage, onions, and green pe- as a group) up to 110 percent of goal.
Canning crops	For 1943 crop: Minimum support prices will be paid on acreage contracted with certified canners at following levels (prices on national basis; will vary by States): tomatoes, \$24.25 per ton; green peas, \$81.50; sweet corn, \$18; snap beans, \$91; lima beans, \$90-\$115; beets, \$19.-\$21; carrots, \$20-\$22; cabbage for kraut, \$12.
Canned vegetables	For 1943 pack: 95 percent of canners' net ceiling prices until mid-1944 for canned tomatoes, tomato juice, tomato pulp, tomato paste, sweet corn, snap beans, green peas, lima beans, beets, and carrots.
Apples, for processing	For 1943 crop: Apple products will be purchased from certified processors paying the following prices per hundred pounds for apples: U.S. No. 1 cannery grade, 2¼-inch and up (and "C" grade, Washington and Oregon), \$3.10 for Class A and \$2.50 for Class B; U.S. No. 2 cannery grade, 2¼-inch and up, \$1.65 for Class A and \$1.50 for Class B; ciders, \$1.00.

Commodity	Price Support
Apricots, for canning......	For 1943 crop: \$95 per ton, roadside.
Figs, for processing	For 1943 crop: For canning: Kadotas, \$125 per ton. For drying: Calimyrnas (basis 75 percent test), \$380 per ton; Adriatic (basis 80 percent test), \$250; Kadotas, tree-picked (basis 90 percent test), \$240; Kadotas, natural (basis 85 percent test), \$230; Black Mission (basis 85 percent test), \$200.
Dried fruits:	
Apricots	Natural-condition, 1943 crop: Average of 32 cents per pound.
Peaches	Natural-condition, 1943 crop: Freestone, \$440 per ton; clingstone, \$330.
Pears	For 1943 crop: Lake County quality, \$360 per ton; others \$330.
Prunes	Natural-condition, 1943 crop: California, 3-district, 8½ cents per lb. basis (80 prunes a lb.); California "outside" district, Washington, and Oregon, 8¼ cents.
Raisins	Natural-condition, 1943 crop: Thompson seedless, \$155 per ton; Muscats, \$165; Sultanas, \$150. (USDA 243-44). Dehydrated: golden-bleached, sulphur-bleached, and soda-dipped Thompson seedless, \$195 per ton; Valencia or dehydrated Muscats, \$205; so-called Zante currants, \$215; tray slip Muscats, \$180.
Grain sorghums	For 1943 crop: U.S. No. 2 or better, 85 cents per bushel; U.S. No. 3, 80 cents; U.S. No. 4, 70 cents; except Arizona and California 5 cents higher.
Hemp	Prices will be supported for hemp and hemp seed grown under contract, 1943 crop.
Castor beans	For a small acreage: 6 cents per pound for beans in th hull that shell 70 percent, 1943 crop.
Wool	1943 clip will be purchased at ceiling prices.
Barley	For 1943 crop: From 60 cents per bushel for U.S. No. 5 to 75 cents for U.S. No. 1, with rates 5 cents higher on Pacific Coast.
Sugar beets	For 1943 crop: Producers assured \$1.50 per ton more than they received for 1942 beets of standard quality (16.5% sucrose). Returns should average around \$11 per ton.
Gum naval stores...........	For 1943 season: Loan and purchase rates for turpentine, 64 and 68 cents per gallon, respectively. For rosin, loan rates from \$3.70 per cwt. net for X grade to \$3.25 for G Grade, average of \$3.50, purchase rates same grades, \$4.04-\$3.59 with an average of \$3.84.
Hay and pasture seeds	For 1943 crop, support loans or purchases are offered for 30 hay and pasture seeds, including alfalfa; several varieties of clover and lespedeza; timothy; smooth bromegrass; crested, western, and slender wheatgrass; blue and side oats grama; orchard, buffalo, bermuda, dallis, and bahia grass, meadow fescue; blue lupine; and wild winter peas.

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SCHEDULE B

Estimated cost of price support program (in million dollars):

Program	Period Covered	Estimated Loss (in millions)
Dry Beans	1943 Crop	$ 8
Potatoes	1943 Crop	20
Prunes	1943 Crop	7
Raisins	1943 Crop	7
Canning Vegetables	1943 Crop	30
Sugar	1943 Crop	50
Cheddar Cheese	1943	25
Fluid Milk	1943	5
Oilseeds & Products	1943 Crops	60
Feed Wheat	Fiscal year 1944	70
Dairy Feed Payments	1943	60
Miscellaneous	1943	8
Total		$ 350

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U.S. SECRET

BRITISH MOST SECRET

COPY No. 14

OPTEL No. 357

Information received up to 10 A.M. 31st October, 1943

1. NAVAL

One of H.M. Cruisers and one of H.M. Destroyers were attacked by aircraft yesterday east of RHODES. Both ships were hit. Destroyers are standing by the Cruiser and three destroyers had been previously bombed on 29th off CASTELORIZZO without damage.

2. MILITARY Italy To 12 Noon 30th. No heavy fighting. 1 bridge over TRIGNO washed away on 78th Division front further West enemy located holding positions immediately North of Rivers. Canadian Forces improved their positions in the area north of the Matese Mountains where their troops reached an approximate North-South line astride the road about 10 miles South East of ISERNIA. On 5th Army front some advance was made South West of Teano (12 miles North West of CAPUA) and on the Coast Troops of 56th London Division captured TRANZI 3 miles South of TEANO.

3. AIR OPERATIONS Western Front 30th. CHERBOURG Harbour and Airfield bombed by a total of 16 escorted Bostons, Whirlwinds and Typhoons. 30th/31st 7 enemy aircraft flew over South East England 2 were destroyed by Night Fighters 3 Raiders reached the Greater London Area.

Italy 28th. 94 Light Bombers and Fighters attacked objectives in the Battle Area and 47 Mustangs shot up grounded aircraft North West of ROME. Enemy casualties 7.2.3. Ours 1 missing. 29th. 113 Fortresses escorted by 48 Lightnings dropped 343 tons at GENOA with good effect, 2 Bombers, 2 Fighters, missing. Objectives North of NAPLES were attacked by 126 Light Bombers and Fighters. 1 Bomber missing.

Crete 29th/30th. Heavy Bombers dropped 18 tons at HERAKLION Airfield.